



VieMed

Fourth Quarter and Year End 2019 Earnings Call

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CORPORATE PARTICIPANTS

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CONFERENCE CALL PARTICIPANTS

George Brooks O'Neil, *Lake Street Capital Markets*

Nick Corcoran, *Acumen Capital*

Doug Cooper, *Beacon Securities*

Michael Eisner, *Private Investor*

PRESENTATION

Operator

Good day everyone, and welcome to today's VieMed Fourth Quarter and Year End 2019 Earnings Call.

Just as a reminder, today's call is being recorded.

At this time, I would like to turn the conference over to Todd Zehnder, Chief Operating Officer. Please go ahead.

Todd Zehnder

Good morning everyone.

Please note that our remarks in this conference call may include forward-looking statements under the U.S. Federal securities laws, or forward-looking information under applicable Canadian securities legislation, which we collectively refer to as forward-looking statements. Such statements reflect the Company's current views and intentions with respect to future results or events, and are subject to certain risks and uncertainties, which could cause the actual results or events to vary from those indicated in our forward-looking statements. Examples of such risks and uncertainties are discussed in our disclosure documents filed with the SEC or the securities regulatory authorities in certain Provinces of Canada. Because of these risks and uncertainties, investors should not place undue reliance on forward-looking statements. The forward-looking statements made in this conference call are made as of the date hereof, and the Company undertakes no obligation to update or revise any forward-looking statements except as required by law.

The year end financial results news release, including the related financial statement, is available on the SEC's website.

Now I'll turn it over to Casey to get things started.

Casey Hoyt

Good morning everyone, and thank you for joining our call today. I'm thrilled to have the opportunity to report on yet another record quarter and overall year for VieMed. Our team was able to achieve a 38% growth rate in 2019, which is an amazing number.

However, as most who are familiar with our story are aware, we are a very patient-centric organization who prides itself on its people, partnership and performance.

The vast majority of our patients convalesce at the end of life phase, with only 17 months to live. We help these folks stay comfortable within their home environment, and provide more opportunities for them to live their lives a little longer and healthier.

While 38% is impressive, the number in 2019 that we are most proud of is that we set up over 5,700 vent patients during the year.

Our metrics from KPMG and Precision Harvard Medical School studies show that for every six to eight patients placed on therapy we save a life, which means our folks at VieMed saved somewhere between 700 and 1,000 lives this past year.

These are the metrics that are a testament to our people's hard work, dedication, and commitment to the patients within their local communities that they serve.

Because of the decisions that our clinicians make on a daily basis, to be on call 24-7, drive longer distances, wake up early and work late, go the extra mile, so many people around our nation are cared for, educated, loved, and overall have a better quality of life.

I appreciate each and every one of our employees, and recognize that we could not achieve these financial milestones without their continued passion for our mission.

Moving onto the fourth quarter, I'd like to begin with our movement into the VA. Earlier in the year the Trump Administration passed the Mission Act, a program designed to address the compounding need to treat veterans in the rural areas of our country. Our VA team was strategically in place to create a clinical pathway of bringing our service to these many veterans in need.

Last quarter I referenced a contract we received in New Mexico. Well, that contract has led us down the path of executing on a national contract signed with the VA to provide service over the next three years. Our focus has now turned to getting our folks trained on the VA's administrative and sales process, so that we can help as many veterans as we can. I'm extremely pleased with the work our government relations team has accomplished, as they have executed on a vision formed over two years ago, of bringing VieMed services to veterans suffering with COPD.

Next I'd like to review the progress of our patient engagement portal, which we call PEP. The PEP platform was created last year to remotely monitor our patients and put us in a position to react on a real time basis. Our RT and patient app is complete, and pamphlets have gone out into the hands of over a hundred patients across the country.

Our data shows that we lose 8% of our patients in month one, 6% in month two, and another 6% in month three. We aim to analyze how much we can improve our length of stay within the first three months of care, all while checking for general usability and functionality issues along the way.

Once completed, phase two will include a roll-out for the rest of our patients, and we will begin the process of gathering data and sharing it with physicians and payers to provide real-time outcomes.

Our roll-out of PEP could not be coming at a better time, as CMS has released new codes on remote patient monitoring as of 2020, which stand to be another revenue generator for business.

Speaking of revenue generation, our organic model finished the year strong, with bringing on eight new areas and hiring eight new sales reps during the fourth quarter.

We are also off to a rapid start in 2020, with 12 new reps coming on board in the first two months of the quarter.

We continue to evolve our recruiting and training tactics, which are allowing us to find more qualified candidates and get them productive at faster rates.

In our underserved markets, our expansion of sales reps into new territories continues to be at the main focus, and has always provided the most value for our organization.

We have added multiple sales trainers and managers to accommodate the explosive growth rate that we are experiencing.

With the addition of Wyoming and Wisconsin, we are now conducting business in 34 states, Medicare approved in 46, and licensed in 47.

Another main factor contributing to our growth is our ability to do business with more private payers.

Our network development team added another 24 new contracts from the fourth quarter, and finished 2019 landing six national contracts.

This deployment continues to gain momentum and resources as they are executing on many strategic initiatives set in place to get payers more access to our care.

A contributor to landing more national contracts is the ability to offer more of our ancillary products and services, such as oxygen, sleep, lymphedema, vest, the multifunction vent, etc. These ancillary products have opened up the market of treating folks suffering earlier in their chronic disease states. These patients are more accustomed to cash paid transactions; therefore we have many models being developed to collect cash payments upon delivery.

At the beginning of 2019, we set a goal to diversify our product mix, as vents were dominating at 99% during the fourth quarter of 2018. We did a real good job of executing on that initiative, as our ancillary products represented 16% of our revenue during the fourth quarter of 2019, and vents made up 84%. Our vent growth rate is a hard one to keep up with; but that being said, our executive team does not stop looking for unique products and underpenetrated markets that improve life for our patients and are easily administered by our network of clinicians.

On the clinical studies front, we expect to have our Precision and Harvard Medical study officially published in Q3 of this year. Of course this has not stopped us from marketing the results, as they were presented at CHEST last October.

Another meta-analysis study recently published in the 2020 issue of *JAMA*net also concluded that non-invasive positive pressure ventilation was associated with improvement in mortality and hospital admissions for chronic respiratory failure patients consequent to COPD.

Bottom line is, we're seeing more clinical data coming out of the industry supporting mortality reduction for our service, which is refreshing and exciting.

At CMS, we have had no further movement on the competitive bidding front. Should competitive bidding move forward, then we should expect to hear about bid-winning areas hopefully by summertime or before Q3. However, we have no way of knowing when CMS will complete their process.

Our position on competitive bidding remains that this would be an opportunity to scale our business into areas where we are currently not located. We might also seek consolidation in the industry for "mom and pop" cash-strapped private companies struggling to adjust to rate pressures.

There's a bill on the Hill, H.R.4945, written and designed to push competitive bidding off for ventilators until we have clear medical guidelines in place. These guidelines are needed to describe how often we should service and qualify patients. Our Company supports the need for clear guidelines, and has been in multiple discussions with regulators, industry associations, competitors, and all manufacturers across the country. A unified message from our industry is what CMS will need to write the appropriate rules for the game.

Todd and I have also been receiving a number of different inquiries from investors on how our Company could possibly help with the coronavirus epidemic. Our short answer is, it's just too early to tell how we can help. We recognize that coronavirus is an influenza-type disease that ultimately affects the respiratory system. We very well could be called upon to at a later date to help either test or treat these patients. For now, we will continue to keep an eye for any need that the country might have that our network of clinicians might be able to administer.

On the capital markets front, Todd and I continue to be busy staying in front of investors, as we had trips to Milwaukee, Boston, and New York, with road shows alongside of Lake Street Capital, William Blair, and Piper Jaffray. We also presented at the Piper Jaffray health care conference in New York.

For more of the financial and operational results of the fourth quarter, I'll turn the call over to our Chief Operating Officer, Todd Zehnder.

Todd Zehnder

Okay, thank you Casey. In reviewing the financial results, all figures are in U.S. dollars, and the full results will be made available on the SEC website as well as SEDAR.

We generated net revenue of \$21.4 million in the fourth quarter of 2019, as compared to net revenues of \$16.6 million in the fourth quarter of 2018, which equates to a 30% increase.

During this quarter, we began to show our revenue net of any expected bad debt expense, whereas the bad debt piece was previously reported in SG&A. All of the prior year figures that I'll be citing have been adjusted for that netting.

Additionally, we have begun to report a piece of our rental revenue as deferred revenue. We have actually recast our prior results as this change in accounting would impact the numbers from the inception of the Company.

I want to point out that this entry in no way changes the collectability of the revenue, and in many cases we have already received the cash for the revenue that we are deferring. This is just a change that our new accounting firm presented to us, and when looking at our U.S. peers, it appears this is very common to show on the balance sheet.

Additionally, it is important to note that this is a non-cash entry and has zero impact on the economics of our business. It is merely a method of accounting that we have adopted.

Revenue for the year came in at \$80.3 million, which is a 38% increase over the 2018 amount. This marks another year of roughly 40% organic growth.

Our vent patient growth was once again strong as we grew approximately 5% during the sequential quarter and 30% year over year.

Just a reminder that all this growth has been organic, as we continue to employ our model around the country.

While our vent patient growth remains on track, we are also excited about the continued progression of our ancillary product lines, which as Casey pointed out are continuously driving a larger share of our revenue.

Our current year margins have been slightly lower, as our growth has been more focussed in new areas that don't have the economies of scale of growing an existing area. They are positioning us for more expansion, especially with the competitive bidding program forthcoming.

Adjusted EBITDA hit an all-time high, totaling \$5.6 million for the quarter, which is a 26% margin.

Adjusted EBITDA for the year came in slightly above \$19 million; it would have been approximately \$725 thousand higher if we hadn't started booking deferred revenue. Once again, that is in no way, shape or form contingent on anything except time, but we are not adding it back to EBITDA.

As we have stated several times this year, we are continuing to make investments in our new areas of technology, marketing, inside sales, as well as new teams around the country; and while they have suppressed current year profitability, we've expanded our platform to accommodate future rapid growth.

We have funded our growth by redeploying our Adjusted EBITDA during the current quarter, as our medical cap ex totaled \$4.4 million during the fourth quarter of 2019, primarily driven by new vent purchases and growth from our newer products like vests, oxygen and pumps that we have begun to sell in higher quantities. Our cap ex came in below our quarterly Adjusted EBITDA, which is another good sign that we are funding this rapid growth out of cash flow.

Our SG&A totaled approximately \$41.4 million, as compared to \$28.1 million during the prior year. Once again, both numbers don't include bad debt.

As in prior quarters, we have continued to make investments into the growth of our Company around the country, as well as our home office in Lafayette. Our investments into the future growth of the company continue, and we're excited about the platform that we've developed at VieMed. Our technology investments are showing benefits in our work flow system as well as our pending patient engagement platform pilot. We are extremely excited about the future and what our marketing and technology investments will do for the Company.

Additionally, the Company has made a concerted effort to establish a presence in more of the metropolitan areas around the country to prepare for the 2021 competitive bidding program. This (inaudible) grown a little differently in the past, when we would attempt to grow 60 miles down the road from an existing region to leverage economies of scale. In the long run, this will definitely pay off for the Company.

As it relates to competitive bidding, there has not been any more formal communication from the CBIC as to the timing of when we will learn bid winners or bid rates. We expect to hear something later in the summer. As a reminder, roughly 20% of our vent patients are Medicare patients within the CBA.

As in prior quarters, we have once again have a very solid balance sheet with approximately \$13.4 million in cash at year end, \$11.5 million of AR, and an overall working capital balance of roughly \$1.9 million, net of the deferred revenue entry that we've discussed.

We reduced our AR during the fourth quarter as cash collections were very strong, and the first quarter has started out very strong as well. We feel that our new work flow system is now operating efficiently, and our ability to have real-time access to data is better than it has ever been.

Our long-term debt is approximately \$10.7 million and being serviced with operating cash flow. As we previously mentioned, the majority of this balance is due to the headquarters purchase, the equipment leasing that we do, and the term loans taken out with our product diversification driving more cap ex this year.

We have once again had another rapid organic growth year, all while maintaining our profitability and healthy balance sheet.

Moving on to the first quarter, we've provided net revenue guidance in the \$21.8 million to \$22.8 million range. We feel that our margins will be materially similar to 2019 rates, depending on variable compensation plan and the level of growth around the country versus existing areas. We once again expect all this growth to be organic, and we are very excited to see the multiple product lines contribute to the significant growth that we are experiencing. As in prior quarters, we expect to reinvest most of our Adjusted EBITDA into cap ex.

As we conclude another record year for the Company, I feel it's important to note the tremendous accomplishments from the team. We are very proud of our numbers posted. However, the progress made in the infrastructure and platform of the Company is hard for outsiders to appreciate. I feel very confident in saying there's more greatness ahead for VieMed shareholders, employees, and most importantly our patients.

At this time, I'm going to turn it back over to Casey to wrap things up.

Casey Hoyt

Thank you Todd.

For those of you that have followed us for the past three years, you've seen us grow almost 40% in three consecutive years and expand into 34 states. As I reflect on the future potential for growth in 2020, 2021 and beyond, I view it will come to us through many different channels: certainly our organic growth strategy of placing more people in underserved areas, but also in the form of treating earlier-stage patients with our vast network of clinicians inside of new health systems such as the VA.

We will be working with many different payer source, and conducting more cash transactions. We will continue to form and develop all sorts of strategic partnerships with ACOs, managed care groups, and hospital systems struggling to accommodate the patients that are headed their way. We will remain nimble so that we can quickly capitalize on any short- or long-term regulatory shift opportunities. We will keep our war chest full and ready for any strategic acquisitions that might pop up along the way.

Our unique Company culture of helping people living better lives, all while living ours, will be at our core. Our network of clinicians will be our greatest asset, and they will always be forever expanding. We are only scratching the surface of what VieMed aspires to become: the largest home respiratory company in the country.

Thanks to all of our investors who have chosen to join us on this ever so important mission of saving lives.

This concludes our prepared remarks; we will now open up the floor for questions.

Operator

Thank you.

To the audience, if you have a question or a comment today, please press star, then one on your touch-tone phone. For those who be joining us today using a speaker phone, please make sure your mute function is turned off, to allow your signal to reach our equipment.

Once again to the audience, it is star, then one for questions.

We'll go first to George Brooks O'Neil of Lake Street Capital Markets.

George Brooks O'Neil

Hey good morning guys, and congratulations on another great year.

So, I'm particularly excited about the VA opportunity. I know you've been working on that for quite a while. So, can you give us any color at all on the three-year national contract you signed?

Casey Hoyt

Yes, I mean it's a national contract, and it's a separate book, coming from a separate bucket of money, that really the Mission Act inspired, Brooks. Right now, where we're at, we have lots of physicians inside of the VA that are sending us patients. What's unfortunate is that we've got a backlog inside of this new bucket of money, if you will, coming from the VA on how they're processing it. So, we're very excited about the national contract, we have a lot of opportunity, etc., right now, it just becomes about processing the administrative hurdles of getting paid, basically, for the patient that are headed our way.

George Brooks O'Neil

Sure, sure. That sounds great. Let me ask you about a different topic. So, obviously you continue to expand geographically, and you've said your focus has shifted a little bit towards the larger metropolitan areas physician for competitive bidding. Can you just talk a little bit about what you're finding in those markets? Obviously you get little less operating leverage because there's no infrastructure to take advantage of, but how has the response been? Is there any difference in terms of the response from physicians in those areas, and just how's that all going for you?

Casey Hoyt

I mean, I'll start, and I'll let Todd comment maybe at the end. We spent a lot of last year, as you know, Brooks, getting ready for competitive bidding, getting set up in these metropolitan areas. We've accomplished that and submitted our bid. We, by default, started placing folks inside of the metropolitan areas in the first, let's call it, three quarters of 2019. We found we had a little bit of a slower growth rate in those areas, but, so we started to say hey, let's go ahead and step back out of the metropolitan zone into the rural spots where we have been so successful in the past. That's why you saw our growth rate, I think, in Q4 go up about 5% from where it was in Q3.

We're in position for competitive bidding. We've got the states highlighted. We've done all the regulatory work. The bids are submitted. Now it's just, we're going to wait and see which ones that we win. We'll split into those areas as we uncover what the rates are and (inaudible). For now we're just going to continue growing as we always have in the past, and stay on track for these growth rates that we've historically gained.

George Brooks O'Neil

I don't mean to cut off Todd at if he has comments, but you highlighted the 40% growth over the last couple years; do you guys think you can continue to grow at 40% in the current environment? Or, what would be your goal for 2020 and beyond?

Todd Zehnder

I'll say this. Our goal is to continue that growth rate. While, if you look at first quarter guidance, we haven't guided to that, it is continuing to be our goal.

I would say that we have a lot of things that haven't started impacting revenue in a material way; the VA is a prime example, what our patient engagement platform could do from a major ACO contract or a payer contract. There is just a lot of things that could have a big impact on revenue, that we know we've been investing in for years, and sometimes investors get frustrated that we're putting the cost into the middle part of the P&L, we're not seeing the revenue growth. So, that's what we would consider part of our long sales cycle processes, and we're seeing some green shoots come from that. So, while no formal guidance that says 40%, there's no reason that this team can't continue to do that. We know that the numbers are getting bigger, and so the challenge gets harder and harder every year, but that's why we show up every day, to keep trying to save that many lives.

George Brooks O'Neil

Absolutely. Let me ask one last question. I appreciate all the color, guys.

Can you just tell us a little bit more about the successes or issues you're having with the product line expansions? Particularly curious about whether you see them being complementary, whether you're having any issues, whether you view them as real growth accelerators, or just sort of what's going on with the new product additions that have been brought out in the last year or two.

Todd Zehnder

I think they've all—I mean, I wouldn't say there's any major challenges, Brooks, other than we're just doing so much, we're growing so fast, and that gives us challenges. But that's what we structured the Company for.

They've all been complementary in their own way. I mean, the vest product line has been our largest, our fastest-growing from a notional amount, and it's just such a good product to offer because so many of our COPD patients fight bronchiectasis, and so that disease state has been a very good one to come in and offer to our referring physicians and to our patients.

The O2, obviously, as we talked about earlier in the year, it's more of a precursor, because our patients are ultimately going to end up—our patients end up on O2 before they end up on vents. So that's just been another good one that we've rolled out around the country. I mean, that technology has changed so much over the last few years, and we see that being a really good growth.

And then looking back, I mean, we've got a lot of things going on within our sleep business, our resupply program. We (inaudible) to e-commerce work now. So there's a lot of good that's going to diversify the Company. We're still a vent-centric business because that's our specialty, but these ancillary product lines have really good margin enhancement when it's all looked at in total. Our existing sales force can go out there and sell them. It's really having a big impact as you could, you know, you heard from Casey's prepared remarks, I think we're up to 15% or 16% of our revenue is coming from these other product lines, which is a major move over a 12 to 18 month period.

George Brooks O'Neil

Absolutely. That's great. Keep up the good work, guys. Thanks a lot for your color.

Casey Hoyt

Thanks, Brooks.

Operator

Once again to the audience, that is star, then one for questions.

We'll go next to Nick Corcoran of Acumen Capital. Please go ahead.

Nick Corcoran

Hi guys, and thanks for taking my questions.

Casey Hoyt

Hey, Nick.

Nick Corcoran

I think most of my questions have been answered. But in terms of bad debt expense, can you maybe just give a little bit of color on how you felt about bad debt expense in the quarter and how you see it trending going forward?

Todd Zehnder

Bad debt came back down to probably a more reasonable amount. It was 11.8% for the fourth quarter. We're obviously netting that out, but we still disclose what it is. For the year, it came in at 10.9%.

If you guys remember, I talked about, this year was a little lumpy because of the billing work flow integration, and I feel like we're in really good shape from that standpoint now. Our system is up and running. I mean, the visibility that we have from the field in a real-time basis now, it's second to none. I mean, it took us a while to get there, but we—and at the same time we were growing 40%. So, it was a little lumpy last year, but I feel good about where we ended up, 10.9% for the year, and that's at sort of the middle of the range of what we've always said as a company. We're sort of a 9% to 13% bad debt, if you look at it over the history, and if you look at DMEs around, that's sort of in line with people.

So, I feel like we're back at a good state. I feel like it's going to be more stable going forward now that we've integrated the system. Once again, it's hard for people to recognize the investment that was made, but now we have virtually a paperless model for our RTs in the home, and when they finish setting up a patient, it's all tablet-based and it comes directly into our work flow system, and it can be billed out.

There are just so many efficiencies that are hard for us to explain to every investor, but it's been a major accomplishment to all the different departments. It starts with our technology team, and pushes all the way out through the therapists in the field, and then ultimately our billing European home office.

Nick Corcoran

Great, and then maybe just going to patient growth, historically being kind of targeting the 6% to 8% range. Just looking at your guidance, it seems to be below that. Can you maybe give a comment on what you expect going forward?

Todd Zehnder

Yes, I mean, that kind of goes back to Brooks's question. I mean, we ended this year at 31%. It was a little—it was front-end loaded last year. We recognize that. I think we're going to be a little bit more consistent this year, if I had to guess. I think we can clearly get to those levels. There are so many factors that go into that, new sales people, attrition rates, flu seasons, all those type things. So, we're cognizant of making sure we guide appropriately.

But I would like to say that, once again, these don't include the big impacts that we're talking about that we see—we're starting to feel some momentum come through some of these bigger projects that we've been working on. We can't guide to that yet because nothing in the bag, but we're starting to, once again, see some real good green shoots.

Nick Corcoran

Great. That's all from me. Thanks.

Casey Hoyt

Thanks Nick.

Operator

Up next from Beacon Securities, we'll hear from Doug Cooper.

Doug Cooper

Hi, good morning, guys. Just back on the VA, can you just give us an idea of how many patients you think will be applicable for the therapy, and when you might start the first onboarding, after the paperwork all gets done?

Casey Hoyt

I can start at a very high level on that. I mean, we have 9 million patients inside of the VA. We've always estimated, Doug, that we've had about 300,000 to 600,000 Stage IV COPD-ers in there, because they're three times more likely to have COPD. That's a Company guesstimate, if you will. But, what I can tell you that's different about the VA opportunity than the way that we do business now is they're asking us to get in on the front end of the disease state. They want us to lead on our network of clinicians, to go out into these rural areas, make assessments, make recommendations on what type of equipment needs we'll have for Stage I, II and III COPD. So that's really exciting to us, that could bring the number up substantially, but I wish I had a number for you to give you on how many patients. We know it's a ton and it's a major opportunity because it's underserved, but I just don't have anything concrete for you.

Doug Cooper

When you say you got a national contract, it's not a sole source contract? Is there other companies in there or you basically got the VA to yourself?

Todd Zehnder

No, there's other companies, but this is just so new that we have the ability to be a leader in this movement is what we would say because, like Casey said, there so many just back-office things that had to be done, I feel like we're in pretty good shape to be a fast capturer of this business.

Doug Cooper

Moving on to ancillary revenues, Casey, you said it was, I think, 16% revenue in Q4, I think was what you said. What do you think will be a realistic goal as you continue to grow your vent business? Obviously, that will continue to grow, but what would you like other revenues to be as percentage of maybe, say, 24 months out?

Todd Zehnder

Doug, if we could move at that same level again this year, I would be very pleased with that. Because the whole point is this: we're growing vents fast. You know that. In order to move that percentage, you've got to outgrow that growth rate. I feel that that's doable; we have a variety of different services that are growing exponentially; and truthfully, if we—one of the things we're really working on, and it encompasses the VA and it encompasses other payers as well, is being paid for our services. I mean, Casey mentioned it. Our RT are the largest asset this Company has. Our clinicians are second to none. So, while our vent property is a huge asset, we're striving to diversify the Company to where our labor force is as valuable as those vents. I think we're on the cusp of doing that.

So, when you think of that as well, we can make a real material impact, but just on products alone, if we can move that number another 4 to 5 points or whatever we did this year, during 2020, I'd be extremely excited because it's just diversifying the Company from being a vent-only company, if you will.

Doug Cooper

Yes. I guess I just looked on SEDAR. The stuff is still not here. The financial still hasn't filed. Is it on the SEC now? Or when do you expect it to be on SEDAR?

Casey Hoyt

No, the 4K should be filed sometime today.

Doug Cooper

The stock has been pretty weak, obviously, the last few months. Seems to certainly not be reflecting the growth numbers you just posted. Do you think this has continued to be concern about what the competitive bidding and what it might do for margins in 2021? Maybe you can even give us a base case or a worst case or upside of what, if competitive bidding comes in, what it could do to your margins.

Todd Zehnder

Yes, okay. So, on the first point, is the stock weak because of that? It's hard for us to say. There's a thousand things that move stock markets. But I'm sure that uncertainty is one of the things that has people concerned, and we understand that. We've always said competitive bidding, while an uncertainty in the short term, will give us the ability to grow faster in the long term. We've had to sprint around and get ready for the competitive bidding in 2021, and we've done that, and we got our bids in, and so we are positioned to outgrow any rate compression that comes at us with—as long as it's reasonable. We don't want to speculate on winning bids and rates, because we're as knowledgeable as anybody. We just know that we bid a certain rate everywhere. We don't know if we'll win all 120-something at the rates we bid, or if we'll win some, lose some. We got ourselves in position to continue to grow the Company. In these types of situations, we're firm believers that scale matters. Being the third largest vent company in the country, we think that ultimately we're a winner in that business.

Doug Cooper

Okay. Down here, would you give any thought to purchasing stock, put an idea in place?

Todd Zehnder

Obviously, that would be a public disclosure that we will make. But right now, with the competitive bidding program coming up, I can tell you that we're trying to leave ourselves very nimble to be acquisitive if it needs to happen or could happen. Nothing is out of the question. But things are a little different than a year and a half ago when we put that in place.

Doug Cooper

Okay. Okay, that's it from me, thanks very much, guys.

Todd Zehnder and Casey Hoyt

Thanks Todd.

Operator

Moving on to Michael Eisner. Please go ahead.

Michael Eisner

Hi. What are you hearing from your respiratory therapists out in the field, from your patients, about how they feel if they have to go to a hospital instead of getting in home care? Have you gotten any feedback?

Casey Hoyt

In reference to the coronavirus, Michael, is what you're asking?

Michael Eisner

Yes. Yes, I'm sorry, yes, the coronavirus. Yes.

Casey Hoyt

Right. We don't hear any feedback from our RTs. I mean, we've sent out notifications that guys we're just—this is a respiratory disease, and we remain ready to go in the event that we are called upon by the government, or the VA for that matter. But it's just—it's really too early to tell. As I mentioned in my comments, my prepared remarks, I mean, we just kind of stand ready at this point. I mean, there's so few cases in the U.S., and it's just a PDP issue at this point. But we don't have any feedback from the RTs that they're worried about running into this or anything like that.

Todd Zehnder

I think one thing to add, Michael, if your question was poised at this, is that our service, by treating patients in the home, is so valuable because they're not going to public facilities. Our patients, in many cases, are homebound, and that gives you an insulation from not having diseases spread, as long as it doesn't come into your home. So, we once again think that the home-based model, for all the different reasons, is so much more valuable, and that leaves the facilities to deal with the coronavirus or any other things that need to be treated in the facility.

Michael Eisner

I agree with you. I was just wondering what you were hearing from people, from your patients, if they had any comments about that.

Do you have enough vents in stock?

Todd Zehnder

Yes. To service our patients, we do. We have no issues as far as the growth that we're expecting, or we got a great vent supply. None of our manufacturers have told us that they're running into any issues from the whole China slowdown. We will be monitoring that very real time.

Michael Eisner

Any idea when the new VA study will start?

Casey Hoyt

We don't have a start date, but we've already submitted the—it's in the early phase of the pilot program right now, and the ball is in their court. These things take a lot of time.

Michael Eisner

Yes, and you don't really know how many patients yet.

Casey Hoyt

Not yet. But in the pilot program, we'll have around, what, probably less than 50, and then that, we are being told, will take call it a quarter, three months, and then from there we'll launch the official study.

Michael Eisner

All right.

I think you went up from patient count from 3% to 5% in the last two quarters. Any comment next quarter or anything?

Todd Zehnder

Yes, I mean, look, like I told, I think, maybe Nick earlier, the growth in the first half was a lot faster last year than the back half. That has a variety of different reasons. I would expect our growth to be more progressive during the current year. Our guidance has us a little bit less than the 40% if you annualize it right now. But like I told maybe Brooks earlier, our goal is to continue this growth rate. We just got to continue to drive that business every day and keep expanding our clinical protocols, keep our patients alive, try to reduce our first three month pickup. That's where we're dealing with very sick patients. So, there is a lot of things that are going to move this around, and we're just driving to try to keep that historical growth rate going.

Michael Eisner

One final question. What's the life expectancy when you pick up new patients at this point? Has it changed on average?

Todd Zehnder

No. On average, we're still around that 17 month period. That's a lot of what we're trying to invest in this technology for, so that we can try to slow down those first few months pickup, and drive that overall length of stay up to 18 months or 19 months. That's our goal, is to keep these patients alive longer, and importantly, not having to revisit the hospital during those 17, 18, 19 months.

Michael Eisner

Yes, that's why I was going back to the coronavirus, because no one wants to go back to any hospital at this point.

Todd Zehnder

Yes.

Michael Eisner

All right. Thank you.

Todd Zehnder

Thanks Michael.

Operator

As a final reminder to our audience today, it is star, then one if you have a question or a comment. We'll pause for just a moment.

Again, that is star, then one, we'll pause for just another moment.

Actually it does appear that there are no additional time for questions at this point. Just one moment here, and I will turn the conference back over to our speakers for any additional or closing remarks.

Todd Zehnder

We want to thank everybody for listening in, and obviously follow up with us through e-mails or calls if you need to reach us, and we look forward to seeing you guys out on the road.

Operator

Again, ladies and gentlemen, that does conclude today's conference, we thank you all for joining.