



**VieMed**

**Second Quarter 2020 Earnings Call**

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## CORPORATE PARTICIPANTS

**Todd Zehnder**, *Chief Operating Officer & Director*

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## CONFERENCE CALL PARTICIPANTS

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

**Nick Corcoran**, *Acumen Capital*

**Khadir Richie**, *Richie Capital Group*

**Mordechai Yavneh**, *Focus Capital Management*

**Michael Eisner**, *Private Investor*

## PRESENTATION

**Todd Zehnder**

Okay. Thank you. 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 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 this date, and the Company undertakes no obligation to update or revise any forward-looking statements as required by law—except as required by law.

The second quarter financial results and news release, including the related financial statements is available on the SEC's website.

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

**Casey Hoyt**

Okay. Thank you, Todd, and thank you, everyone, for participating on our call today.

I'd like to begin with thanking the Viemed team members for their courageous work on the front lines of this pandemic. A lot of patients are receiving the care they need inside of their home and out of harm's way today, thanks to these individuals. Without this wonderful team, I would not have the opportunity to be reporting to investors on yet another record-breaking quarter.

I'd like to focus the call this morning on how our business has been affected by the pandemic.

Let me begin with how we have pivoted to help keep our existing core business coming through the door. First, despite having little physical access to our clinics and referral sources, our outside sales people have done a good job of electronically communicating to our physicians via e-mail, videos and video conferencing.

Our VieMed Connect app and patient engagement portal have allowed us to stay in touch with our patients through telehealth portals, which in turn have driven meaningful clinical value to report back to our physicians. Our investment this past year into our technology platform couldn't have come online at a more crucial time.

Secondly, we engaged a company to assist us with implementing our training programs into a virtual form, one where we are less reliant on travel to get new folks up and running in new territories. I was pleased that our managers and recruiters were able to hire and train seven new salespeople in seven new territories despite facing the many logistical challenges of getting employees in the office for training.

Third, our purchasing and inventory team sourced both domestically and abroad the appropriate levels of PPE inventory to not only keep our clinicians safe but also had plenty of inventory to offer around the country to our partners in need.

Fourth, we doubled down on building out our inside sales department, realizing that the future will support more touch free call points. The new inside sales reps have been tasked with tactics to stay in front of existing referral sources, creating new ones and deliver the message of our new offerings to the hospitals and clinics. These pivots inside of our core business allowed us to be in position to further solve problems outside of our normal course of business during the pandemic.

One successful example is the development of our call center for inside sales, put us in position to land a statewide contract for COVID contact tracing. The contact tracing contract will have us calling and gathering information from patients who have previously contracted the disease and reporting back to the customer. The contract is for a total of one year and has the potential to bring in seven-figure monthly revenue for as long as the customer has the need.

Since the VA centers began limiting physical visits from our salespeople and clinicians, we decided to pivot and build out another call center campaign around rural access to care for VA patients. Many of our other campaigns are targeted to communicate directly to physicians and referral sources, but this one is designed to create awareness of our rural access to care directly for the patients themselves. The initiative is designed to get patients requesting Viemed respiratory services as they visit their local VA facility.

As expected, our marketing team has been extremely busy developing collateral for these new initiatives. The team quickly created a website, [www.viemeddelivered.com](http://www.viemeddelivered.com), a site set up to provide transparency into the availability of PPE products like gloves, masks, thermometers, sanitizers, wipes, et cetera, available for purchase. This site has contributed to the sale of many PPE deals, which have become a significant portion of our revenue.

Another example of the successful program has been the rollout of a vent rental program designed to help smaller rural hospitals, struggling to find affordable ICU ventilators. With many hospitals around the country faced with stocking up on vents strictly for the pandemic, this unique program allows them to have an affordable and lean solution for their immediate inventory needs.

With that being said, the majority of the revenue related to COVID in Q2 has still come from hospitals and states who are purchasing equipment. We made a lot of sales early on facilitating equipment inside of the epicenters, such as New York, Illinois, Louisiana and Wisconsin. As inventories stabilized in those states, we began receiving more and more requests from the second-tier states, as well as hospitals throughout the country. We are still fulfilling requests for equipment to various pockets throughout the country, along with PPE, and this could be a significant portion of our revenue in Q3.

Todd and I have been doing our best to keep our shareholders up to speed and create as much awareness of the Viemed investment opportunity. Not only have we been busy communicating virtually with many institutional shops but we also held a webinar in Q2 to tell our story to new investors and open the floor up for all investor questions. A recording of this webinar can be found on our website at [www.viemed.com](http://www.viemed.com).

At this time, I'd like to turn the call over to our Chief Operating Officer, Todd Zehnder, to review the operations and financials for the quarter.

#### **Todd Zehnder**

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

We generated net revenue of \$42.9 million during the second quarter of 2020 as compared to net revenues of \$20.3 million in the second quarter of 2019, which equates to a 111% increase. Included in the current quarter amount is approximately \$19.7 million of equipment and supply sales in response to the ongoing COVID-19 pandemic.

Just like last quarter, in addition to the sales of new equipment cited above, we assisted in certain areas by deploying equipment that had previously been in our active rental fleets. Those proceeds were recognized in the gain on disposal of property and equipment and the gross proceeds related to those sales was approximately \$2.5 million. Not considering the effects of COVID-19 pandemic, our second quarter 2020 organic revenue was approximately 14% higher than the second quarter of 2019.

Our vent patient count declined slightly from the first quarter and was up 8% over the prior year second quarter amount. As previously mentioned, we tightened up on our processes during the pandemic to make sure we retrieve noncompliant vents more aggressively as we were seeing the need for equipment at such a high level.

As we reported during the last quarter, new patient referrals have slowed as a result of slower hospital admissions with the ongoing pandemic, but we continue to admit new patients into our program.

As I mentioned on the prior earnings call, our margin percentages, both gross and EBITDA, will be fluctuating as COVID-related product sales during the current year skew comparability. Most importantly, both gross margin and EBITDA hit all-time highs during the current quarter of \$25.9 million and \$16.3 million, respectively. While our gross margins didn't reflect it, our EBITDA benefit from the CARES funds received during the quarter, totaling approximately \$3.5 million.

Although it doesn't impact our EBITDA, I wanted to point out that we recorded a large tax benefit during the current quarter. This \$6.6 million benefit is the result of removing the valuation allowance that has been carried against our deferred tax assets. We expect that we will be able to benefit from these assets

over time as we expect to generate more taxable income. Accordingly, we have removed the valuation allowance in order to begin utilizing these assets.

Our SG&A for the quarter totaled approximately \$16.4 million as compared to \$11.5 million in the prior year second quarter. The rate of hiring slowed down at the end of the first quarter with travel restrictions, but we have picked that back up during the quarter.

We have mainly been looking for new sales reps and clinicians, but we have also bolstered our marketing and technology divisions. We have many initiatives in these areas because the pandemic is rapidly changing how most health care companies are conducting business. Our investments into the future growth of the Company continue with our pet pilot and the VieMed Connect app. As previously mentioned, the development of this app was able to be fast-tracked as a result of our prior technology investments.

We are once again looking at ways to augment our technology platform into other areas, and our current focus of time and resources is in the remote patient monitoring area. While we don't have anything specific to discuss related to our upcoming plans, we are working diligently across a variety of different projects in order to provide a world-class solution. Because we have made technology investments over the last couple of years and continue to invest in this area, we are in a unique position to capture the rapidly expanding market segment.

As in prior quarters, we once again have a very solid balance sheet with approximately \$29.7 million in cash at quarter-end, \$11 million of AR and an overall working capital balance of roughly \$17.4 million.

Our AR during the second quarter came back down to just to traditional levels and is actually at the lowest that it has been in about 18 months, which is a good sign that our new workflow system is operating effectively. Our long-term debt is approximately \$8.3 million and being serviced with operating cash flow. We plan to continue to minimize the amount of leverage on our balance sheet in order to remain opportunistic to changes in the business landscape. This record quarter has allowed us to improve our liquidity position, and we are poised to continue investing into our rapidly growing and changing business.

Along the regulatory landscape, we previously noted that the noninvasive ventilation code was pulled out of the 2021 competitive bidding program. During the current quarter, the movement towards a more defined clinical guidelines for noninvasive ventilation took a major step when MEDCAC conducted a detailed review of the criteria that should be used when evaluating a patient's need for our therapy.

Our Chief Medical Officer, Dr. Frazier, who was a presenting speaker at MEDCAC, along with other industry experts, and gave evidence to the successful outcome of at-home use of noninvasive ventilation for the treatment of certain respiratory diseases. We are hopeful that guidelines will be coming in the future, which would undoubtedly decrease the amount of unsupported audits conducted by the contractors that do not have current authoritative rules to follow. We support the development of more defined clinical guidelines and clear admitting criteria and ultimately feel that this would benefit both our business and the patients in need of treatment.

Moving on to the third quarter, we have provided net revenue guidance in the \$31 million to \$35 million range, which includes approximately \$6.8 million to \$9.8 million of revenue related to the COVID-19 pandemic.

Once again, our margins will be difficult to guide due to the efforts in the pandemic having an impact on revenue composition. We have a broad array of various orders that we are working to secure, and our current focus is to procure the equipment and services needed to fulfill these potential orders.

This record quarter is a testament to our talented team of professionals who continuously prove to be a piece of the solution in this pandemic.

At this time, I'll turn it over to Casey to wrap things up.

**Casey Hoyt**

Thank you, Todd.

There were many positive and important themes to report on during this second quarter. We had themes of diversification through different products and services—service offerings. We consider it to be a major win that our core business has not fallen off despite having limited access to stay in front of our referral sources. The work being put into the remote patient monitoring has the potential to transition our multiple as an organization in the future of more of a technology play. We intend to capitalize on the relationships that we've created with our hospitals through joint venture discussions. Maybe the most exciting thing to investors is that we are still servicing patients in an underserved market, with less than 5% market penetration, at a time where we desperately need to keep patients out of the hospital and treated in the home.

While I too am excited about all of these tailwinds for our business, there's one theme that I'm most proud of, we have the Management team in place to take this business to a special place. Never before have we had the opportunity to pressure test our team's ability to be creative and nimble. Historically, our team has always stepped up to the challenge of creating value and constantly growing this Company, but to do it in uncertain times and in such a creative manner, it really gives me the confidence as a leader of this organization that we will make Viemed the largest respiratory home health care technology company in the country.

We all appreciate your interest and investment into our Company and look forward to continuing to create more shareholder value.

This concludes our prepared remarks. We'll now open up the floor for questions.

**Operator**

Thank you. We will now be conducting a question-and-answer session. If you would like to ask a question, please press star, and one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment, please, while we poll for questions.

The first question is from Brooks O'Neil from Lake Street Capital Markets. Please go ahead.

**Brooks O'Neil**

Guys, congratulations on your continued success. That's fantastic.

**Casey Hoyt**

Thank you, Brooks.

**Brooks O'Neil**

Yes. I have a couple of questions, I guess. I think Todd mentioned in his prepared remarks, the fact that your number of ventilator patients was down quarter-over-quarter this period, but at the same time your

ventilator revenues were up this quarter—quarter-over-quarter. I'm hoping you could just explain a little bit more about what's going on there? Obviously, we can guess a little bit about the number of ventilator patients. But just tell us what you see going on there and what's driving the improved revenue.

**Todd Zehnder**

Yes. What's happened is, Brooks, is if we have noncompliant patients, that really—they go on hold, and we're not able to bill those patients. It doesn't really contribute to revenue. Our policy has always been to have our therapists get in there and do everything we can to try to get that patient utilizing the vent so that we can get the therapy going and we can then start billing again. This quarter, there was such a huge need for ventilators during the pandemic that if we couldn't get compliance going, we were picking those up. Obviously we sold vents and rented vents to the most appropriate place. While our active patient count was down slightly, we didn't have any impact from that loss to our revenue line.

**Brooks O'Neil**

Yes. That's fantastic. Okay. Second thing, obviously, in the pandemic-impacted quarter, 14% organic growth is tremendous in the core business, but as you guys think about the next few quarters, and I know there's not a lot of visibility, but do you think you can get that organic growth in the core business back into the 20s or maybe even higher?

**Todd Zehnder**

We're not going to guide a number because we obviously just have our one quarter out. We are doing all we can to continue to get—or to get back to that historical growth rate. It's taking new technology, and it's taking different ways of selling. We don't have access to the hospitals as much. Our goal is to get there, but look, things are changing pretty quickly. One of our biggest advantages is evolving as fast as anyone. We're going to give it our best shot, but we don't have any formal guidance out there.

**Brooks O'Neil**

Yes. Okay. I understand that. Then I'll just ask one more. I confess, I got a little distracted in the middle of the call, and I might have missed it, but do you still see a big opportunity with the VA? Are you making progress with the VA? Is there some near-term white space out there that will turn the VA into a more meaningful revenue contributor in the next few quarters.

**Casey Hoyt**

Yes. We still are very excited about the VA, Brooks. In June, we really got back out into the field, and then we had to pull back in July. That halted us a little bit. But we saw new VA centers coming online. They're paying—the VA centers, just to give you an example, in Arkansas are paying attention to what the centers are doing in Oklahoma that are doing business with us. You can see signs of how we can build up on that momentum to get our business going. As mentioned in previous calls, we are—we're in with all the third-party administrator payers, got the national contract with the VCA.

We've got all of our services uploaded. We've begun to get paid on our pulmonary rehab program. We expect, once we can get back into the home, physically, that we'll get a lot of momentum in the VA, but it we—we got turned back on, we got turned back off right at the end of the quarter. That's the reason that we have a little bit of a hold up right now. But we remain very excited about the opportunity, for sure.

**Brooks O'Neil**

Yes. Okay. Thanks a lot and congratulations, it's a perfect environment for you and you guys sound like you are executing beautifully.

**Casey Hoyt**

Thanks, Brooks.

**Operator**

The next question is from Nick Corcoran from Acumen Capital. Please go ahead.

**Nick Corcoran**

Good morning. Congrats on the great quarter. One question I have is vent patients were down about 3.3% quarter-over-quarter. I'm wondering how much of that decreases from the noncompliant patients that you took the vents back from?

**Todd Zehnder**

Probably the majority of it, Nick, and I was just telling Brooks, those don't really drive revenue like on a day-to-day basis. If they're not compliant, we're not able to bill for them. If we look at just our setups and our true pickups due to death or due to going into facility and so forth, that would have been probably relatively flat.

**Nick Corcoran**

Great. Then how should we maybe think about Q3 in terms of the total patient number? Will we expect that to be flat? Or could it potentially go up quarter-over-quarter as you don't have a drag from the non-compliant patients anymore?

**Todd Zehnder**

Yes. We don't have that. Our guidance implies some growth, and you can see the revenue growth, I forget, maybe it's probably in the 5% depending on where it is in the range of guidance. We are expecting to see some growth, although, like I said in my prepared remarks, facilities are still a little slower than they are in a traditional manner. We're having to get business from more unconventional methods and supplement that through our new service offerings that we've been actively building out.

**Nick Corcoran**

Okay. That's great. I was wondering if the guidance implies some growth there. Then bad debt expense was down quarter-over-quarter, and I think it's one of the lowest levels you've had in at least a few quarters. Can you maybe comment on what was happening there?

**Todd Zehnder**

I think it's really just due—look, we're 1.5 years into this new workflow software. We talked about it last year. When you're working through two different databases, it's going to be harder to collect things more real time. What's a great testament is our actual accounts receivable is as low as it's been in 1.5 years, and bad debt was still low. It just means we're doing a good job of collecting the revenue we bill.

**Nick Corcoran**

Then do you still expect the bad debt expense to be in the historical range that you talked about?

**Todd Zehnder**

Yes, we do. I mean, obviously, we're looking at a notional amount now because when you're looking at things on a percentage basis, by us having all this COVID revenue, that's really very, very, very collectible. From a notional amount, I think it's going to be somewhere near historical. But look, maybe one quarter becomes—we can't say it's a trend, maybe if we have another quarter of lows, that's going to be starting to creep back down over time. We'll have to wait and see that.

**Nick Corcoran**

Then the final question may just have to do with the CARES Act. You received \$3.5 million in the quarter. What are the conditions for that money?

**Todd Zehnder**

There's a lot of details to it, but effectively, you just have to show that you have the ability to utilize this on COVID type items, which our Company will obviously have no shortcoming on spending money on COVID, whether it be through all of our frontline workers to all the equipment that we're sourcing and so forth, we have no problem. We'll have a multiple of different ways to show the utilization and that's why we were able to recognize the entire \$3.5 million during the quarter because we've spent well over that already.

**Nick Corcoran**

That's all for me. Thanks a lot.

**Todd Zehnder**

Thank you.

**Operator**

The next question is from Richie Khadir from Richie Capital Group. Please go ahead.

**Khadir Richie**

Hi. Good morning, Casey and Todd, congrats on the strong quarter. Thank you for taking my question. It sounds like you're making a few adjustments in your sales approach, moving from traditional sales channels to inside sales. I wanted to get some more color on how you're adjusting your high-touch model, which I've always viewed as really a differentiator for Viemed. How do you see that changing, both in the near-term and post-COVID? Do you see these adjustments that you're making now as being something that you plan to continue going forward?

**Casey Hoyt**

Yes. This is Casey, I'll take that one. The adjustments, really, to our service protocol are no different other than the fact that we physically are not able to get back into the home as much. What we're doing is we are connecting them through our VieMed Connect app and our patient engagement portal. Our therapists are interacting actually more frequently than they were in the past. We have some tremendous success stories on how we're just able to stay in front of the patient more frequently and deliver a better quality of care in some cases.

In the event that we physically need to get out there, and we're just being very careful and we're following clinical protocols of suiting up in ways that we can drop off equipment at the front door, we'll do that. If we

could walk them through a telehealth camera, put your mask on and feel it up this way, we're going to take advantage of that as well.

I think all of those things are positive. What we're seeing is where a therapist might be only to manage 60 patients, well, now you're seeing numbers where they can manage 90 patients by way of using technology at their disposal. As it relates to the sales process, we're getting creative and also having some success. Now we're able to stay in front of the physicians with some short clip videos. They totally get it. They understand that we're hindered and a lot of times, they're like, why haven't we been doing this all along before because we're just getting a sharp 60-second message in front of them. "Oh, I didn't realize that about KPMG. Send me more on that." We're responding with the studies and giving intel. They have more time to download information when they're not in the hustle and bustle of their day-to-day as much as well, too.

Lots of positives there. We're going through just a shift of the landscape of how we communicate, but I completely intend on this being a part of our strategy on a go-forward basis, even whenever we can physically get back into the office. We're going to continue to use these tools and tactics to stay in front of our folks. I see it only as building momentum for the future.

**Khadir Richie**

Okay. That's great. One more quick question. With your cash balance growing so quickly, are there any new thoughts on how to deploy, whether investing in new technology or seeking out inorganic opportunities?

**Todd Zehnder**

Yes. Right now, it's—the top two uses are technology-based solutions, whether that's—we've both made comments about remote patient monitoring and following up and finalizing this PEP program. Technology investment is a big one. Obviously, continue to invest in equipment as we continue to grow our patient base and get ready for that. Then ultimately, we will look at inorganic opportunities. As we've always said, it's just not our number one focus with the cash right now.

**Khadir Richie**

Okay, great. Thank you. That's all I had.

**Todd Zehnder**

Thanks, Richie.

**Operator**

The next question is from Mordechai Yavneh from Focus Capital Management. Please go ahead.

**Mordechai Yavneh**

Congratulations on the quarter. I just had a couple of questions about the vent count. How much of the decline in vent count would be due to attrition? How much is just not being able to replace patients? Is there a higher attrition because of COVID? Therefore, you're just replacing the patients instead of growing? Or is it pretty much the same attrition, you're just not able to get a new patient?

**Casey Hoyt**

Like I told Nick earlier, Mordechai, it's really—our new patients and our pickups were probably about flat. This was just a matter of us needing to clean up some processes to go get some of these noncompliant patients where the billings were on hold, and we needed to get vents to sell to people. If you look at our quarter, it was really pretty flat, but we took the time to go get some of that inventory and put it in the most needed hands.

**Mordechai Yavneh**

Yes, that much I got. I was just wondering whether the attrition was higher than normal because of COVID, or I think you're pretty much seeing the same on that?

**Casey Hoyt**

Attrition was about the same. Setups were slightly lower.

**Mordechai Yavneh**

Are you able to give any color about different parts of the country? Are there some parts of the country where maybe, I know, they said New York is in Phase IV reopening, other parts of the country where you're able to (inaudible) get new patients more normally apart from that, or in terms of your business is pretty much the same nation-wide?

**Todd Zehnder**

Yes. Every area is really different. I mentioned it in my prepared remarks, the early epicenters, such as New York and Louisiana have somewhat stabilized. But you've got new areas out in the Midwest and further west that are turning into hot beds. We're seeing requests for ventilators from hospitals and states. We're just stitching and moving. It's not one particular state right now. It's random. It's very hard to track.

**Mordechai Yavneh**

Okay. Do you expect that after COVID eventually is in the rearview mirror that you'll be going back to the growth rates that you had before in the core business?

**Todd Zehnder**

Absolutely. Just to follow-up on that, Mordechai, give you a little bit more color. I mean, if you think about it, our patients are struggling with a chronic disease. It's terminal, they haven't gone away. We still have the market penetration number being low. It's just the fact that we can't get more proactive with interacting or intervening with care earlier and staying in front of the physicians to get them to look forward sooner. That's the part that really has made us flat. We've still got the patients, we've still got the sales program. Once we get back on the tail end of this thing, we expect to get back to those same growth rates.

**Mordechai Yavneh**

Okay, great. Thank you. Congratulations again on your quarter.

**Todd Zehnder**

Thank you.

**Operator**

For any further questions please press star, and one.

The next question is from Michael Eisner, a Private Investor. Please go ahead.

**Michael Eisner**

Congrats. Great quarter, guys. I like the cash position. A couple of questions. As a percentage of employees, are you going to be hiring more RTs?

**Todd Zehnder**

No, I don't think our composition will really change, Michael. The only thing that could change it is, like Casey said, if we—if our technology investments have it to where we can actually get more efficient and have more patients for the RT, that could change our composition. We're always looking for new RTs, and especially new RTs that we can turn into salespeople. But I don't think as a percentage it will change over time.

**Michael Eisner**

Going forward, will each RT be able to see more patients a month when the COVID finally gets back to normal?

**Todd Zehnder**

Yes, maybe. It really will depend on the technology that I just mentioned. But yes, right now, it's staying pretty flat.

**Michael Eisner**

Question on that contract, did that begin yet? The tracing contract, I'm sorry?

**Todd Zehnder**

Not yet. We are building it out right now. It should start in a couple of weeks.

**Michael Eisner**

How big can that get?

**Todd Zehnder**

Well, like Casey said, it could be seven figures. It could be \$1 million-plus month per month contract, if we're able to source everything.

**Michael Eisner**

All right. I guess your expected revenue for the third quarter, the big spread is because of vent sales?

**Todd Zehnder**

Yes. Just because of PPE and product sales, not just vents. Like Casey said in his remarks, we're selling all kinds of different products now. There's a lot of variability to those contracts and what we're able to source, so we just put a wider range.

**Michael Eisner**

All right. Do you see consolidation in this industry?

**Casey Hoyt**

Not really, not so much just yet. We expect to see some here in the future. But as it stands right now, it hasn't begun, to a different degree than it was before COVID, let's just say it that way.

**Michael Eisner**

Final question. How long do you—I don't know if you can answer this. How long do you see the vent sales going on for?

**Todd Zehnder**

Yes. It's hard to say. We had a lull in July, and then it turned back on here at the end of—and beginning of July and then turned back on at the end of July in various little pockets, and so that's got us really active in blitzing all the hospitals across the country and just checking on them just to see what their needs are. It really spawned our vent rental program as well. We were finding a lot of rural pockets of hospitals that were struggling to buy vents just because they were cash poor. We started a leasing program just to get them some invasive ventilators that they can use. All sorts of different opportunities are popping up still, probably on a smaller scale in terms of volume, but more of them than when COVID first started.

**Michael Eisner**

That's a new area you got into, vent leasing?

**Todd Zehnder**

That's correct. Vent leasing directly to the hospitals. Yes.

**Michael Eisner**

This way you don't have to supply the RTs to work with them.

**Todd Zehnder**

Yes. We're either selling the vent directly to the hospital or we are offering them a leasing program. Yes, technically, that is new.

**Michael Eisner**

Going forward, next, that could work out very well.

**Todd Zehnder**

Yes. No, we expect it to. Then there's other opportunities for us to maintain the vents and manage the vents and help them with inventory and so on and so forth. We're exploring all of those opportunities as well.

**Michael Eisner**

Yes. I think your inventory was up?

**Casey Hoyt**

Yes, our inventory balance. That's really more PPE and so forth, not as much of our rental fleet type items.

**Michael Eisner**

All right. Thank you. Great job.

**Casey Hoyt**

Thanks, Michael.

**Operator**

The next question is a follow-up question from Nick Corcoran from Acumen Capital. Please go ahead.

**Nick Corcoran**

Hi, guys. Just one more question for me. I noticed that SG&A is up quite a bit quarter-over-quarter. I was wondering if you could break that down with what that variance from Q1 to Q2 was?

**Todd Zehnder**

I don't have it right in front of me. I think there's—I think some of that is disclosed in the 10-Q, Nick. But if you follow-up with me later, I mean, it probably—a lot of it has to do with wages and then the stock price going up. Just, why don't you follow-up with us a little later and then we can break that down?

**Nick Corcoran**

Okay, that sounds great. Thank you.

**Operator**

There are no more questions at this time. I would like to turn the floor back over to Viemed for closing comments.

**Todd Zehnder**

All right. We want to thank everybody for participating on the call. As always, follow-up if you have more information, and appreciate your continued support.

**Operator**

This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.