communications simplified.

# VieMed

## Fourth Quarter and Year End 2020 Earnings Call

## March 3, 2021

## CORPORATE PARTICIPANTS

**Todd Zehnder**, *Chief Operating Officer*

**Casey Hoyt**, *Chief Executive Officer*

## CONFERENCE CALL PARTICIPANTS

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

**Anton Hie,** *RBC Capital Markets*

**Nick Corcoran,** *Acumen*

**Doug Cooper,** *Beacon Securities*

**Antonia Borovina,** *Bloom Burton*

## PRESENTATION

**Operator**

Greetings, and welcome to the VieMed Fourth Quarter and Year End 2020 Results Conference Call.

It is now my pleasure to introduce your host, Todd Zehnder, Chief Operating Officer of VieMed. Thank you Mr. Zehnder, you may begin.

**Todd Zehnder**

Great. Thank you Devon.

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 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 fourth quarter and annual financial results news release, including the related financial statements, are available on the SEC's website.

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

**Casey Hoyt**

Okay. Thanks, Todd. Welcome everyone. We appreciate you joining our call this morning. I'm once again thrilled to have the opportunity to be reporting on yet another record-breaking quarter for VieMed.

I'm looking forward to sharing the details that contributed to our positive results, but before I do, let me first recognize our VieMed employees, whom we treat like family. The resiliency of our people at every level throughout the Company have been nothing short of incredible in 2020. In a pandemic year where we saw limited access to referral sources, with most competitors struggling, we were able to grow our core business by 21%. Our folks have been willing to adapt to many changes this year, and have done so with grace, respect, and continued passion for delivering the best patient care throughout the communities we serve. I remain honored and privileged to be leading these people, and can say with great certainty that they are the reason we continue to achieve these exceptional financial results. Thank you so much for your perseverance and dedication to our Company.

Today we will talk a lot about the activity in the fourth quarter, surrounding the investments and changes we made during the pandemic, that we expect will enhance the core business in 2021. I'll report on our technology rollouts, speak to how they have begun to provide value and land new business, as well as update everyone on our behavioral health offering through our new division, VieMed Clinical Services.

So, in addition to updating everyone on our organic business, we will update our audience on many of our initiatives, inclusive of technology, behavioral health, and a brand-new published study in respiratory medicine, and the new contract we executed with Commonwealth ACO.

I'd like to start with an update on the core business. Our traditional organic growth strategies are all in place and remain at the top of the priority list. We were able to launch nine new areas with nine new sales reps in the fourth quarter of 2020. We are currently hiring sales reps at an even faster rate in Q4, with 10 new reps coming on board year to date.

I want to reiterate that growing our core business organically by 21% in a year where many healthcare companies experienced revenue declines, is something that I am very proud of.

We have an internal goal of adding 60 new areas throughout the country with our organic growth model.

Our training, recruiting, and sales offerings have never been more robust and scalable as they are now. Many investors saw VieMed as a COVID story during 2020, but we feel the exposure to our name gave our new investors an understanding that we are an organic growth engine.

With that being said, we continue to book COVID-related business, mainly through our contact tracing call center. Our employees continue to serve as a meaningful resource, and we expect to keep the calls coming in until the state has a grip on the pandemic.

Ventilator and equipment sales related to COVID have stabilized throughout the country; however, an increase in the demand for in home oxygen is at an all-time high. Our oxygen business grew by over 200% in 2020, and we expect it to trend that way for 2021 as well. The continuing care for COVID patients is making a shift from hospital invasive ventilation to home non-invasive ventilation coupled with oxygen.

While home services for COVID patients usually result in a shorter length of stay, the demand for quality home care providers could not be greater.

At the VA, we are actively participating in a pilot program which stands to prove the cost savings associated with treating COPD patients with NIV. Our first phase goal is to show these savings and have the VA adopt NIV as the gold standard of care for their veterans struggling with COPD. The second phase would be to have the VA utilize VieMed to help nationwide with their hospitals at home initiatives.

On the regulatory front, there's really nothing new to report, other than PAP and O2 competitive bidding results were reported in Q4, and bids submitted provided no further savings to the Medicare system. In some instances, products were shown to have come in as high as 160% over the allowable Medicare rate. The competitive bidding program remains on pause, with no real momentum to come back on line at this point in time.

We are thrilled to announce that we have moved from pilot mode and into a national rollout phase of our technology investment, Engage and View. As a refresher on how our technology functions, we built the Engage and View platforms, which place hubs in the home, designed to remotely gather data from compatible devices with Bluetooth connectivity. In our case, our hubs specifically talk to activity watches, scales, blood pressure cuffs, pulse oximeters, ventilators, PAPs and many more. We also provide a tablet in the home to provide telehealth visits and capture data directly from the patients.

Our vision has always been to improve RT work flows and drive longer length of stay for our patients, through our ability to interact on a real-time basis. The results of our pilot showed that we were able to improve RT work flow and efficiencies while improving our 90 day attrition numbers. In the future, we believe we will have more data to present that should reflect an increase in our overall length of stay.

We also are seeing early success with our remote physiological monitoring program, which we call View. In conjunction with our VeruStat partners, View gives physicians the ability to bill for the monitoring of devices and physiological data associated with their patients. We have had many clinical success stories of driving positive outcomes with patients on RPM. Physicians are also thankful to have a tool that loops them into patient care in the home, while driving incremental revenue to their practice. RPM has helped our sales force differentiate themselves from the competitors and drive major value for our referral sources at a time when they need it most.

Another program assisting our sales reps to grow is the offering of behavioral health services through our division called VieMed Clinical Services. VCS is our new VieMed division, which consists of licensed clinical social workers hired and trained to treat the behavioral health components, which often lead to ER visits and unnecessary facility visits as well. With emotion and anxiety relating to over 50% of hospital admissions, we are seeing VCS as a critical component to our value prop. Physicians, hospital systems and ACOs throughout the country are extremely excited about this offering, and we believe it will help us land new business; and we are seeing that in the first quarter.

One example of new business is the Commonwealth ACO contract signed in the fourth quarter. Commonwealth is a collaboration of independent providers who were actively seeking to improve the quality of healthcare and decrease the cost for patients living inside of Arizona. ACO has approximately 10,000 patients within their network, and will specifically lean on VieMed to coordinate and deliver care inside of the home to reduce readmission rates. A partnership with an ACO has been a longtime goal of the Company, and would not have been possible to fulfil had we not had the quality data metrics to present to them.

I'm happy to report that our most recent study was published in the *Respiratory Medicine Journal*. This study was completed by VieMed's Chief Medical Officer, Dr. William Frazier, and was published in December. The study evaluated clinical outcomes in patients with chronic respiratory failure consequent to COPD, treated on NIV. It compared to similar patients with chronic respiratory failure consequent to COPD who did not receive NIV treatment. The study results were similar to our previous KPMG and precision Harvard Medical School studies. We found that for every five and a half patients we put on therapy we save a life. We also found that we reduced all-cause mortality by 50%, reduced hospitalizations by 28%, and ER visits by 52%. The study titled "Non-invasive ventilation at home improves survival and decreases healthcare utilization in Medicare beneficiaries with COPD and CRF" is the first of its kind to be published. This type of data is exactly what our sales force needs to penetrate the 95% of patients in our market who qualify for a vent today but cannot access due to a lack of physician awareness.

For further detail on our operations, capital market efforts, and financials, I'll turn the call over to our Chief Operating Officer Todd Zehnder. Todd?

**Todd Zehnder**

All right, thanks 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.

Our core business generated net revenue of $26.1 million during the fourth quarter of 2020, as compared to net revenues of $21.4 million in the fourth quarter of 2019, which equates to a 22% increase. Additionally, revenue attributable to our core business was up approximately 5% sequentially, which is another good growth rate as we continue navigating the ongoing COVID-19 pandemic.

During the current quarter, we generated approximately $5.1 million of equipment and service revenue from the ongoing pandemic. The COVID-related revenue resulted primary from contact tracing services and sales of PP&E.

On an annual basis, our core revenue grew approximately 21%, which is lower than our historical organic growth rate, but still a number that we are quite proud of, with all the disruption caused from COVID. When factoring in the COVID sales, our revenue grew 64% over 2019.

Our margin percentages, both gross and EBITDA, continue to fluctuate, as COVID-related product sales during the current year skew comparability. We once again posted very strong margins during the quarter. Our fourth quarter gross and EBITDA amounts came in at $19.2 million and $9.5 million respectively. Our year end gross and EBITDA amounts came in at $80.1 million and $41.3 million respectively.

Our diversification efforts have continued to pay off, as our fourth quarter revenue from vents was approximately 81% of our core revenue, as compared to 85% in the fourth quarter of 2019.

Our SG&A for the year totaled approximately $52.8 million as compared to $41.4 million in 2019.

We had another successful year of hiring, although we were slowed down during the initial wave of COVID. We've done a good job of pivoting the ways that we train new employees in the COVID world, and our historical investments have paid off. Our initiatives such as technology, payer relations, marketing and inside sales have given us more resources to assure that our new employees are successful, and we will be able to continue to spread our model around the country. We will continue to support these world-class investments, to stay ahead of ways to outperform the market from an organic growth standpoint.

Our balance sheet was strengthened organically during 2020, with approximately $31 million in cash at year end, $12.4 million of AR, and an overall working capital balance of roughly $24.1 million.

We have positioned our Company to be able to grow inorganically by underutilizing leverage since our spinout. Our long-term debt is approximately $6.6 million, and being serviced with operating cash flow. As we sit here at year end, our long-term debt to EBITDA is 0.2.

Our healthy balance sheet opens up various ways to finance or partially finance any acquisitions that we find will make strategic sense. Our Company is perfectly positioned for rapid growth as we expect to come out of the COVID pandemic during the current year.

Along the lines of inorganic growth, we are reviewing several opportunities that could augment our normal organic growth, but doing so in a measured way. We are committed to continuing our organic growth model, but our sector has many tailwinds that are generating a number of opportunities. We are excited about pairing our historical strategy with an inorganic arm.

Moving on to the first quarter, we have provided net revenue guidance in the $25.5 million to $26.5 million range, related to our core business, and have also guided approximately $2.3 million to $3.3 million of revenue related to the COVID-19 pandemic. Our organic revenue is relatively flat sequentially, and is up 12% to 16% over the first quarter of 2020.

We have continued to see new patient setups run at a slo0wer pace as the virus picked up again, and until the vaccine is rolled out more widely. Additionally, with the first quarter having a higher number of insurance reauthorizations, and face-to-face visits still being challenging, our active patient count hasn't grown as fast as normal. We fully believe that we will get back to more traditional growth levels as the system begins to normalize.

The COVID revenue during the quarter is primarily related to the contact tracing work that we have continued to fulfil, and we are continuing to look for ways to help out with supplies to various states and systems.

On the capital markets fronts, we have been actively marketing to institutional investors through non-deal road shows in the new age of virtual tours. Additionally, we have participated in several sell-side virtual conferences recently, and we are visiting with new and existing investors, as the space has been quite active in the last six months. We continue to visit with other sell-side firms as well.

We are very proud of the growth that we have achieved, and feel very optimistic in the future for our Company and our shareholders.

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

**Casey Hoyt**

Thanks Todd.

While challenging to navigate, the pandemic has really provided VieMed an opportunity to showcase our clinical capabilities while doubling down on investments that will drive the core business. As strong as the home healthcare industry was before COVID, now we believe we will have even more families, payers, physicians and case managers choosing the safety and comfort of treatment in the home over more costly and higher-risk facility settings.

The COVID environment in December through February of 2021 seems to be comparable to the March through May environment of 2020. We have been strategically positioning our Company to excel in this new normal, and fully expect to not only outperform but to get back to pre-COVID growth rates in 2021. To do so, we recognize that not only do we have to adjust with new offerings that help complement and drive our organic business, but we must also capitalize on acquisition growth opportunities as well. With a healthy balance sheet and a longstanding recipe for operational efficiency, we strongly believe that many synergies can be realized by being acquisitive.

In closing, I'd like to thank my management team once more. As we sit here today and look back on another record year, it's amazing to see how many twists and turns we've made throughout the year. Our Company looks way different today than it did before the pandemic, and we've never been more postured for growth since I've been running this organization. We are as energized and enthusiastic as we've ever been, and it wouldn't be this way without surrounding each other with the best working health care professionals in the country.

I thank everyone on the call for their interest and investment into our mission, and look forward to answering further questions. This concludes our prepared remarks. We'll now open up for Q&A.

**Operator**

Thank you. Our first question comes from the line of Brooks O'Neil with Lake Street Capital Markets. Please proceed with your question.

**Brooks O'Neil**

Good morning guys. I want to remind you that more or bigger is not necessarily better.

**Casey Hoyt**

Thanks Brooks.

**Brooks O'Neil**

All right. I just thought I'd better make sure you understand our point of view on this thing.

Anyway. Obviously your comments there, Todd, towards the end of the prepared remarks related to perhaps a little slower growth of the vent business. Have you begun to see any light at the end of that tunnel, or do you think it remains to be seen whether falling COVID cases and accelerated vaccine administration is going to return the business to a more normal environment?

**Casey Hoyt**

We've definitely seen green shoots, if you want to call them that, Brooks, and we've seen them a few times during the pandemic. We've had these fall-offs, and then we come back, and it feels like it's about back to normal, and then we get hit with another surge or something.

But yes, I think this is just a continuation of the peaks and valleys that we've seen over the last almost 12 months now. It just, we're up against a quarter where there was no real COVID to speak of, being the first quarter of last year, so our growth rates just aren't as high.

We fully believe, and I think we've said it, while we don't guide long term, we fully believe our platform is positioned to get back to our historical growth rates. We are always striving for 30% to 40% organic growth. When that day comes we're not exactly sure. We're trying a lot of different ways to get there sooner than later.

But, I guess long answer to say yes, there are pockets where green shoots are there, and people are getting vaccinated at a high level. Our employees are getting vaccinated at a high level. Physicians, hospitals are getting vaccinated at a high level. So clinics will reopen, and they'll reopen, we believe, sometime in the first half of this year.

**Brooks O'Neil**

Yes. Okay, that's good.

When you guys think about the business, I have a sense that organic growth in the core business is still the highest priority, but would you say strategic partnerships and acquisition opportunities in the short term might take precedence? Or, do you just kind of continue to view the business in the long-term context, and think these will all play a role in your growth going forward?

**Casey Hoyt**

Yes. I mean the latter. It's all going to play a role in driving our organic growth. But strategic partnerships and initiatives with health systems and ACOs are very much a part of our growth model for 2021. I mean, Brooks, you know, we've been talking about doing deals with ACOs for about a year and a half, two years now. It's now at the point where we have some successful ACOs that are actually generating savings; they are understanding the value of post-acute care, and how it prevents readmissions. COVID is shining a light too on how we need to treat more of these folks in the home and keep them safe.

So that's all playing into our hands. Because we were such a provider that was very resourceful and useful to them throughout the pandemic, it's opened a lot of doors for us to have some more C-level and strategic discussions that are transparent, and we don't have to have everything figured out, we'll figure it out together. Because there's not many folks out there that are doing these value-based types of contracts, or even contracts with ACOs or post-acute home health companies such as us.

To sum it all up, it's very much a part of our focus, and we expect it to drive the organic growth part of the business as well.

**Brooks O'Neil**

Cool. So, last question, and I confess I zoned out for a second when you were talking about the VA. But have you begun to get traction at the VA? Or, is that still a work in process in your opinion?

**Casey Hoyt**

I was that dynamic whenever I was presenting the VA. Thank you Brooks.

**Brooks O'Neil**

Sorry …

**Casey Hoyt**

No, the VA, we have a pilot program that we've been really in the beginning phases of for the past six months, that is now starting to take off. It's a program that's funded by the VA for us to enter patients into our system and treat them on non-invasive ventilation, it's for COPD patients, very similar to the way that we performed all three of our studies. The goal was to generate the same results that we've already proven in these three studies.

So, we're working with a cared innovation team at the VA, which is a little bit unique. It's not like we're working with one VA system, it's above all the VA systems. That part is exciting for us. They have initiatives beyond just non-invasive ventilation to treat COPD patients; they want to take advantage of more in-home programs, more "hospital to the home" type of programs, specifically designed to treat some of their rural pockets of veterans that can't get into the facilities. So, all of that eventually will play into our hand, but right now we're focusing this pilot on just cost savings. That is really just setting it up to be designed just like the KPMG study or the Precision or the Harvard Medical School study as well.

**Brooks O'Neil**

Cool, and what's the timing on that? When do you ...

**Casey Hoyt**

They're saying that we start in April, but Brooks, we're dealing with the VA. So you can't hold me to the time, whenever we're talking about the VA.

**Brooks O'Neil**

All right, I appreciate it. Keep up all the good stuff, guys.

**Casey Hoyt**

Thanks Brooks.

**Operator**

Thank you. Our next question comes from the line of Anton Hie with RBC Capital Markets. Please proceed with your question.

**Anton Hie**

Good morning guys. I appreciate all the color you provided on clearly a lot of stuff going on there.

I wonder if we could just focus for a minute on, I guess back to Brooks's question, sort of the opportunity to accelerate out of the, I guess you said, kind of 12%-ish normalized kind of core growth in the first quarter. Do you see that kind of working its way back up to the 20%-plus that you got in Fiscal '20 in the core, or do you think we can get back to the 30% by year end? Is there anything structurally that sort of prevents that from happening, whether that's just a lower starting point with baseline of new patients?

**Casey Hoyt**

Anton, I'll take it. Obviously we're coming into the year with a little bit slower rate, but look, we fought through 2020 and grew 21% in what we hope will be the toughest year. So, while it's not formal guidance, we sure expect to grow higher than we did in 2020 from an organic standpoint. The way that we're rolling out new initiatives, new product offerings, our hiring that we've already gotten year to date, the training programs that we've implemented, there's no reason for us to wake up every day not expecting to grow 30% or 40% organically. It kind of goes back to Brooks' last question. We are an organic growth company. We're going to continue to push the envelope and hold ourselves accountable for growing this thing organically, at a much faster rate than other people in the industry.

**Anton Hie**

That's great. You kind of touched on it there with the hiring. I guess, already a good start on the year. A lot of the companies we follow are having some trouble with some clinical staffing. Obviously a very different model that you guys run. Are you running against any difficulties in finding talented staff that you can train up and get in the field?

**Casey Hoyt**

Short answer is no. I mean, the challenge that we have is always trying to train clinicians how to sell; that can be challenging just to find a good quality sales rep that's going to stick and be productive; in the event that they're not, we usually pull them back into service. But another way to think about the opportunity to come work for VieMed, through the lens of the respiratory therapist is, this is an opportunity, the next advancement, the next step in their career. They've been working in the hospital doing double shifts, or maybe even working for a mom-and-pop EME; whenever you put them in a vehicle of their own and they have a lot more flexibility, and they still maintain the connection with their patients to drive clinical value, that is the next advancement in their career. They're making a little bit more money than they were in the hospital, and so on and so forth. So they're usually happy campers for us to reach out to them and recruit them. The challenge is probably more on the sales side, is just converting them into sales people, and that can take time, and usually, you know, by month three or so we'll know if they're going to work out or not.

**Anton Hie**

Okay. One more and I'll jump back. You mentioned the diversification away from the vents a little bit, from 85 to 81. Just wondering if there's sort of an eventual target for that mix, and if that is informed by the comments you made on the possibly expanded kind of M&A targets, given your low leverage. Thanks.

**Casey Hoyt**

We've never really set a goal, from the standpoint of percentage, because we've always thought we want to grow all of our products at an extremely rapid rate, and knowing that vents grow so fast generally for our Company, it's hard to set an existing target. But knowing also that we've rolled out oxygen countrywide last year, we're rolling out PAP in more of a national rollout, it's probably natural for that number to gravitate down.

Where does it ultimately normalize? We're not exactly sure, but I could see it ticking down another 5% this year, if oxygen and PAP on a national level has as much success, just because it's just so much green pasture out there for those products.

But once again, it's not like we're putting a line in the sand saying we got to get here because that's important. We just want to service as many patients with as many products as possible.

**Anton Hie**

You're kind of pushing that through the existing sales channels and contacts that you have, right?

**Casey Hoyt**

Yes. That's correct. That's correct. Most of our product diversification is happening with existing sales people.

Now, we are looking at adding some more product-specific sales people throughout the organization if we find a hot market. But, think about it as just leveraging the existing platform, to start things off.

**Anton Hie**

That's great. Thanks guys.

**Casey Hoyt**

Thanks Anton.

**Operator**

Thank you. Our next question comes from the line of Nick Corcoran with Acumen. Please proceed with your question.

**Nick Corcoran**

Good morning and thanks for taking my questions.

The first one just has to do with revenue per patient. I think you go into a little bit on the just diversifying away from vents. Do you see that revenue per patient growing over time?

**Casey Hoyt**

Well, we've always just disclosed our vent patients, so when you're looking at revenue per patient just on the vent, yes, it's going to—as we continue to diversify, that number will inherently get larger.

**Nick Corcoran**

Great. Then switching gears to the COVID revenues and the contact tracing contract that you have, do you have any indication how long that'll continue on for?

**Casey Hoyt**

Right now, calls are continuing at a very high rate. We had a yearlong contract, but I think I was pretty transparent last year that it doesn't mean that it will last for a year. We're going to continue to serve as this resource for the state as long as cases are coming in. Obviously, at some point, vaccinations are going to start catching up with new cases, and that'll end, but for right now we still have a very full staff of people taking a bunch of calls every day, but it's hard for me to predict anything outside of the current quarter.

**Nick Corcoran**

Great. That's all for me. Thanks for taking my questions.

**Operator**

Thank you. Our next question comes from the line of Doug Cooper with Beacon Securities. Please proceed with your question.

**Doug Cooper**

Good morning guys, and congrats on another great year. Casey, can we, to start off, can you remind me how many states you're operating in now?

**Todd Zehnder**

Roughly 38-ish.

**Doug Cooper**

Okay. Is there any—on the—you want to expand that this year? Is there any sort of big ones on the list that we should be looking at?

**Todd Zehnder**

Yes. I mean, we're definitely going to be expanding that this year. We hope that we grab some states that we're not in, through an acquisition of some sort in 2021. We're actively looking at geographic areas where we have pockets that we're not in, with contracts that we don't have, and so we're doing a lot of homework on some of the quality providers that are in those spaces. At that point in time, you could see us grab six or seven states at one time possibly.

But again, as you know, Doug, I mean we talked about this, and the reason it doesn't just roll off the tip of my tongue is because we have lots of growth opportunities inside of our coverage area as well. That's why we just start following new areas with the new reps.

But yes, the geographic pockets that we're not in could come through a land grab by acquisition.

**Doug Cooper**

Okay. Just on the—getting back to the patients, and the vent patients in particular. You guys have had a bunch of efficacy data sort of out there. Is there any reason to believe that the doctors now who are prescribing the therapy aren't even more comfortable now than they were say 12 months ago, so that when it opens up, you really will have that sort of catch-up trade and accelerate through that, even maybe at a faster rate than historically?

**Todd Zehnder**

For sure. Definitely. They are very much more up to speed and educated on ventilation, the different modes, the different abilities of the machines. The problem is, is that every pulmonologist right now is actually working inside of the hospital. They're just not in their clinics. They are still in "roll up your sleeves" mode and treat the masses of COVID patients that are headed their way.

So, once they settle back in, into normal treatment mode, and once folks are comfortable going to see their pulmonologist at their clinic, like they were pre-COVID, we expect that our organic growth rates will get back to where they were, between 30% and 40%.

**Doug Cooper**

I guess my last question is sort of just a broad question. In the last 12 kind of months, we've had some pretty big healthcare companies go public. Obviously AdaptHealth catapulted its way into a top maybe two national provider; Apria went public a month or so ago. Do you feel that they're—what do you think their strategy is in terms of the areas that you're in? Do you expect to see any more competition, maybe specifically on the vent side? I'll leave it there. Thanks.

**Casey Hoyt**

I don't think the launch into the public markets will change that, Doug. I think those companies will continue to have an active role in all of the sectors. Both of those are much larger than us in other areas, and don't focus on the chronically ill patient in the home like we do. It's a different model, which we respect their models tremendously; we just have a different one.

So, I don't think that anything in them coming into the capital markets will change our strategy. I could be wrong, but we're excited to have more peers in the space, that has definitely driven buy-side interest into our name, which we benefit from, and we respect them clinically, and just don't think it's going to change just because they now have a ticker symbol.

**Doug Cooper**

Maybe just one final one. The cash balance continues to grow. If you don't do any acquisitions, would you ever consider share buybacks?

**Casey Hoyt**

I guess the short answer is yes; we've done them in the past. Right now, we've always been very clear that the best investment opportunity for us is to continue to buy equipment and get new patients. Right now we've put a clear number two as being acquisitive. I would say the third would be, just like we did last time, potentially buy back stock at some point. Right now we don't have an NCIB in place, and we don't have an active one working. But in the event that we wanted to, we've proven that we could execute on that, like we did a couple years ago.

**Doug Cooper**

Great. Thanks. That's it for me.

**Casey Hoyt**

All right, Doug, thanks.

**Operator**

Thank you. Our next question comes from the line of Antonia Borobina with Bloom Burton. Please proceed with your question.

**Antonia Borovina**

Hi, thanks for taking my questions. I just have some housekeeping ones.

Firstly on your SG&A, there was a sequential decline this quarter, even though you mentioned that you hired some additional sales reps. So, I'm just wondering where the cost savings came from, and also if you think your SG&A will stay stable in the relative near term.

**Casey Hoyt**

Probably the biggest things there were a little less costs related to some of the unusual items that are related to COVID; things like commissions or just legal fees, costs incurred when navigating a bunch of the unusual items. The other thing would probably be the volatility in the stock price that has an impact on the mark-to-market of our phantom shares. Those two would make up the lion's share, I would say, of the volatility.

I would say that for the first quarter, we would probably think it's going to be relatively flat. We're going to continue to grow people. We're very clear that we're trying to grow a bunch of sales people, which means we're going to be growing therapists and other initiatives that we've been talking about. So, you should expect some increase over time, but I don't see it as a massive increase in 2021.

**Antonia Borovina**

Okay, and then on the margins, there was also an improvement there. So, just wondering if that's primarily due to the shift, I guess, away from COVID sales, or if it's other products and exchanges which are improving your margins over time.

**Casey Hoyt**

It's probably the former. When you're looking at the overall, when you have less of the total revenue coming in from COVID-like sales, that's going to improve our gross margins. Generally what we've said is the core business runs at a higher gross margin than when COVID's involved. But COVID was very good from our EBITDA margin standpoint. It almost dropped straight to the bottom line when you got to gross. So that's probably the main driver of it.

As we've said, as we continue to diversify the product base, the percentage margin might have a little bit of weakness on it. We may tick down a point or two over a year or so. But, the notional amount and what that does for our business, having multiple products on patients and having the platform of one salesperson, one RT, and all the infrastructure we have back at home office, is a very accretive thing for us, and it's the right thing to do for patients and referral sources.

**Antonia Borovina**

Okay; and then finally, can you maybe just remind us whether you have seasonality in your business, with regards to the number of vented patients, and also revenue per patient?

**Todd Zehnder**

You know, we've never really talked too much about seasonality, although generally speaking new patient referrals are stronger during cold months and not as strong during the warm months. But, with that said, our patient attrition, due to patients expiring, generally is higher during the cold months and not as high during the warm months. So, we've never had too much of an issue with that.

During the current time, like I've said, current referrals are a little slower with, like Casey said, practices being shut down, pulmonologists being leaned on to serve as really triage doctors in ERs, and then specifically at the beginning of the year, we face a lot of reauthorizations from insurance companies, and that, many times, takes a patient having to go see their doctor face to face. So, patients don't want to go to clinics, and sometimes clinics aren't open. So, we're navigating through that.

The last piece is, the cold really got us, it was really cold down here for about a few weeks and that did impact us in the state of Texas and Louisiana, as without power people had to go back into facilities to a certain extent.

So, you add all that up, there was some seasonality this year, but it's not something that we normally have to contend with in a major way.

**Antonia Borovina**

Okay. That's all for me, thanks.

**Todd Zehnder**

Thank you.

**Operator**

Our next question is a follow-up question from the line of Anton Hie with RBC Capital Markets. Please proceed with your question.

**Anton Hie**

Hey. You kind of answered it already. I wanted to get a follow-up just to try to get some visibility on the effect of the kind of mid-February winter storms. I guess, the main issue really is access to patients and being able to get that normal kind of start of the month billing cycle. Am I right on that?

**Casey Hoyt**

Yes, it was really probably the major thing from the mid-February thing is that, when patients lose power, that vent doesn't last forever, right. It only has a certain battery time. So many of our very very sick patients had to go into facilities. Depending on when their billing cycle is, that might cause us to lose that month.

So, that's part of it. The other is, like I said, just having access to physicians and having patients actually get to their physicians for reauthorization, face-to-face notes.

It spun at us to a certain extent, but we're working through it, it's just part of the normal day-to-day operations, and we should be coming out of it here pretty soon.

**Anton Hie**

That's great. One other one that you touched on in a previous answer, that sparked my curiosity on some of the, you know, all these great growth initiatives that you have going on, possible M&A, new strategic partnerships; just talk a little bit if you could, either Todd or Casey, about I guess the scalability of the organization there from HQ?

**Casey Hoyt**

I mean, if you take a step back and think about how we always have gotten business up to this point, it's just been onesie-twosie, knocking on doors, patient by patient that comes through the hospital or comes from the physician clinic. Now we have an opportunity with 10,000 patients; I'm going to use ACO, the Commonwealth contract, as an example: they've got over 10,000 patients in that network. What they want us to do is go in there, find, identify the candidates for our care, and then get them on our non-invasive vents, prevent the readmissions, and let's analyze how much cost savings are at stake, to where we can take it to the next level and do a risk value-based shared agreement.

We're going to see more and more of this, but it's the first opportunity that we've had where we're getting warm leads and patients in a higher volume, and so you knock down one of these and you produce some results, then it's really easy to tell that story to the next one. We've already started doing that, Anton. It's just we hope to be talking about more of these strategic partnerships here in 2021 as we knock them down.

**Anton Hie**

But you feel like you have the, I guess, organizational structure to support going into these with some size?

**Todd Zehnder**

Absolutely. I'll just comment to that, our technology platform is a big selling point to these guys as well. I mean, they not only want to see the human interaction in the home, but they want to see the technology benefits and efficiencies that you create, and being able to talk to their EHRs and report back on the real-time outcomes is such a huge part of this and piece of this, as well as offering their physicians in their network a way of effectively managing through remote physiological monitoring, which is our View platform, that's another incremental revenue stream for them, and it drives good clinical value. Just last month, we had one doctor that I think said that he prevented four strokes, from analyzing some of the remote physiological monitoring on his patient database. So, we're seeing those type of good clinical results. Once we get that, we're off to the races.

**Anton Hie**

That's great. Thanks a lot, guys.

**Operator**

This does conclude today's question-and-answer session. I'd like to turn the floor back over to management for closing comments.

**Todd Zehnder**

Thanks, Devon, for the help today, and thanks to all of you who are listening and asking questions. We will be available for follow-ups, either through Bristol or ourselves, and look forward to catching up next quarter.

**Operator**

This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation, and have a wonderful day.