UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2023

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 001-38973

Viemed Healthcare, Inc.

(Exact name of registrant as specified in its charter)

British Columbia, Canada	**N/A**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

625 E. Kaliste Saloom Rd.
Lafayette, LA 70508

(Address of principal executive offices, including zip code)

(337) 504-3802

(Registrant’s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of exchange on which registered
Common Shares, no par value	VMD	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☒	Non-Accelerated filer ☐	Smaller reporting company ☒ Emerging growth company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of April 27, 2023, there were 38,276,389 common shares of the registrant outstanding.

VIEMED HEALTHCARE, INC.
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

VIEMED HEALTHCARE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of U.S. Dollars, except outstanding shares)

	Note	At March 31, 2023		At December 31, 2022	
		(Unaudited)		*(Audited)*	
ASSETS					
Current assets					
Cash and cash equivalents		$	23,544	$	16,914
Accounts receivable, net of allowance for doubtful accounts of $11,040 and $8,483 at March 31, 2023 and December 31, 2022, respectively	2		16,320		15,379
Inventory	2		3,447		3,574
Income tax receivable			—		26
Prepaid expenses and other assets	2		3,394		3,849
Total current assets		$	46,705	$	39,742
Long-term assets					
Property and equipment, net	3		68,438		68,437
Equity investments	2		1,994		2,155
Debt investment	2		2,057		2,000
Deferred tax asset	9		3,844		3,119
Other long-term assets	8		1,596		1,590
Total long-term assets		$	77,929	$	77,301
TOTAL ASSETS		$	124,634	$	117,043
LIABILITIES					
Current liabilities					
Trade payables		$	4,262	$	2,650
Deferred revenue			4,698		4,624
Income taxes payable			1,247		—
Accrued liabilities	4		12,817		11,092
Current portion of lease liabilities	5		397		495
Total current liabilities		$	23,421	$	18,861
Long-term liabilities					
Accrued liabilities	7		1,010		889
Long-term lease liabilities	5		162		199
Total long-term liabilities		$	1,172	$	1,088
TOTAL LIABILITIES		$	24,593	$	19,949
Commitments and Contingencies	8		—		—
SHAREHOLDERS' EQUITY					
Common stock - No par value: unlimited authorized; 38,276,389 and 38,049,739 issued and outstanding as of March 31, 2023 and December 31, 2022, respectively	7	$	17,096	$	15,123
Additional paid-in capital			12,087		12,125
Retained earnings			70,858		69,846
TOTAL SHAREHOLDERS' EQUITY		$	100,041	$	97,094
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$	124,634	$	117,043

See accompanying notes to the condensed consolidated financial statements

VIEMED HEALTHCARE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(Expressed in thousands of U.S. Dollars, except share and per share amounts)
(Unaudited)

		Three Months Ended March 31,	
	Note	**2023**	**2022**
Revenue	2	$ 39,556	$ 32,255
Cost of revenue		15,552	12,512
Gross profit		$ 24,004	$ 19,743
Operating expenses			
Selling, general and administrative		19,762	15,776
Research and development		780	632
Stock-based compensation	7	1,391	1,305
Depreciation		240	237
Gain on disposal of property and equipment		(22)	(14)
Other (income) expense, net		(81)	(441)
Income from operations		$ 1,934	$ 2,248
Non-operating income and expenses			
Income from equity method investments		(35)	(323)
Interest (income) expense, net	5	(49)	64
Net income before taxes		2,018	2,507
Provision for income taxes	9	501	745
Net income		$ 1,517	$ 1,762
Other comprehensive income			
Change in unrealized gain/loss on derivative instruments, net of tax		—	163
Other comprehensive income		$ —	$ 163
Comprehensive income		$ 1,517	$ 1,925
Net income per share			
Basic	10	$ 0.04	$ 0.04
Diluted	10	$ 0.04	$ 0.04
Weighted average number of common shares outstanding:			
Basic	10	38,156,777	39,621,741
Diluted	10	40,016,693	40,363,456

See accompanying notes to the condensed consolidated financial statements

VIEMED HEALTHCARE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in thousands of U.S. Dollars, except share and per share amounts)
(Unaudited)

	Common Stock		Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings	Total Shareholders' equity
	Shares	Amount				
Shareholders' equity, December 31, 2021	**39,640,388**	**$ 14,014**	**$ 7,749**	**$ (278)**	**$ 73,335**	**$ 94,820**
Stock-based compensation - options	—	—	820	—	—	820
Stock-based compensation - restricted stock	—	—	485	—	—	485
Shares issued for vesting of restricted stock units	67,010	334	(334)	—	—	—
Shares redeemed to pay income tax	(23,742)	—	—	—	(119)	(119)
Shares repurchased under the share repurchase program	(389,878)	—	—	—	(1,887)	(1,887)
Change in accumulated other comprehensive loss, net of tax	—	—	—	163	—	163
Net income	—	—	—	—	1,762	1,762
Shareholders' equity, March 31, 2022	**39,293,778**	**$ 14,348**	**$ 8,720**	**$ (115)**	**$ 73,091**	**$ 96,044**

	Common Stock		Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings	Total Shareholders' equity
	Shares	Amount				
Shareholders' equity, December 31, 2022	**38,049,739**	**$ 15,123**	**$ 12,125**	**$ —**	**$ 69,846**	**$ 97,094**
Stock-based compensation - options	—	—	348	—	—	348
Stock-based compensation - restricted stock	—	—	1,043	—	—	1,043
Exercise of options	108,370	544	—	—	—	544
Shares issued for vesting of restricted stock units	183,036	1,429	(1,429)	—	—	—
Shares redeemed to pay income tax	(64,756)	—	—	—	(505)	(505)
Net income	—	—	—	—	1,517	1,517
Shareholders' equity, March 31, 2023	**38,276,389**	**$ 17,096**	**$ 12,087**	**$ —**	**$ 70,858**	**$ 100,041**

See accompanying notes to the condensed consolidated financial statements

VIEMED HEALTHCARE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of U.S. Dollars)
(Unaudited)

	Note	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Cash flows from operating activities			
Net income		$ 1,517	$ 1,762
Adjustments for:			
Depreciation		4,762	3,397
Provision for uncollectible accounts	2	4,131	3,445
Change in inventory reserve		—	(1,418)
Stock-based compensation expense	7	1,391	1,305
Distributions of earnings received from equity method investments		196	221
Income from equity method investments		(35)	(323)
Income from debt investment		(57)	—
Gain on disposal of property and equipment		(22)	(14)
Deferred income tax (benefit) expense		(725)	745
Net change in working capital			
Increase in accounts receivable		(5,072)	(4,221)
Decrease in inventory		127	1,372
Decrease (increase) in prepaid expenses and other assets		449	(68)
Increase (decrease) in trade payables		641	(467)
Increase in deferred revenue		74	135
Increase in accrued liabilities		1,846	58
Change in income tax payable/receivable		1,273	1,217
Net cash provided by operating activities		$ 10,496	$ 7,146
Cash flows from investing activities			
Purchase of property and equipment		(4,681)	(3,963)
Investment in equity investments		—	(100)
Proceeds from sale of property and equipment		776	256
Net cash used in investing activities		$ (3,905)	$ (3,807)
Cash flows from financing activities			
Proceeds from exercise of options	7	544	—
Principal payments on notes payable	5	—	(39)
Principal payments on term note	5	—	(433)
Shares repurchased under the share repurchase program	7	—	(1,887)
Shares redeemed to pay income tax	7	(505)	(119)
Repayments of lease liabilities		—	(21)
Net cash provided by (used in) financing activities		$ 39	$ (2,499)
Net increase in cash and cash equivalents		6,630	840
Cash and cash equivalents at beginning of year		16,914	28,408
Cash and cash equivalents at end of period		$ 23,544	$ 29,248
Supplemental disclosures of cash flow information			
Cash paid during the period for interest		$ 42	$ 66
Cash (received) paid during the period for income taxes, net of refunds		$ (40)	$ 1,217

See accompanying notes to the condensed consolidated financial statements

1. Nature of Business and Operations

Viemed Healthcare, Inc. (the "Company"), through its subsidiaries, is a provider of home medical equipment ("HME") and post-acute respiratory healthcare services in the United States. The Company's service offerings are focused on effective in-home treatment with clinical practitioners providing therapy and counseling to patients in their homes using cutting edge technology. The Company currently serves patients in all 50 states of the United States. The Company was incorporated under the Business Corporations Act (British Columbia) on December 14, 2016. The Company's registered and records office is located at Suite 2800, Park Place, 666 Burrard Street, Vancouver, British Columbia V6C 2Z7 and its corporate office is located at 625 E. Kaliste Saloom Road, Lafayette, Louisiana 70508.

The Company is an "emerging growth company," as defined in the Jumpstart Our Business Startups Act (the "JOBS Act"), and as such, has elected to comply with certain reduced U.S. public company reporting requirements.

Based on the annual assessment performed on June 30, 2022, the Company meets the re-entry thresholds to qualify as a "smaller reporting company" under Rule 12b-2 of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), and, as such, has elected to comply with certain reduced U.S. public company reporting requirements.

The Company's common shares are traded in the U.S. on the Nasdaq Capital Market under the symbol "VMD" and in Canada on the Toronto Stock Exchange under the symbol "VMD.TO".

2. Summary of Significant Accounting Policies

Principles of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. The accompanying condensed consolidated financial statements are unaudited, but reflect all adjustments consisting of normal recurring accruals, which, in the opinion of management, are necessary to present fairly the Company's Condensed Consolidated Balance Sheets, Condensed Consolidated Statements of Income and Comprehensive Income, Condensed Consolidated Statements of Changes in Shareholders' Equity and Condensed Consolidated Statements of Cash Flows for the interim periods presented. The Company's fiscal year ends on December 31. The Condensed Consolidated Balance Sheet as of December 31, 2022 was derived from audited consolidated financial statements but does not include all disclosures required by GAAP. These condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements and the notes thereto and the report of the Company's independent registered public accounting firm included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022. The nature of the Company's business is such that the results of any interim period may not be indicative of the results to be expected for the entire year.

Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions have been eliminated.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Management bases these estimates and assumptions upon historical experience, existing and known circumstances, authoritative accounting pronouncements and other factors that management believes to be reasonable. Significant areas requiring the use of management estimates relate to revenue recognition, accounts receivable and the related allowance for doubtful accounts, income tax provisions, and fair value of financial instruments. Actual results could differ from these estimates.

(Tabular dollar amounts expressed in thousands of U.S. Dollars, except per share amounts)

Segment Reporting

The Company’s chief operating decision-makers ("CODMs") are its Chief Executive Officer and Chief Operating Officer, who make resource allocation decisions and assess performance based on financial information presented on an aggregate basis. There are no segment managers who are held accountable by the chief operating decision-makers, or anyone else, for any planning, strategy and key decision-making regarding operations. The corporate office is responsible for contract negotiation with vendors and payors, corporate compliance with healthcare laws and regulations, and revenue cycle management, among other corporate supporting functions. Accordingly, the Company has a single reportable segment and operating segment structure based on ASC 280, *Segment Reporting*.

Accounts receivable

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

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

For the three months ended March 31, 2023, our evaluation takes into consideration such factors as historical bad debt and billing modification experience, national and local economic trends and conditions, industry and regulatory conditions, other collection indicators and information about disaggregated receivables. The complexity of many third-party billing arrangements, patient qualification for medical necessity of equipment and the uncertainty of reimbursement amounts for certain services from certain payors may result in adjustments to amounts originally recorded.

The estimates and charge-offs for the allowance for doubtful accounts for each reporting period were as follows:

	March 31, 2023	March 31, 2022
Balance, beginning of year	$ 8,483	$ 7,031
Provision for uncollectible accounts	4,131	3,445
Amounts charged off	(1,574)	(1,992)
Balance, end of period	**$ 11,040**	**$ 8,484**

Included in accounts receivable at March 31, 2023 are amounts due from Medicare and Medicaid, representing 35% and 10%, respectively, and 45% combined, of total outstanding receivables. As of December 31, 2022, 48% of total outstanding receivables were amounts due from Medicare and Medicaid.

Revenues from Medicare and Medicaid as percentages of the Company's traditional revenue streams, excluding COVID-19 response sales and services, for the three months ended March 31, 2023 and 2022 were as follows:

	Three Months Ended March 31,	
	2023	2022
Medicare revenues	45 %	49 %
Medicaid revenues	9 %	9 %
Total Medicare and Medicaid revenues	**54 %**	**58 %**

Inventory

Inventory represents non-serialized supplies that consist of equipment parts, consumables, and associated product supplies and is expensed at the time of sale or use. The Company values inventory at the lower of cost or net realizable value. Obsolete and unserviceable inventories are valued at estimated net realizable value.

(Tabular dollar amounts expressed in thousands of U.S. Dollars, except per share amounts)

Property and equipment

Property and equipment is presented on the Condensed Consolidated Balance Sheets at historic cost less accumulated depreciation. Major renewals and improvements that extend the useful life of assets are capitalized to the respective property accounts, while maintenance and repairs, which do not extend the useful life of the respective assets, are expensed as incurred. Management has estimated the useful lives of equipment leased to customers. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Property and equipment are amortized on a straight-line basis over their estimated useful lives.

Depreciation of medical equipment commences at the date of service, which represents the date that the asset has been delivered to a patient and is put in use and continues through the useful life of the asset. Property and equipment with definite useful lives are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

Equity investments

Equity investments on the Condensed Consolidated Balance Sheets are comprised of an investment accounted for under the equity method and equity investments without readily determinable fair values accounted for under the measurement alternative described in ASC 321-10-35-2.

The following table details the Company’s equity investments:

	March 31, 2023	December 31, 2022
Equity method investments	$ 655	$ 816
Other equity investments	1,339	1,339
Balance, end of period	**$ 1,994**	**$ 2,155**

The Company's equity method investments include a 49% equity interest in Solvet Services, LLC, an entity which provides health care support services to state and federal governments. Investments accounted for under the equity method are investments in unconsolidated entities over whose operating and financial policies the Company has the ability to exercise significant influence but not control. Equity method investments are initially measured at cost in the Condensed Consolidated Balance Sheets with any subsequent adjustments made to the carrying amount of the investment for the Company’s proportionate share of income or loss. The Company has recognized its share of income or loss on the gain (loss) from equity method investments within non-operating expenses in the Condensed Consolidated Statements of Income. Equity method investments are evaluated for impairment whenever events or changes in circumstances indicate that the carrying value of the investments may exceed the fair value. No events or changes have occurred as of March 31, 2023 that would impair the carrying value of equity method investments.

Other equity investments include an equity interest in VeruStat, Inc., a remote patient monitoring entity, and an equity interest in DMEscripts, LLC, an e-prescribing platform. Other equity investments are investments without a readily determinable fair value which do not qualify for the practical expedient in ASC 820. For these investments, the Company has elected the measurement alternative which measures the investment at cost, less any impairment. ASU 2019-04 clarifies that if an entity identifies observable price changes in orderly transactions for the identical or a similar investment of the same issuer, it must measure its equity investment at fair value in accordance with ASC 820 as of the date that the observable transaction occurred. The Company was not aware of any impairment or observable price change adjustments that needed to be made as of March 31, 2023 on its investments in equity securities without a readily determinable fair value.

Debt Investment

The Company's debt investment is a variable rate secured convertible note issued by Healthcare DX, Inc. (d/b/a ModoHealth) on December 21, 2022, classified as an available-for-sale debt instrument. Accrued interest is due upon the 18 month maturity of the note and is included in the amortized cost basis at each reporting period. At each financial statement date until a conversion event, the debt instrument is required to be remeasured at fair value. Changes in unrealized gains and losses are included in accumulated other comprehensive income, net of tax effect, until realized.

Comprehensive income

Comprehensive income reflects the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. The Company's comprehensive income represents net income adjusted for unrealized gains and losses on derivative instruments, net of tax. Accumulated other comprehensive loss is presented on the accompanying Condensed Consolidated Balance Sheets as a component of shareholders' equity.

Revenue recognition

Revenue from a customer consists of sales and rentals of home medical equipment and patient medical services. Patient revenues are billed to and collections received from Medicare, Medicaid, third-party insurers, co-insurance and patient-pay. Patient revenue is recognized net of contractual adjustments and bad debt based on contractual arrangements with third-party payors, an evaluation of expected collections resulting from the analysis of current and past due accounts, past collection experience in relation to amounts billed and other relevant information. Contractual adjustments result from the differences between the rates charged for services and reimbursement rates paid by government-sponsored healthcare programs and insurance companies for such services.

The Company's contracts with customers often include multiple products and services, and the Company evaluates these arrangements to determine the unit of accounting for revenue recognition purposes based on whether the product or service is distinct from other products or services in the arrangement and should be accounted for as a separate performance obligation. A product or service is distinct if the customer can benefit from it on its own or together with other readily available resources and the Company's ability to transfer the goods or services is separately identifiable from other promises in the contractual arrangement with the customer (e.g. patient). Revenue is then allocated to each separately identifiable good or service based on the standalone price of the items underlying the performance obligations. Most of the Company's products fall in the Medicare Fee-for-Service ("FFS") program which is a payment model where services are unbundled and paid for separately. These services are paid based on a Medicare determined price that is publicly available on the website for the Centers for Medicare & Medicaid Services ("CMS").

For commercial payors, HME companies must negotiate in-network pricing separately, though in general, the Company's payors tend to benchmark their contract rates and coverage policies closely to those of Medicare.

The Company considers performance obligations for sales and rentals to be met when the customer receives the equipment, and revenue for rentals is recognized over time, over the respective rental period. For revenue associated with HME rentals, the Company recognizes revenue in accordance with FASB ASC 842, *"Leases,"* (Topic 842). For any HME sales and services, the Company recognizes revenue under FASB ASU 2014-09, *"Revenue from Contracts with Customers,"* (Topic 606) and related amendments.

The Company recognizes equipment rental revenue over the non-cancelable lease term, which varies based on the type of equipment rental, less estimated adjustments, in accordance with Topic 842. The Company has separate contracts with each patient that are not subject to a master lease agreement with any third-party payor. The Company would first consider the lease classification issue (sales-type lease or operating lease) and then appropriately recognize or defer rental revenue over the lease term.

(Tabular dollar amounts expressed in thousands of U.S. Dollars, except per share amounts)

Revenues associated with external staffing services are accrued on an hourly basis and are recorded based on the determination of whether the Company is acting as a principal or an agent. In arrangements in which the Company manages customers' supplemental workforce needs utilizing its own network of healthcare professionals, the Company is determined to be a principal and includes the contractual gross billings in revenues with a corresponding increase to cost of revenues for worksite employee payroll costs associated with these services. Alternatively, when the Company acts as agent in the performance of workforce management, revenue is recorded based on contractually agreed upon fees or commissions with no associated cost of revenues.

The revenues from each major source are summarized in the following table:

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Revenue from rentals under Topic 842		
Ventilator rentals, non-invasive and invasive	$ 25,147	$ 21,518
Other durable medical equipment rentals	6,906	4,359
Revenue from sales and services under Topic 606		
Equipment and supply sales	4,764	3,037
COVID-19 response sales and services	—	2,095
Service revenues	2,739	1,246
Total revenues	**$ 39,556**	**$ 32,255**

Revenue Accounting under Topic 842

The Company leases HME such as non-invasive and invasive ventilators, positive airway pressure ("PAP") machines, percussion vests, oxygen concentrator units and other small respiratory equipment to customers for a fixed monthly amount on a month-to-month basis. The customer generally has the right to cancel the lease at any time during the rental period. The Company accounts for these rentals as operating leases.

Under FASB ASC Topic 842, the Company recognizes rental revenue on operating leases on a straight-line basis over the contractual lease term which varies based on the type of equipment rental. The lease term begins on the date equipment is delivered to patients, and revenues are recorded at amounts estimated to be received under reimbursement arrangements with third-party payors, including Medicare, private commercial payors, and Medicaid. Certain customer co-payments are included in revenue when considered probable of payment, which is generally when paid.

Due to the nature of the industry and the reimbursement environment in which the Company operates, certain estimates are required to record net revenue and accounts receivable at their net realizable values. Inherent in these estimates is the risk that they will have to be revised or updated as additional information becomes available. Specifically, the complexity of many third-party billing arrangements and the uncertainty of reimbursement amounts for certain services from certain payors may result in adjustments to amounts originally recorded. Such adjustments are typically identified and recorded at the point of cash application or claim denial.

Revenue Accounting under Topic 606

The Company sells HME, replacement parts and supplies to customers and recognizes revenue based on contractual payment rates as determined by the payors at the point in time where control of the good or service is transferred through delivery to the customer. The customer and, if applicable, the payors are generally charged at the time that the product is sold. For sales of equipment previously placed in service, proceeds associated with these sales are recorded to gain (loss) on disposal of property and equipment.

The Company also provides sleep study services to customers and recognizes revenue when the sleep study results are complete, satisfying the performance obligation. In response to the COVID-19 pandemic, the Company began offering contact and vaccine tracing services, which revenues are recognized in the period in which the service has been provided. The transaction price on equipment sales, sleep studies, and contact and vaccine tracing is the amount that the Company expects to receive in exchange for the goods and services provided. Due to the nature of the HME business, gross charges are retail charges and generally do not reflect what the Company is ultimately paid. As such, the transaction price is constrained for the difference between the gross charge and what is estimated to be collected from payors and from patients. The transaction price therefore is predominantly based on contractual payment rates as determined by the payors. The payment terms and conditions of customer contracts vary by customer type and the products and services offered.

For staffing services, performance obligations in the staffing agreements are satisfied over time when the customer simultaneously receives and consumes the benefits provided. Accordingly, revenues from staffing services are recognized on an hourly basis as services are rendered by the job site employee in both principal and agent arrangements.

The Company determines its estimates of contractual allowances and discounts based upon contractual agreements, its policies and historical experience. While the rates are fixed for the product or service with the customer and the payors, such amounts typically include co-payments, co-insurance and deductibles, which vary in amounts, and are due from the patient. The Company includes in the transaction price only the amount that the Company expects to be entitled, which is substantially all of the payor billings at contractual rates. The transaction price is initially constrained by the amount of customer co-payments, which are included in the transaction price when considered probable of payment and included in revenue if the product or service has already been provided to the customer.

Due to the nature of the industry and the reimbursement environment in which the Company operates, certain estimates are required to record net revenue and accounts receivable at their net realizable values. Inherent in these estimates is the risk that they will have to be revised or updated as additional information becomes available. Specifically, the complexity of many third-party billing arrangements and the uncertainty of reimbursement amounts for certain services from certain payors may result in adjustments to amounts originally recorded. Such adjustments are typically identified and recorded at the point of cash application or claim denial.

Returns and refunds are not accepted on equipment sales, sleep study services, staffing services, or contact and vaccine tracing services. The Company does not offer warranties to customers in excess of the manufacturer's warranty. Any taxes due upon sale of the products or services are not recognized as revenue. The Company does not have any partially or unfilled performance obligations related to contracts with customers and as such, the Company has no contract liabilities as of March 31, 2023.

Stock-based compensation

The Company accounts for its stock-based compensation in accordance with ASC 718*, "Compensation—Stock Compensation"*, which establishes accounting for share-based awards exchanged for employee services and requires companies to expense the estimated fair value of these awards over the requisite employee service period. Stock–based compensation costs for stock options are determined at the grant date using the Black-Scholes option pricing model. Stock-based compensation costs for restricted stock units ("RSUs") are determined at the grant date based on the closing stock price. The expense of such stock-based compensation awards is recognized using the graded vesting attribution method over the vesting period and the offsetting credit is recorded as an increase in additional paid-in capital. Forfeitures are recorded as incurred. Any excess tax benefit or deficiency is recognized as a component of income taxes and within operating cash flows upon vesting of the share-based award.

For the Company's phantom share units settled in cash, the Company computes the fair value of the phantom share units using the closing price of the Company's stock at the end of each period and records a liability based on the percentage of requisite service.

Interest rate swaps

The Company utilized an interest rate swap contract to reduce exposure to fluctuations in variable interest rates for future interest payments on the 2019 Term Note (as defined below).

For determining the fair value of the interest rate swap contract, the Company uses significant other observable market data or assumptions (Level 2 inputs) that market participants would use in pricing similar assets or liabilities, including assumptions about counterparty risk. These fair value estimates reflect an income approach based on the terms of the interest rate swap contract and inputs corroborated by observable market data including interest rate curves. The Company presents a positive ending period fair value of the interest rate swap contract in other long-term assets, as a component of long-term assets, and a negative ending period fair value of the interest rate swap contract in accrued liabilities, as a component of long-term liabilities on the Condensed Consolidated Balance Sheets.

The Company recognized any differences between the variable interest rate payments and the fixed interest rate settlements from its swap counterparty as an adjustment to interest expense over the life of the swap. If determined to be an effective cash flow hedge, the Company will record the changes in the estimated fair value of the swaps to accumulated other comprehensive income or loss on the Condensed Consolidated Balance Sheets. To the extent that interest rate swaps are determined to be ineffective, the

Company would recognize the changes in the estimated fair value of swaps in interest and other non-operating expenses, net in its Condensed Consolidated Statements of Income.

During the year ended December 31, 2022, the Company settled its interest rate swap in connection with the refinancing of its credit facilities and recognized the realized gain of $0.2 million in Other Income.

Income taxes

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

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

CARES Act Funds Received

The Company received a general distribution payment from the Provider Relief Fund of $3.5 million in April 2020, a targeted distribution payment of $1.5 million in November 2021, and a general distribution payment of $0.4 million in January 2022. The U.S. Department of Health and Human Services ("HHS") has stated that Provider Relief Fund payments are not loans and will not need to be repaid. However, as a condition to the receipt of funds, the Company and any other providers must agree to a detailed set of terms and conditions. CMS has indicated that the terms and conditions may be subject to ongoing changes and reporting. There is no US GAAP guidance for for-profit health care entities that receive government grants that are not in the form of an income tax credit, revenue from a contract with a customer or a loan. As such, for-profit entities must determine the appropriate accounting treatment by analogy to other guidance such as International Accounting Standards (IAS) 20, Accounting for Government Grants and Disclosure of Government Assistance, in International Financial Reporting Standards. Under IAS 20, the Company determined that upon receipt of funds, it fully complied with the conditions attached to the grant. The Company recognized the distributions received from the Provider Relief Fund in the income statement in full during the period of receipt. To the extent that reporting requirements and terms and conditions are modified, it may affect the Company's ability to comply and may require the return of funds. The Company is not aware of any such modifications as of March 31, 2023.

Recently adopted accounting pronouncements

On January 1, 2023, the Company adopted ASU 2016-13, Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments. The standard replaces the current incurred loss impairment model that recognizes losses when a probable threshold is met with a requirement to recognize lifetime expected credit losses immediately when a financial asset is originated or purchased. Further, the FASB issued ASU 2019-04 and ASU 2019-05 to provide additional guidance on the credit losses standard. While the adoption of ASC 326 could result in a higher allowance recorded in the future for credit losses on receivables within the scope of the standard due to the prescribed measurement principles, the impact of the adoption on the Company's consolidated financials statements was not material.

Recently issued accounting pronouncements

The Company is an "emerging growth company" as defined by the JOBS Act. The JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended, for complying with new or revised accounting standards. In other words, an emerging growth company can selectively delay the adoption of all accounting standards until those standards would otherwise apply to private companies. The Company has elected to utilize this exemption and, as a result, the Company's condensed consolidated financial statements may not be comparable to the financial statements of issuers that are required to comply with the effective dates for new or revised accounting standards that are applicable to public companies. To date, however, the Company has not delayed the adoption of any accounting standards except as noted below. Section 107 of the JOBS Act provides that the Company can elect to opt out of the extended transition period at any time, which election is irrevocable.

(Tabular dollar amounts expressed in thousands of U.S. Dollars, except per share amounts)

In September 2022, the FASB issued ASU No. 2022-04, Liabilities — Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations, which requires entities that use supplier finance programs in connection with the purchase of goods and services to disclose the key terms of the programs and information about their obligations that are outstanding at the end of the reporting period. The amendments in this update are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, except for the amendment on rollforward information, which is effective for fiscal years beginning after December 15, 2023. The Company does not expect the update to affect the recognition, measurement, or financial statement presentation of supplier finance program obligations, but is evaluating the impact of the update on related disclosures upon adoption.

3. Property and Equipment

The Company’s fixed assets consist of its medical equipment held for rental, furniture and equipment, real property and related improvements, and vehicles and other various small equipment.

The following table details the Company’s fixed assets:

	March 31, 2023	December 31, 2022
Medical equipment	$ 96,848	$ 93,893
Furniture and equipment	2,886	2,792
Land	2,566	2,566
Buildings	7,602	7,737
Leasehold improvements	296	296
Vehicles	1,051	1,052
Less: Accumulated depreciation	(42,811)	(39,899)
Property and equipment, net of accumulated depreciation and amortization	**$ 68,438**	**$ 68,437**

Depreciation in the amount of $4,522,000 and $3,160,000 is included in cost of revenue for the three months ended March 31, 2023 and 2022, respectively. At March 31, 2023 and December 31, 2022, there were no outstanding finance lease obligations. Medical equipment purchases with a cost of $1,709,000 and $738,000 were included in accounts payable at March 31, 2023 and December 31, 2022, respectively.

4. Current Liabilities

The Company’s short-term accrued liabilities are included within current liabilities and consist of the following:

	March 31, 2023	December 31, 2022
Accrued trade payables	$ 2,398	$ 2,254
Accrued commissions payable	679	608
Accrued bonuses payable	2,295	3,708
Accrued vacation and payroll	2,841	1,484
Current portion of phantom share liability	2,148	1,704
Accrued other liabilities	2,456	1,334
Total accrued liabilities	**$ 12,817**	**$ 11,092**

5. Debt

2018 Senior Credit Facility

On February 20, 2018, the Company entered a Commercial Business Loan Agreement (the "2018 Senior Credit Facility") that provided for Term Loans and Lines of Credit with Hancock Whitney Bank. Until November 29, 2022, the Company maintained a line of credit in the amount of $10.0 million under the 2018 Senior Credit Facility. On May 30, 2019, the Company entered into a term note (“Building Term Note”) under the 2018 Senior Credit Facility in the principal amount of $4.8 million. The proceeds of the Building Term Note were used to purchase the Company's corporate headquarters. In connection with the Building Term Note, the Company entered into an interest rate swap transaction ("Interest Rate Swap Transaction") with Hancock Whitney Bank effectively fixing the interest rate for the Building Term Note at 4.68%. On September 19, 2019, the Company entered into an additional loan agreement providing for a term note (the “2019 Term Note") under the 2018 Senior Credit Facility in the principal amount of $5.0 million and bearing an annual interest rate of 4.60%. The proceeds of the 2019 Term Note were utilized for general corporate purposes. The 2019 Term Note matured on September 19, 2022 at which time the entire unpaid balance of principal and interest was repaid in full. In connection with the entry in to the 2022 Senior Credit Facilities on November 29, 2022, the Company retired the 2018 Senior Credit Facility, and repaid all outstanding interest and principal in full.

2022 Senior Credit Facilities

On November 29, 2022, the Company refinanced its existing borrowings under the 2018 Senior Credit Facility and entered into a new credit agreement (the "2022 Senior Credit Facilities") with the lenders from time to time party thereto, and Regions Bank, as administrative agent (the "Administrative Agent") and collateral agent, that provides for an up to $30.0 million revolving credit facility (the "2022 Revolving Credit Facility") and an up to $30.0 million delayed draw term loan facility (the "2022 Term Loan Facility"), both maturing in November 2027.

The proceeds of the 2022 Revolving Credit Facility may be used to refinance existing indebtedness, for working capital purposes, capital expenditures and other general corporate purposes (including permitted acquisitions), and to pay transaction fees, costs and expenses related to the 2022 Senior Credit Facilities. The proceeds of the 2022 Term Loan Facility and any additional term loans established in accordance with the 2022 Senior Credit Facilities may be used to finance permitted acquisitions and to pay transaction fees, costs and expenses related to such acquisitions.

The interest rates per annum applicable to the 2022 Senior Credit Facilities are Term SOFR (as defined in the 2022 Senior Credit Facilities) plus an applicable margin, which ranges from 2.625% to 3.375%, or, at the option of the Company, a Base Rate (as defined in the 2022 Senior Credit Facilities) plus an applicable margin, which ranges from 1.625% to 2.375%.

The 2022 Senior Credit Facilities require the Company to comply with certain affirmative, as well as certain negative covenants that, among other things, restrict, subject to certain exceptions, the ability of the Company to incur indebtedness, grant liens, make investments, engage in acquisitions, mergers or consolidations and pay dividends and other restricted payments. The 2022 Senior Credit Facilities also include certain financial covenants, which generally include, but are not limited to the following:

- Consolidated Total Leverage Ratio (defined generally as total indebtedness to adjusted EBITDA) of not greater than (i) for any fiscal quarter ending during the period from the closing date to and including December 31, 2024, 2.75 to 1.0 and (ii) for any fiscal quarter ending on and after March 31, 2025, 2.50 to 1.0, subject to certain adjustments following a material acquisition.

- Consolidated Fixed Charge Coverage Ratio (defined generally as (a) adjusted EBITDA minus capital expenditures minus cash taxes to (b) the sum of scheduled principal payments plus cash interest expense plus restricted payments) of not less than 1.25:1.0.

The Company was in compliance with all covenants under the 2022 Senior Credit Facilities in effect at March 31, 2023.

The 2022 Senior Credit Facilities includes provisions permitting the Company from time to time to, subject to certain terms and conditions, increase the aggregate amount of commitments under the 2022 Revolving Credit Facility and/or establish one or more additional term loans under the 2022 Term Loan Facility, in each case, with additional commitments from existing lenders or new commitments from financial institutions acceptable to the Administrative Agent in its reasonable discretion; provided, that, (a) the aggregate principal amount of any increases in the 2022 Revolving Credit Facility, and (b) the aggregate principal amount of all additional term loans under the 2022 Term Loan Facility established after the closing date will not exceed $30.0 million.

Financing costs and commitment fees related to the 2022 Senior Credit Facilities are capitalized and amortized over the term of the loans using the effective interest method.

There were no outstanding borrowings under the 2022 Senior Credit Facilities at March 31, 2023 or December 31, 2022.

6. Fair Value Measurement

Under ASC Topic 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). ASC Topic 820 establishes a hierarchy for inputs to valuation techniques used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. There are three levels to the hierarchy based on the reliability of inputs, as follows:

Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets and liabilities in markets that are not active.

Level 3 - Unobservable inputs for the asset or liability. The degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized in Level 3.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The Company measures certain assets and liabilities at fair value on a recurring basis. There were no transfers between fair value measurement levels during any presented period.

The following tables summarize the Company's assets and liabilities measured at fair value on a recurring basis as of March 31, 2023 and December 31, 2022:

	At March 31, 2023			
(In thousands)	Level 1	Level 2	Level 3	Total
Recurring Fair Value Measurements:				
Money market mutual funds	$ 15,538	$ —	$ —	$ 15,538
Available for sale debt instrument	—	—	2,057	2,057
Total	**$ 15,538**	**$ —**	**$ 2,057**	**$ 17,595**

	At December 31, 2022			
(In thousands)	Level 1	Level 2	Level 3	Total
Recurring Fair Value Measurements:				
Money market mutual funds	$ 11,005	$ —	$ —	$ 11,005
Available for sale debt instrument	—	—	2,000	2,000
Total	**$ 11,005**	**$ —**	**$ 2,000**	**$ 13,005**

Available for Sale Debt Instrument

The fair value of the Company’s available for sale debt instrument approximates its amortized cost basis due to the short maturity and indexed interest rate terms. The fair value is classified within Level 3 in the fair value hierarchy as the Company evaluates adjustments using a combination of observable and unobservable inputs, such as operating results of the counterparty as well observable prices in transactions of debt and equity instruments of the issuing counterparty when available. As of March 31, 2023, the analysis resulted in no adjustments to the carrying value impacting unrealized gains or losses. All changes to measured fair value during the period were the result of accrued interest.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

The Company measures certain assets and liabilities at fair value on a nonrecurring basis. These assets and liabilities include equity method investments and other equity investments. Equity method investments are evaluated for impairment whenever events or changes in circumstances indicate that the carrying value of the investments may exceed the fair value. The Company's other equity investments are holdings in privately-held companies without a readily determinable market value. The Company remeasures equity securities without readily determinable fair value at fair value when an orderly transaction is identified for an identical or similar investment of the same issuer in accordance with the measurement alternative under Topic 820. ASU 2019-04 states that the measurement alternative is a nonrecurring fair value measurement. Accordingly, other equity investments without readily determinable fair value are classified within Level 3 in the fair value hierarchy because the Company estimates the value using a combination of observable and unobservable inputs, including valuation ascribed to the issuing company in subsequent financing rounds, volatility in the results of operations of the issuers and rights and obligations of the holdings the Company owns.

The Company had no material adjustments of assets and liabilities measured at fair value on a nonrecurring basis during any of the periods presented. There were no transfers between fair value measurement levels during any presented period.

7. Shareholders' Equity

Authorized share capital

The Company's authorized share capital consists of an unlimited number of common shares, with no stated par value.

Issued and outstanding share capital

The Company has only one class of stock outstanding, common shares. The authorized stock consists of an unlimited number of common shares with no stated par value, of which 38,276,389 and 38,049,739 shares were issued and outstanding as of March 31, 2023 and December 31, 2022, respectively.

For the three months ended March 31, 2023, the Company acquired and cancelled 64,756 common shares at a cost of $0.5 million to satisfy employee income tax withholding associated with RSUs vesting. The Company's retained earnings were reduced by the amount paid for the shares repurchased and cancelled.

Stock-based compensation

Effective June 11, 2020 (the "Effective Date"), the Company's shareholders approved the Company's 2020 Long Term Incentive Plan (the "Omnibus Plan"). Upon approval of the Omnibus Plan, no future awards are available to be made under the Company's previous RSU and Option Plans (collectively, the "Former Plan"), and the common shares that were not settled or awarded under the Former Plan as of the Effective Date are available for awards under the Omnibus Plan. The maximum number of common shares that are available for awards under the Omnibus Plan and under any other security-based compensation arrangements adopted by the Company, including the Former Plan, may not exceed 7,758,211 shares (equal to 20% of the issued and outstanding common shares of the Company on the Effective Date). The maximum amount of the foregoing common shares that may be awarded under the Omnibus Plan as "incentive stock options" is 2,600,000 common shares. As of March 31, 2023, the Company had outstanding options of 4,368,000 and RSUs of 1,130,000 associated with common shares under the Omnibus Plan.

The following table summarizes stock-based compensation expense for the three months ended March 31, 2023 and 2022 (in thousands):

	Three Months Ended March 31,	
	2023	**2022**
Stock-based compensation - options	$ 348	$ 820
Stock-based compensation - restricted stock units	1,043	485
Total	**$ 1,391**	**$ 1,305**

At March 31, 2023, there was approximately $1,189,000 of total unrecognized pre-tax stock option expense under the Company's equity compensation plans, which is expected to be recognized over a weighted-average period of 1.53 years. As of March 31, 2023, there was approximately $5,922,000 of total unrecognized pre-tax compensation expense related to outstanding time-based restricted stock units that is expected to be recognized over a weighted-average period of 1.48 years.

(Tabular dollar amounts expressed in thousands of U.S. Dollars, except per share amounts)

Options

The following table summarizes stock option activity for the three months ended March 31, 2023:

	Number of options (000's)	Weighted average exercise price[1]	Weighted average remaining contractual life	Aggregate intrinsic value[2]
Balance December 31, 2022	**4,497**	**$ 5.26**	**6.9 years**	**$ 11,356**
Issued	—	—		
Exercised	(108)	5.19		
Expired / Forfeited	(21)	6.68		
Balance March 31, 2023	**4,368**	**$ 5.26**	**6.7 years**	**$ 19,264**

[1]For presentation purposes, stock options issued with a Canadian dollar exercise price have been translated to U.S. dollars based on the prevailing exchange rate on the date of grant.
[2]The aggregate intrinsic value of options outstanding represents the difference between the exercise price of the option and the closing stock price of the Company's common shares on the last trading day of the period ($9.66).

The aggregate intrinsic value of options outstanding was $19,263,947 and options exercisable was $16,609,299 at March 31, 2023. For the three months ended March 31, 2023, 108,370 common shares were issued pursuant to the exercise of stock options.

At March 31, 2023, the Company had 3,521,000 exercisable stock options outstanding with a weighted average exercise price of $4.95 and a weighted average remaining contractual life of 6.2 years. At December 31, 2022, the Company had 2,841,000 exercisable stock options outstanding with a weighted average exercise price of $4.53 and a weighted average remaining contractual life of 6.1 years.

The fair value of the stock options has been charged to the Consolidated Statements of Income and Comprehensive Income and credited to additional paid-in capital over the vesting period, using the grant date fair value based on the Black-Scholes option pricing model. The assumptions used to determine the grant date fair value of stock options include exercise price, risk-free interest rates, expected volatility, and average life of an option. The risk-free interest rates are based on the rates available at the time of the grant for zero-coupon U.S. government issues with a remaining term equal to the option’s expected life. The average life of an option is based on both historical and projected exercise and lapsing data. Expected volatility is based on implied volatilities from traded options on the Company's common shares and historical volatility of the Company's common shares over the expected life of the option. There were no issuances of options during three months ended March 31, 2023.

Restricted stock units

The Company accounts for RSUs using fair value. The fair value of the RSUs has been charged to the Condensed Consolidated Statements of Income and Comprehensive Income and credited to additional paid-in capital over the vesting period, based on the stock price on the date of grant. RSUs vest generally over a one or three-year period. The Company accounts for forfeitures on RSUs under ASU 2016-09 and recognizes forfeitures in the period in which they occur.

The following table summarizes RSU activity for the three months ended March 31, 2023:

	Number of RSUs (000's)	Weighted average grant price	Weighted average remaining contractual life	Aggregate intrinsic value[1]
Balance December 31, 2022	**629**	**$ 5.62**	**0.88 years**	**$ 4,755**
Issued	702	7.87		
Vested	(183)	5.56		
Expired / Forfeited	(18)	6.71		
Balance March 31, 2023	**1,130**	**$ 7.01**	**1.48 years**	**$ 10,915**

[1]The aggregate intrinsic value of time-based RSUs outstanding was based on the Company's closing stock price on the last trading day of the period ($9.66).

During the three months ended March 31, 2023, the Company issued 702,206 RSUs with a vesting term of three years and a fair value of $7.87 per share.

Phantom share units

The Company has a phantom share unit plan, which it uses for grants to directors, officers, and employees. Phantom share units granted under the plan are non-assignable and are settled in cash at vesting based on the fair value of the Company's common stock on the vesting date. Phantom share units vest annually over a three-year period. The cash-settled phantom share units are accounted for as liability awards and are re-measured at fair value each reporting period until they become vested with accrued liability and related expense being recognized over the requisite service period.

The following table summarizes phantom share unit activity for the three months ended March 31, 2023:

	Number of phantom share units (000's)	Value of share equivalents[1]
Balance December 31, 2022	512	$ 3,878
Issued	176	$ 1,401
Vested	(74)	$ (578)
Expired / Forfeited	(17)	$ (165)
Balance March 31, 2023	**597**	**$ 5,767**

[1]The value of outstanding share equivalents at the beginning of the period is based on the market price of the Company’s stock at that time, the value of issued share equivalents is based on the market price of the Company’s stock at issuance, the value of vested share equivalents is based on the cash paid at the time of vesting, the values of expired/forfeited share equivalents and outstanding share equivalents at the end of the period and are based on the market price of the Company's stock at the end of the period. The market price of the Company's stock was $9.66 on March 31, 2023.

The change in fair value of the phantom share units has been charged to the Condensed Consolidated Statements of Income and Comprehensive Income and recorded as a liability included in accrued liabilities and long-term accrued liabilities. The total liability associated with phantom share units at March 31, 2023 is $3,158,126, with $2,147,652 of this amount included in current accrued liabilities and the remaining portion of $1,010,474 included in long-term accrued liabilities.

The impact associated with the fair value re-measurement of phantom share units is recorded in selling, general and administrative expenses within the unaudited Condensed Consolidated Statements of Income and Comprehensive Income. The following table summarizes expense associated with the phantom share units for the three months ended March 31, 2023 and 2022 (in thousands):

	Three Months Ended March 31,	
	2023	**2022**
Selling, general, and administrative	$ 1,149	$ 411

The Company paid cash settlements of $578,000 and $13,000 during the three months ended March 31, 2023 and 2022, pertaining to vestings of cash-settled phantom share units.

8. Commitments and Contingencies

The Company accrues estimates for resolution of any legal and other contingencies when losses are probable and reasonably estimable in accordance with ASC 450, Contingencies (“ASC 450”). No less than quarterly, the Company reviews the status of each significant matter underlying a legal proceeding or claim and assess our potential financial exposure. The Company accrues a liability for an estimated loss if the potential loss from any legal proceeding or claim is considered probable and the amount can be reasonably estimated. Significant judgment is required in both the determination of probability and the determination as to whether the amount of an exposure is reasonably estimable, and accruals are based only on the information available to the Company at the time the judgment is made, which may prove to be incomplete or inaccurate or unanticipated events and circumstances may occur that might cause us to change those estimates and assumptions. Furthermore, the outcome of legal proceedings is inherently uncertain, and we may incur substantial defense costs and expenses defending any of these matters.

Legal Proceedings

As previously disclosed, the Company (through its subsidiary Sleep Management LLC) submitted a purchase order (the "Purchase Order") in March 2020 to Vyaire Medical, Inc. d/b/a CareFusion Respiratory Technologies ("Vyaire") for respiratory equipment. The Company ultimately prepaid $1.4 million towards the delivery of such respiratory equipment. Vyaire was unable or unwilling to deliver the vast majority of the respiratory equipment referenced in the Purchase Order, and also refused to refund the prepayment amount (less the amounts paid for equipment actually received). On July 29, 2020, the Company (through its subsidiary Sleep Management LLC) filed a lawsuit against Vyaire in the United States District Court for the Western District of Louisiana (the "Court"). This lawsuit was dismissed on December 8, 2020 in connection with the commencement of the lawsuit filed by the Company (through its subsidiary Sleep Management) on November 5, 2020, against Vyaire in the 15th Judicial District Court for the Parish of Lafayette, Louisiana (the "State Court") seeking damages for breach of contract and seeking a declaratory judgment that the Company is not required to pay any further funds to Vyaire. On December 28, 2020, Vyaire filed its Answer, Affirmative Defenses, and Reconventional Demand ("Reconventional Demand") with the State Court alleging breach of contract and seeking damages of $4.7 million purportedly for the improper cancellation of the Purchase Order. The Company filed its Answer to the Reconventional Demand on February 12, 2021 and the parties are currently engaged in discovery. The Court has set a deadline to complete discovery of July 17, 2023, and has set a date for a non-jury trial on October 30, 2023.

The Company continues to believe that it has valid legal and equitable grounds to recover its outstanding prepayment as a result of Vyaire's failure to deliver the vast majority of the respiratory equipment referenced in the Purchase Order. The Company has determined that a loss related to the Reconventional Demand is not probable, and thus has not accrued a liability related to this claim. Although a loss may be reasonably possible, the Company does not have sufficient information to determine the amount or range of reasonably possible loss with respect to the Reconventional Demand given that the dispute is in the early stages of the legal process. As of March 31, 2023, outstanding funds in the amount of $0.9 million related to undelivered respiratory equipment are included within other long-term assets.

Governmental and Regulatory Matters

From time to time the Company is involved in various external governmental investigations, audits and reviews. Reviews, audits and investigations of this sort can lead to government actions, which can result in the recoupment of reimbursements, civil or criminal fines or penalties, or other sanctions, including restrictions or changes in the way the Company conducts business, loss of licensure or exclusion from participation in government healthcare programs.

In May of 2021, a final report and recommendation ("Report") was issued by the OIG regarding an audit by OIG of claims relating to 100 of the Company's non-invasive ventilation at home ("NIVH") patients. The OIG asserted that most of the sampled Medicare claims submitted for the monthly rental of non-invasive ventilators did not comply with Medicare requirements. The Company firmly believed that the Report ignored each patient's diagnosis and supporting documentation of that diagnosis from treating and prescribing physicians and applied clinical guidelines that were contrary to CMS's accepted standard of care. In late June of 2021, the Company received initial request letters from DME Medicare Administrative Contractors ("MACs") referencing the Report and requesting repayment of purported overpayments. The Company responded to each initial request by submitting a rebuttal and by filing a redetermination appeal as prescribed by the initial request letters and by statute. In September 2021, the MACs informed the Company of unfavorable decisions with respect to the redetermination appeals. In November 2021, the Company filed Reconsideration Appeals with CMS's designated Qualified Independent Contractor ("QIC"). Based on its review, the QIC determined that approximately 77% of the claims it reviewed were medically necessary and properly payable under Medicare rules and regulations, overturning OIG's and the MACs' initial recommendations and determinations. As a result of the QIC's reconsideration findings, reduced and recalculated principal overpayment requests totaling $1.1 million were issued by the MACs. In order to limit the assessment of interest during the appeals period, the Company remitted the associated funds to the MACs. In December 2022, an Administrative Law Judge overturned all of the remaining appealed claims and instructed the MACs to refund all funds previously remitted by the Company. Accordingly, the funds remitted to the MACs are recorded in Prepaid expenses and other assets at December 31, 2022 and were received during the three months ended March 31, 2023.

9. Income Taxes

For the three months ended March 31, 2023, the Company recorded an income tax expense of $0.5 million, which includes a discrete tax benefit of $0.1 million associated with stock-based compensation arrangements. Excluding the impact of the discrete tax benefit, the effective rate for the three months ended March 31, 2023 is 28.4%. The effective rate differs from the amount computed by applying the statutory federal and state income tax rates to ordinary income before the provision for income taxes due to permanent non-deductible differences. The Company's effective tax rate is based on forecasted annual results which may fluctuate significantly through the rest of the year.

(Tabular dollar amounts expressed in thousands of U.S. Dollars, except per share amounts)

At March 31, 2023 and 2022, the Company had no amounts recorded for uncertain tax positions and does not expect any material changes in uncertain tax benefits during the next 12 months. The Company recognizes interest and penalties related to income tax matters in income tax expense. The Company is subject to U.S. federal income tax as well as income tax in various states. The Company is generally not subject to examination by taxing authorities for years prior to 2019.

The Company recognizes deferred tax assets to the extent that the Company believes that these assets are more likely than not to be realized. In making such a determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations.

10. Earnings Per Share

Income per common share is calculated using earnings for the year divided by the weighted average number of shares outstanding during the year. Using the treasury stock method, diluted income per share amounts are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares by assuming the proceeds received from the exercise of stock options and the vesting of RSUs are used to purchase common shares at the prevailing market rate.

The following reflects the earnings and share data used in the basic and diluted earnings per share computations:

	Three Months Ended March 31,	
	2023	2022
Numerator - basic and diluted:		
Net income attributable to shareholders	$ 1,517	$ 1,762
Denominator:		
Basic weighted-average number of common shares	38,156,777	39,621,741
Diluted weighted-average number of shares	40,016,693	40,363,456
Basic earnings per share	$ 0.04	$ 0.04
Diluted earnings per share	$ 0.04	$ 0.04
Denominator calculation from basic to diluted:		
Basic weighted-average number of common shares	38,156,777	39,621,741
Stock options and other dilutive securities	1,859,916	741,715
Diluted weighted-average number of shares	40,016,693	40,363,456

Anti-dilutive shares excluded from the calculation consisted of dilutive employee stock options and RSUs that were de minimis in all periods presented.

11. Subsequent Events

On April 18, 2023, the Company entered into a definitive stock purchase agreement (the "Purchase Agreement") to acquire 100% of the equity interests of Home Medical Products, Inc., a home medical equipment provider which operates throughout Tennessee and in Alabama and Mississippi.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with, and is qualified entirely by, our condensed consolidated financial statements (including Notes to the Condensed Consolidated Financial Statements) and the other consolidated financial information under Item 1 of this Quarterly Report on Form 10-Q. Some of the information in this discussion and analysis includes forward-looking statements that involve risk and uncertainties. Actual results and timing of events could differ from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Forward-Looking Statements

Certain statements and information in this Quarterly Report on Form 10-Q may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 or "forward-looking information" as such term is defined in applicable Canadian securities legislation (collectively, "forward-looking statements"). Any statements other than statements of historical information, including those that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties that could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. These forward-looking statements are made as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statements after the date they are made, whether as a result of new information, future events or otherwise, except as required by applicable law.

Forward-looking statements relate to future events or future performance and reflect the expectations or beliefs of management regarding future events, and include, but are not limited to, statements with respect to: operating results; profitability; financial condition and resources; anticipated needs for working capital; liquidity; capital resources; capital expenditures; milestones; licensing milestones; information with respect to future growth and growth strategies; anticipated trends in our industry; our future financing plans; timelines; currency fluctuations; government regulation; unanticipated expenses; commercial disputes or claims; limitations on insurance coverage or other reimbursement; and availability of cash flow to fund capital requirements.

Often, but not always, forward-looking information can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “potential”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, “believes”, “projects”, or the negatives thereof or variations of such words and phrases or statements that certain actions, events or results “will”, “should”, “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved” or the negative of these terms or comparable terminology.

Forward-looking statements are based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect. We believe that the assumptions and expectations reflected in such forward-looking statements are reasonable. We cannot assure you, however, that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, including those identified under “Risk Factors” and elsewhere in this Quarterly Report on Form 10-Q and the other documents we file with the SEC, including under “Item 1A. Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2022, and with the securities regulatory authorities in certain provinces of Canada, which contribute to the possibility that the predicted outcomes may not occur or may be delayed. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to: the general business, market and economic conditions in the regions in which the we operate; the impact of the COVID-19 pandemic and the actions taken by governmental authorities, individuals and companies in response to the pandemic on our business, financial condition and results of operations, including on our patient base, revenues, employees, and equipment and supplies; significant capital requirements and operating risks that we may be subject to; our ability to implement business strategies and pursue business opportunities; volatility in the market price of our common shares; our novel business model; the state of the capital markets; the availability of funds and resources to pursue operations; reductions in reimbursement rates and audits of reimbursement claims by various governmental and private payor entities; dependence on few payors; possible new drug discoveries; dependence on key suppliers; granting of permits and licenses in a highly regulated business; competition; disruptions in or attacks (including cyber-attacks) on our information technology, internet, network access or other voice or data communications systems or services; the evolution of various types of fraud or other criminal behavior to which we are exposed; difficulty integrating newly acquired businesses; the impact of new and changes to, or application of, current laws and regulations; the overall difficult litigation and regulatory environment; increased competition; increased funding costs and market volatility due to market illiquidity and competition for funding; critical accounting estimates and changes to accounting standards, policies, and methods used by us; our status as an emerging growth company and a smaller reporting company; and the occurrence of natural and unnatural catastrophic events or health epidemics or concerns, such as the COVID-19 pandemic, and claims resulting from such events or concerns, as well as other general economic, market and business conditions; and other factors beyond our control.

General Matters

In this Quarterly Report on Form 10-Q, unless the context otherwise requires, the terms the "Company," "we," "us" and "our" refer to Viemed Healthcare, Inc. and its wholly-owned subsidiaries.

We were incorporated on December 14, 2016 pursuant to the *Business Corporations Act* (British Columbia). As of June 30, 2020, we determined that we no longer qualify as a "foreign private issuer," as defined in Rule 3b-4 of the Exchange Act, for the purposes of the informational requirements of the Exchange Act. As a result, effective January 1, 2021, we became subject to the proxy solicitation rules under Section 14 of the Exchange Act and Regulation FD, and our officers, directors, and principal shareholders became subject to the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. We will continue to file annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K with the SEC and with the relevant Canadian securities regulatory authorities on the System for Electronic Document Analysis and Retrieval (SEDAR).

We are an "emerging growth company," as defined in the JOBS Act, and as such, we have elected to comply with certain reduced U.S. public company reporting requirements.

Based on the annual assessment performed on June 30, 2022, the Company met the re-entry thresholds to qualify as a "smaller reporting company" under Rule 12b-2 of the Exchange Act, and, as such, has elected to comply with certain reduced U.S. public company reporting requirements.

Overview

We provide an array of home medical equipment, services and supplies, specializing in post-acute respiratory care services in the United States. Our primary objective is to focus on the organic growth of the business and thereby solidify our position as one of the United States' largest providers of in-home therapy for patients suffering from respiratory diseases. Our respiratory care programs are designed specifically for payors to have the ability to treat patients in the home for less total cost and with a superior quality of care. Our services include respiratory disease management (through the rental of various HME devices), neuromuscular care, in-home sleep testing and sleep apnea treatment, oxygen therapy, and the sale of associated supplies.

We derive the majority of our revenue through the rental of non-invasive and invasive ventilators which represented 63.6% and 71.3% of our traditional revenue, excluding COVID-19 response sales and services, for the three months ended March 31, 2023 and 2022, respectively. We combine the benefits of home ventilation support with licensed Respiratory Therapists ("RTs") to drive improved patient outcomes and reduce costly hospital readmissions.

We expect to grow through expansion of existing service areas as well as in new territories through a cost efficient launch that reduces location expenses. We currently serve patients in all 50 states. We expect to continue to employ more RTs in order to assure our high service model is accomplished in the home. As of March 31, 2023, we employed 305 licensed RTs, representing more than 40% of our company-wide employee count. By focusing overhead costs on personnel that service the patient rather than physical location costs, we anticipate that we will efficiently scale our business in regions that are currently not being effectively serviced.

The continued trend of servicing patients in the home rather than in hospitals is aligned with our business objective and we anticipate that this trend will continue to offer growth opportunities for us. We expect to continue to be a solution to the rising health costs in the United States by offering more cost effective, home based solutions while increasing the quality of life for patients fighting serious respiratory diseases.

Trends Affecting our Business

On March 11, 2020, the World Health Organization designated COVID-19 as a global pandemic. Various policies and initiatives were implemented to reduce the transmission of COVID-19, including travel bans and restrictions, the postponement of non-essential medical surgeries, limiting access to medical facilities, and adoption of social distancing and remote working policies. Employee and patient safety is our first priority, and as a result, we put preparedness plans in place for our employees, especially our clinical personnel, and modified our clinical protocols to limit unnecessary patient encounters. On January 30, 2023, the U.S. government announced that it plans to end the COVID-19 Public Health Emergency ("COVID-19 PHE") on May 11, 2023. The U.S. Food and Drug Administration has announced in the Federal Register that the Emergency Use Authorization for certain ventilators and PAP and RAD devices will be in effect until November 7, 2023, 180 days beyond the end of the COVID-19 PHE. At the end of the COVID-19 PHE, many waivers and flexibilities available during the COVID-19 pandemic will become unavailable.

While COVID-19 related measures have not had a material impact on our consolidated operating results for the three months ended March 31, 2023, we cannot predict at this time the impact that the end of the COVID-19 PHE will have on our business and financial condition. It is also possible that the U.S. government will ultimately decide not to end the COVID-19 PHE on May 11, 2023, creating additional uncertainties about our future business and financial condition. Accordingly, we cannot assure you that demand for our products and services will continue or that we will be able to maintain operations necessary to satisfy such demand, including sufficient personnel, supply chains and distributions channels.

The COVID-19 pandemic has led to significant disruptions and volatility in capital and financial markets. Broad economic factors resulting from the current COVID-19 pandemic, including high unemployment and underemployment levels and reduced consumer spending and confidence, could also affect our service mix, revenue mix, payor mix and patient base, as well as our ability to collect outstanding receivables. Business closures and layoffs in the geographic areas in which we operate may lead to increases in the uninsured and under-insured populations and adversely affect demand for our services, as well as the ability of patients and other payors to pay for services rendered. Any increase in the amount or deterioration in the collectability of patient accounts receivable will adversely affect our financial results and require an increased level of working capital. In addition, we may experience supply chain disruptions, including delays and price increases in equipment and supplies. Staffing, equipment and supplies shortages may also impact our ability to assess potential patients in hospitals and set up and treat patients in the home. If COVID-19 intensifies or if the response to contain the COVID-19 pandemic is unsuccessful, we could experience a material adverse effect on our business, financial condition, and results of operations. For additional information, see Part II - Item 1A. “Risk Factors.”

The CARES Act, which was signed into law on March 27, 2020, provides a substantial stimulus and assistance package intended to address the impact of the COVID-19 pandemic, including tax relief and government loans, grants and investments. We are continuing to monitor any effects or requirements that may result from the CARES Act as many of the provisions in the CARES Act are temporary and may require us to modify our operations and compliance procedures. CMS and other federal agencies have and are likely to issue rules and regulations to implement the CARES Act. The impact of these rules and regulations are unknown and may affect us. To the extent these provisions will expire as stated in the CARES Act, we will be required to unwind any changes.

In 2019, CMS announced the inclusion of non-invasive ventilator products on the list of products subject to the competitive bidding program in Round 2021 which covers the period of January 1, 2021 through December 31, 2023. On March 9, 2020, CMS announced that due to the COVID-19 pandemic, the United States President’s exercise of the Defense Production Act, public concern regarding access to ventilators, and the non-invasive ventilators product category being new to the competitive bidding program, non-invasive ventilators were removed as a product category from Round 2021. On October 27, 2020, CMS announced that it had removed 13 of the 15 remaining product categories from Round 2021, including oxygen and PAP devices, because the payment amounts did not achieve expected savings. As a result of these announcements, we retain the ability to continue to furnish non-invasive ventilators and oxygen and PAP devices for all of our Medicare accredited areas, however, we are uncertain if non-invasive ventilators, oxygen, and PAP devices will be included in future competitive bidding programs. The current Round 2021 contracts expire on December 31, 2023 and CMS has not announced a new round of competitive bidding. Historically, CMS announces new rounds of competitive bidding and starts the process approximately 18 months prior to the contract start date.

The CARES Act introduced a new blended rate for HME furnished in non-rural or contiguous non-competitive bidding areas that is based on 75% of the adjusted fee schedule amount and 25% of the unadjusted fee schedule amount. The Consolidated Appropriations Act, 2023 further extended the 75/25 blended Medicare reimbursement rate in non-competitive bidding/non-rural areas through the end of the COVID-19 PHE or December 31, 2023, whichever is later, after which it will revert to 100% of the Medicare fee schedule.

The CARES Act also provided for a temporary suspension of the 2% payment sequestration adjustment currently applied to all Medicare fee-for-service claims. In December 2021, President Biden signed into law legislation that extended the suspension on the 2 percent payment sequestration through March 31, 2022. The payment sequestration adjustment was fixed at 1 percent from April 1, 2022 to June 30, 2022 and it returned to 2 percent on July 1, 2022.

The Statutory Pay-As-You-Go Act of 2010 ("PAYGO") required that automatic payment cuts of 4% be put into place if a statutory action is projected to create a net increase in the deficit over either five or 10 years. The enactment of the American Rescue Plan Act in 2021 would have triggered PAYGO sequestration in 2021. In the Protecting Medicare & American Farmers from Sequester Cuts Act, Congress delayed the PAYGO sequestration until January 1, 2023. The Consolidated Appropriations Act, 2023 further prevented implementation of the PAYGO Medicare 4% sequester through the end of 2024. If not renewed, the PAYGO payment adjustment could have an adverse effect on our business, financial condition and results of operations.

In its 2023 DMEPOS Fee Schedule, CMS also announced the fee schedule adjustment based on the annual change to the Consumer Pricing Index for all urban areas. Items that were subject to the competitive bidding program in former competitive bidding areas will receive a 6.4% reimbursement rate increase. Items that were subject to the competitive bidding program in non-competitive bidding areas will receive a 9.1% reimbursement rate increase. Items not subject to the competitive bidding program will receive an 8.7% reimbursement rate increase.

While we cannot predict what Medicare payment rates or coverage determinations will be in effect in future years, changes to payment rates or benefit coverages may materially impact its financial condition and results of operations.

The below table highlights summary financial and operational metrics for the last eight quarters.

(Tabular amounts expressed in thousands of U.S. Dollars, except vent patients)

For the quarter ended	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
Financial Information:								
Revenue	$ 39,556	$ 37,508	$ 35,759	$ 33,310	$ 32,255	$ 31,962	$ 29,285	$ 27,399
Gross Profit	24,004	22,896	21,651	20,390	19,743	19,662	18,381	17,625
Gross Profit %	61 %	61 %	61 %	61 %	61 %	62 %	63 %	64 %
Net Income	1,517	2,438	1,055	967	1,762	4,087	1,789	1,566
Cash (As of)	23,544	16,914	21,478	21,922	29,248	28,408	26,867	31,151
Total Assets (As of)	124,634	117,043	119,419	115,904	119,007	117,962	115,486	111,014
Adjusted EBITDA[(1)]	8,328	9,306	6,982	6,458	7,273	9,549	7,419	6,847
Operational Information:								
Vent Patients[(2)]	9,337	9,306	9,127	8,837	8,434	8,405	8,200	8,103

[(1)] Refer to "Non-GAAP Financial Measures" section below for definition of Adjusted EBITDA.
[(2)] Vent Patients represents the number of active ventilator patients on recurring billing service at the end of each calendar quarter.

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

Results of Operations

Comparison of the Three Months Ended March 31, 2023 and 2022:

The following table summarizes our results of operations for the three months ended March 31, 2023 and 2022:

	Three Months Ended March 31,					
	2023	% of Total Revenue	2022	% of Total Revenue	$ Change	% Change
Revenue	**$ 39,556**	**100.0 %**	**$ 32,255**	**100.0 %**	**$ 7,301**	**22.6 %**
Cost of revenue	15,552	39.3 %	12,512	38.8 %	3,040	24.3 %
Gross profit	**24,004**	**60.7 %**	**19,743**	**61.2 %**	**4,261**	**21.6 %**
Selling, general and administrative	19,762	50.0 %	15,776	48.9 %	3,986	25.3 %
Research and development	780	2.0 %	632	2.0 %	148	23.4 %
Stock-based compensation	1,391	3.5 %	1,305	4.0 %	86	6.6 %
Depreciation	240	0.6 %	237	0.7 %	3	1.3 %
Gain on disposal of property and equipment	(22)	(0.1)%	(14)	(0.1)%	(8)	57.1 %
Other income	(81)	(0.2)%	(441)	(1.4)%	360	(81.6)%
Income from operations	**1,934**	**4.9 %**	**2,248**	**7.0 %**	**(314)**	**(14.0)%**
Non-operating income and expenses						
Income from equity method investments	(35)	(0.1)%	(323)	(1.0)%	288	(89.2)%
Interest (income) expense	(49)	(0.1)%	64	0.2 %	(113)	(176.6)%
Net income before taxes	**2,018**	**5.1 %**	**2,507**	**7.8 %**	**(489)**	**(19.5)%**
Provision for income taxes	501	1.3 %	745	2.3 %	(244)	(32.8)%
Net income	**$ 1,517**	**3.8 %**	**$ 1,762**	**5.5 %**	**$ (245)**	**(13.9)%**

Revenue

The following table summarizes our revenue for the three months ended March 31, 2023 and 2022:

	Three Months Ended March 31,					
	2023	% of Total Revenue	2022	% of Total Revenue	$ Change	% Change
Net revenue from rentals						
Ventilator rentals, non-invasive and invasive	$ 25,147	63.6 %	$ 21,518	66.7 %	$ 3,629	16.9 %
Other durable medical equipment rentals	6,906	17.5 %	4,359	13.5 %	2,547	58.4 %
Net revenue from sales and services						
Equipment and supply sales	4,764	12.0 %	3,037	9.4 %	1,727	56.9 %
COVID-19 response sales and services	—	— %	2,095	6.5 %	(2,095)	(100.0)%
Service revenues	2,739	6.9 %	1,246	3.9 %	1,493	119.8 %
Total net revenue	**$ 39,556**	**100.0 %**	**$ 32,255**	**100.0 %**	**$ 7,301**	**22.6 %**

For the three months ended March 31, 2023, revenue totaled $39.6 million, an increase of $7.3 million (or 22.6%) from the comparable period in 2022. Excluding COVID-19 response sales and services revenue, net revenue increased $9.4 million (or 31.2%) from the comparable period in 2022. The net revenue growth was driven by an increase in ventilator rental revenue of $3.6 million (or 16.9%) due to our organic growth in active ventilator patient base. In addition to the ventilator rental revenue growth, net revenue growth was also driven by an increase in rental revenue from other DME of $2.5 million (or 58.4%), consisting of rental revenue from continued national expansion of PAP, oxygen therapy, and percussion vest activities. Equipment and supply sales increased by $1.7 million (or 56.9%), primarily driven by the success of our PAP resupply program and other sleep offerings. Service revenues increased by $1.5 million (or 119.8%) primarily due to the growth of healthcare staffing services. While ventilator rentals continue to make up the majority of our revenue, the growth of PAP and oxygen related sales and services, as well as our healthcare staffing offerings, is contributing significantly to the diversity of our overall revenue mix.

There were no COVID-19 response sales and services during the three months ended March 31, 2023, compared to $2.1 million during the three months ended March 31, 2022. The magnitude and persistence of future COVID-19 response sales and services revenue remains uncertain and is dependent on the intensity and length of the COVID-19 pandemic and the demand for ongoing services from primarily governmental customers.

Cost of revenue and gross profit

For the three months ended March 31, 2023, cost of revenue totaled $15.6 million, an increase of $3.0 million (or 24.3%) from the comparable period in 2022. Overall gross profit percentage decreased from approximately 61.2% in the three months ended March 31, 2022 to approximately 60.7% in the three months ended March 31, 2023. The decrease in gross profit percentage is primarily due to migration of the revenue mix associated with product and service diversification. As a result of subsiding inflationary cost pressures and the positive effects of seasonality in collection rates, gross profit percentage for our normal operations is expected to increase through the end of 2023, partially offset by the impacts of continued product and service diversification.

Selling, general and administrative expense

For the three months ended March 31, 2023, selling, general and administrative expenses totaled $19.8 million, an increase of $4.0 million (or 25.3%) from the comparable prior period. Excluding COVID-19 related revenues, selling, general and administrative expenses as a percentage of revenue decreased to 50.0% for the three months ended March 31, 2023 compared to 52.3% for the three months ended March 31, 2022.

The increase in overall selling, general and administrative expense as compared to the prior period is primarily due to additional employee related expenses to accommodate the overall growth of the Company. Our full time employee count increased from 662 on March 31, 2022 to 765 on March 31, 2023, an increase of 15.6%. Employee compensation expenses increased $3.6 million (or 33.0%) as a result of higher compensation expense associated with an overall increase in our employee headcount and increases in incentive and volume based compensation. Also included in the employee compensation expense increases was a $0.7 million increase related to the impact of our phantom stock plan. Our phantom stock plan is measured at fair value as of the end of the reporting period and is driven primarily by the number of eligible employees and our stock price. During the three months ended March 31, 2023, our stock price increased by 27.7% compared to a decrease of 4.5% for the prior comparable period. We expect that current year selling, general and administrative expenses as a percentage of revenue will improve through the end of 2023 as costs stabilize relative to revenue growth.

Research and development

For the three months ended March 31, 2023, research and development expense totaled $0.8 million, an increase of $0.1 million (or 23.4%) from the comparable period in 2022. As we continue to invest in research and development related projects to support our technology initiatives, we expect that the associated costs will remain consistent in 2023 relative to 2022 costs.

Stock-based compensation

For the three months ended March 31, 2023, stock-based compensation totaled $1.4 million, an increase of 6.6% from the comparable period in 2022. We expect that as we continue to increase our employee count and utilize stock-based awards as an aspect of employee compensation, stock-based compensation expense will increase accordingly. Revenue growth has historically exceeded the growth in stock-based compensation and stock-based compensation as a percentage of revenue is expected to continue to decline.

Provision for income taxes

For the three months ended March 31, 2023, the provision for income taxes was $0.5 million, compared to a $0.7 million during the comparable 2022 period. The decrease in income tax expense was primarily due to the impact of discrete tax benefits associated with stock-based compensation between periods. Excluding discrete items, our annual estimated effective tax rate for 2023 is 28.4%.

Net income

For the three months ended March 31, 2023, net income was $1.5 million, a decrease of $0.2 million (or 13.9%) from the comparable period in 2022. Net income as a percentage of net revenue decreased from 5.5% for the three months ended March 31, 2022 to 3.8% for the three months ended March 31, 2023, primarily due to the benefits of COVID-19 related activities and Provider Relief Fund income in the three months ended March 31, 2022.

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

Non-GAAP Financial Measures

The Company uses Adjusted EBITDA, which is a financial measure that is not prepared in accordance with generally accepted accounting principles in the United States ("GAAP") to analyze its financial results and believes that it is useful to investors, as a supplement to U.S. GAAP measures. Management believes Adjusted EBITDA provides helpful information with respect to the Company's operating performance as viewed by management, including a view of the Company's business that is not dependent on the impact of the Company's capitalization structure and items that are not part of the Company's day-to-day operations. Management uses Adjusted EBITDA (i) to compare the Company's operating performance on a consistent basis, (ii) to calculate incentive compensation for the Company's employees, (iii) for planning purposes, including the preparation of the Company's internal annual operating budget, and (iv) to evaluate the performance and effectiveness of the Company's operational strategies. Accordingly, management believes that Adjusted EBITDA provides useful information in understanding and evaluating the Company's operating performance in the same manner as management. In calculating Adjusted EBITDA, certain items (mostly non-cash) are excluded from net income including interest, taxes, stock based compensation, and depreciation of property and equipment. Beginning with financial results reported for periods in fiscal year 2023, Adjusted EBITDA also excludes transaction costs and expenses related to acquisition and integration efforts associated with recently announced or completed acquisitions. This modification enables investors to compare period-over-period results on a more consistent basis without the effects of acquisitions. We have recast Adjusted EBITDA for prior periods when reported to conform to the modified presentation.

The following table is a reconciliation of Net income, the most directly comparable GAAP measure, to Adjusted EBITDA, on a historical basis for the periods indicated:

For the quarter ended	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
Net Income	$ 1,517	$ 2,438	$ 1,055	$ 967	$ 1,762	$ 4,087	$ 1,789	$ 1,566
Add back:								
Depreciation	4,762	4,373	4,120	3,740	3,397	3,120	2,867	2,716
Interest (income) expense	(49)	32	42	59	64	69	75	83
Stock-based compensation[(a)]	1,391	1,317	1,309	1,271	1,305	1,305	1,302	1,236
Transaction costs[(b)]	206	—	—	—	—	—	—	—
Income tax expense	501	1,146	456	421	745	968	1,386	1,246
Adjusted EBITDA	**$ 8,328**	**$ 9,306**	**$ 6,982**	**$ 6,458**	**$ 7,273**	**$ 9,549**	**$ 7,419**	**$ 6,847**

(a) Represents non-cash, equity-based compensation expense associated with option and RSU awards.
(b) Represents transaction costs and expenses related to acquisition and integration efforts associated with recently announced or completed acquisitions.

Use of Non-GAAP Financial Measures

Adjusted EBITDA should be considered in addition to, not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. It is not a measurement of our financial performance under GAAP and should not be considered as an alternative to revenue or net income, as applicable, or any other performance measures derived in accordance with GAAP or as an alternative to cash flows from operating activities as a measure of the Company's liquidity, and may not be comparable to other similarly titled measures of other companies or businesses. Adjusted EBITDA has limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of our operating results as reported under GAAP. Adjusted EBITDA does not reflect the impact of certain cash charges resulting from matters we consider not to be indicative of ongoing operations; and other companies in our industry may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

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

Liquidity and Capital Resources

Cash and cash equivalents at March 31, 2023 was $23.5 million, compared to $16.9 million at December 31, 2022. Based on our current plan of operations, we believe this amount, when combined with expected cash flows from operations and amounts available under our line of credit will be sufficient to fund our growth strategy and to meet our anticipated operating expenses, capital expenditures, and debt service obligations for at least the next 12 months from the date of this filing. The Company may utilize short term leases with a major supplier that could be extended over a longer term if there was a need for additional liquidity. In addition, our existing 2022 Senior Credit Facilities were fully undrawn as of March 31, 2023.

Cash Flows

The following table summarizes our cash flows for the periods indicated:

	Three Months Ended March 31,	
	2023	2022
Net Cash provided by (used in):		
Operating activities	$ 10,496	$ 7,146
Investing activities	(3,905)	(3,807)
Financing activities	39	(2,499)
Net increase in cash and cash equivalents	**$ 6,630**	**$ 840**

Net Cash Provided by Operating Activities

Net cash provided by operating activities during the three months ended March 31, 2023 was $10.5 million, resulting from net income of $1.5 million and non-cash net income adjustments of $9.6 million and an increase in net operating liabilities of $3.8 million, which was offset by an increase in net operating assets of $4.5 million. The non-cash net income adjustments primarily consisted of $4.1 million in change of allowance for doubtful accounts, $4.8 million of depreciation, and $1.4 million of stock-based compensation. The primary changes in working capital were an increase in gross accounts receivable of $5.1 million and decrease in other assets of $0.4 million, partially offset by an increase in accrued liabilities of $1.8 million and an increase in trade payables of $0.6 million

Net cash provided by operating activities during the three months ended March 31, 2022 was $7.1 million, resulting from net income of $1.8 million and non-cash net income adjustments of $7.4 million and an increase in net operating liabilities of $0.9 million, which was partially offset by an increase in net operating assets of $2.9 million. The non-cash net income adjustments primarily consisted of $3.4 million in change of allowance for doubtful accounts, $3.4 million of depreciation, $0.7 million in change in deferred tax asset, and $1.3 million of stock-based compensation. The primary changes in working capital were an increase in gross accounts receivable of $4.2 million, partially offset by an increase in income taxes payable of $1.2 million and a decrease in inventory of $1.4 million. Included in our operating cash flows for the three months ended March 31, 2022 is the receipt of $0.4 million in Provider Relief Funds.

Net Cash Used in Investing Activities

Net cash used in investing activities during the three months ended March 31, 2023 was $3.9 million, consisting of $4.7 million of purchases of property and equipment, partially offset by $0.8 million of sales proceeds from the disposal of property and equipment. Purchases of property and equipment were primarily related to medical equipment rented to our patients. Cash purchases of property and equipment represents an increase of $0.7 million, or 18.1%, year over year.

Net cash used in investing activities during the three months ended March 31, 2022 was $3.8 million, consisting of $4.0 million of purchases of property and equipment, partially offset by $0.3 million of sales proceeds from the disposal of property and equipment. Purchases of property and equipment were primarily related to medical equipment rented to our patients.

Net Cash Provided By (used in) Financing Activities

Net cash provided by financing activities during the three months ended March 31, 2023 was nil. The Company acquired and cancelled 64,756 common shares at a cost of $0.5 million to satisfy employee income tax withholding associated with RSUs vesting during the three months ended March 31, 2023. Proceeds from the exercise of options during the three months ended March 31, 2023 were $0.5 million.

Net cash used in financing activities during the three months ended March 31, 2022 was $2.5 million. During the three months ended March 31, 2022, the Company repurchased and canceled 389,878 common shares at a cost of $1.9 million pursuant to the Share Repurchase Program authorized by the Board of Directors on March 7, 2022 (the "2022 Share Repurchase Program"). The Company also acquired and cancelled 23,742 common shares at a cost of $0.1 million to satisfy employee income tax withholding associated with RSUs vesting during the three months ended March 31, 2022. Net cash used in financing activities during the three months ended March 31, 2022 also included $0.4 million in principal payments on the Term Note (as defined below).

Senior Credit Facilities

On November 29, 2022, the Company refinanced its existing borrowings under the prior Commercial Business Loan Agreement with Hancock Whitney Bank and entered into a new credit agreement (the "2022 Senior Credit Facilities") with the lenders from time to time party thereto, and Regions Bank, as administrative agent and collateral agent, that provides for an up to $30.0 million revolving credit facility (the "2022 Revolving Credit Facility") and an up to $30.0 million delayed draw term loan facility (the "2022 Term Loan Facility"), both maturing in November 2027.

The proceeds of the 2022 Revolving Credit Facility may be used to refinance existing indebtedness, for working capital purposes, capital expenditures and other general corporate purposes (including permitted acquisitions), and to pay transaction fees, costs and expenses related to the 2022 Senior Credit Facilities. The proceeds of the 2022 Term Loan Facility and any additional term loans established in accordance with the 2022 Senior Credit Facilities may be used to finance permitted acquisitions and to pay transaction fees, costs and expenses related to such acquisitions. There were no outstanding borrowings under the 2022 Senior Credit Facilities at March 31, 2023 or December 31, 2022.

The interest rates per annum applicable to the 2022 Senior Credit Facilities are Term SOFR (as defined in the 2022 Senior Credit Facilities) plus an applicable margin, which ranges from 2.625% to 3.375%, or, at the option of the Company, a Base Rate (as defined in the 2022 Senior Credit Facilities) plus an applicable margin, which ranges from 1.625% to 2.375%.

The 2022 Senior Credit Facilities require the Company to comply with certain affirmative, as well as certain negative covenants that, among other things, will restrict, subject to certain exceptions, the ability of the Company to incur indebtedness, grant liens, make investments, engage in acquisitions, mergers or consolidations and pay dividends and other restricted payments. The 2022 Senior Credit Facilities also include certain financial covenants, which generally include, but are not limited to the following:

- Consolidated Total Leverage Ratio (defined generally as total indebtedness to adjusted EBITDA) of not greater than (i) for any fiscal quarter ending during the period from the closing date to and including December 31, 2024, 2.75 to 1.0 and (ii) for any fiscal quarter ending on and after March 31, 2025, 2.50 to 1.0, subject to certain adjustments following a material acquisition.

- Consolidated Fixed Charge Coverage Ratio (defined generally as (a) adjusted EBITDA minus capital expenditures minus cash taxes to (b) the sum of scheduled principal payments plus cash interest expense plus restricted payments) of not less than 1.25:1.0.

The Company was in compliance with all covenants under the 2022 Senior Credit Facilities in effect at March 31, 2023.

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

Use of Funds

Our principal uses of cash are funding our new rental assets and other capital purchases, operations, and other working capital requirements. The following table presents our material contractual obligations and commitments to make future payments as of March 31, 2023:

	Within 12 Months	Beyond 12 Months
Lease Obligations	$ 397	$ 162

Except for the funding of potential acquisitions and investments, we anticipate that our operating cash flows will satisfy our material cash requirements for the 12 months after March 31, 2023. In addition to our operating cash flows, we may need to raise additional funds to support our contractual obligations and investing activities beyond such 12 month period, and such funding may not be available to us on acceptable terms, or at all. If we are unable to raise additional funds when needed, our operations and ability to execute our business strategy could be adversely affected. We may seek to raise additional funds through equity, equity-linked or debt financings. If we raise additional funds through the incurrence of indebtedness, such indebtedness would have rights that are senior to holders of our equity securities and could contain covenants that restrict our operations. Any additional equity financing may be dilutive to our stockholders.

Retirement Plan

The Company maintains a 401(k) retirement plan for employees to which eligible employees can contribute a percentage of their pre-tax compensation. Matching employer contributions to the 401(k) plan totaled $409,000 and $271,000 for the three months ended March 31, 2023 and 2022, respectively.

Off balance sheet arrangements

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

Accounting and Disclosure Matters

Critical Accounting Principles and Estimates

We are required to disclose “critical accounting estimates” which are estimates made in accordance with generally accepted accounting principles that involve a significant level of estimation uncertainty and that have had or are reasonably likely to have a material impact on our financial condition or results of operations.

We follow financial accounting and reporting policies that are in accordance with accounting principles generally accepted in the United States. The more significant of these policies are summarized in Note 2 to our consolidated financial statements included in Part II, Item 8 of the Company's Annual Report on Form 10-K for the year ended December 31, 2022. Not all significant accounting policies require management to make difficult, subjective or complex judgments. However, the policy noted below could be deemed to meet the SEC’s definition of a critical accounting estimate.

Allowance for Doubtful Accounts

The Company estimates that a certain portion of receivables from customers may not be collected and maintains an allowance for doubtful accounts. The Company evaluates the net realizable value of accounts receivable as of the date of Consolidated Balance Sheets. Specifically, we consider historical realization data, including current and historical cash collections, accounts receivable aging trends, other operating trends and relevant business conditions. Because of continuing changes in the healthcare industry and third-party reimbursement, it is possible that the estimates could change, which could have a material impact on the operations and cash flows. If circumstances related to certain customers change or actual results differ from expectations, our estimate of the recoverability of receivables could fluctuate from that provided for in our consolidated financial statements. A change in estimate could impact bad debt expense and accounts receivable. The continued volatility in market conditions and evolving shifts in credit trends are difficult to predict causing variability and volatility that may have a material impact on our allowance for doubtful accounts in future periods. Our allowance for doubtful accounts was $11.0 million and $8.5 million as of March 31, 2023 and 2022, respectively, and based on our analysis, we believe the reserve is adequate for any exposure to credit losses.

Recently Issued Accounting Pronouncements

See Note 2 – Summary of Significant Accounting Policies of our Condensed Consolidated Financial Statements for a description of recently issued accounting pronouncements, including the expected dates of adoption and estimated effects on our results of operations, financial positions and cash flows.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not Applicable.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, the Company's management, including its Chief Executive Officer and Chief Financial Officer, completed an evaluation of the effectiveness of the Company's disclosure controls and procedures pursuant to Rule 13a-15 of the Exchange Act. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded:

i. that the Company's disclosure controls and procedures are designed to ensure (a) that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and (b) that such information is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure; and

ii. that the Company's disclosure controls and procedures are effective.

Notwithstanding the foregoing, there can be no assurance that the Company's disclosures controls and procedures will detect or uncover all failures of persons within the Company and its consolidated subsidiaries to disclose material information otherwise required to be set forth in the Company's periodic reports. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the three months ended March 31, 2023 that have materially affected, or that are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may be subject to various ongoing or threatened legal actions and other proceedings, including those that arise in the ordinary course of business, which may include employment matters, breach of contract disputes, as well as governmental and regulatory matters. Please read Note 8—Commitments and Contingencies to our condensed consolidated financial statements for more information. Such matters are subject to many uncertainties and to outcomes that are not predictable with assurance and that may not be known for extended periods of time.

Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC on March 3, 2023, which could materially affect our business, financial condition or future results. There have been no material changes in our risk factors from those disclosed in that Annual Report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Unregistered Sales of Equity Securities

Not applicable.

Company Repurchases of Equity Securities

The following table sets forth certain information with respect to repurchases of our common shares during the three months ended March 31, 2023:

Period	Total number of shares (or units) purchased [1]	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs [2]	Maximum number of shares that may yet be purchased under the plans or programs
Jan 1- Jan 31, 2023	64,756	$7.80	—	189,851
Feb 1- Feb 28, 2023	—	$—	—	189,851
Mar 1- Mar 31, 2023	—	$—	—	189,851
Total	64,756	$7.80	—	189,851

[1]This amount includes 64,756 common shares acquired at a cost of $505,000 to satisfy employee income tax withholding associated with RSUs vestings.

[2]On March 7, 2022, the Company's Board of Directors authorized and approved a share repurchase program on Nasdaq. Under the terms of the 2022 Share Repurchase Program, the Company may repurchase up to 1,984,014 of its common shares from time to time through open market purchases, block purchases or otherwise in accordance with applicable securities laws, including Rule 10b-18 of the Exchange Act. The 2022 Share Repurchase Program does not have an expiration date and may be suspended or discontinued at any time.

Dividends

We have not declared or paid any cash or stock dividends on our common shares since our inception and do not anticipate declaring or paying any cash or stock dividends in the foreseeable future. Our subsidiaries are restricted from making distributions or dividend payments to us by the2022 Senior Credit Facilities, subject to certain exceptions.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

The exhibits filed as part of this Quarterly Report on Form 10-Q are set forth on the Exhibit Index below.

Exhibit Number	Exhibit Title
#2.1	Share Purchase Agreement dated as of January 11, 2017 between PHM Logistics Corporation and Viemed, Inc. Incorporated by reference to Exhibit 2.1 to the Company's Registration Statement on Form 10 filed on July 10, 2019.
#2.2	Asset Purchase Agreement dated as of January 11, 2017 between Patient Home Monitoring Corp. and Viemed Healthcare, Inc. Incorporated by reference to Exhibit 2.2 to the Company's Registration Statement on Form 10 filed on July 10, 2019.
#2.3	Arrangement Agreement dated as of January 11, 2017 between Patient Home Monitoring Corp. and Viemed Healthcare, Inc. Incorporated by reference to Exhibit 2.3 to the Company's Registration Statement on Form 10 filed on July 10, 2019.
#2.4	Arrangement Agreement Amendment dated as of October 31, 2017 between Patient Home Monitoring Corp. and Viemed Healthcare, Inc. Incorporated by reference to Exhibit 2.4 to the Company's Registration Statement on Form 10 filed on July 10, 2019.
#2.5	Stock Purchase Agreement dated April 18, 2023 by and among Viemed, Inc., the Stockholders and Home Medical Products, Inc. Incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on April 19, 2023.
3.1	Notice of Articles of Business Corporation Act of Viemed Healthcare, Inc. Incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form 10 filed on July 10, 2019.
3.2	Amended and Restated Business Corporation Act Articles of Viemed Healthcare, Inc. Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on June 10, 2021.
*31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
**32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350.
**32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.
*101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
*101.SCH	Inline XBRL Taxonomy Extension Schema Document.
*101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
*101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
*101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
*101.DEF	Inline XBRL Taxonomy Extension Definition Document.
*104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

* Filed herewith.

** Furnished in accordance with Item 601(b)(32)(ii) of Regulation S-K.

Schedules and similar attachments have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company will furnish supplementally a copy of any omitted schedule or similar attachment to the Securities and Exchange Commission upon request.

SIGNATURES

Pursuant to the requirements of the Securities Exchange of Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VIEMED HEALTHCARE, INC.
(Registrant)

By: /s/ Casey Hoyt
Casey Hoyt
Chief Executive Officer

By: /s/ Trae Fitzgerald
Trae Fitzgerald
Chief Financial Officer

Date: May 8, 2023

Certification of Principal Executive Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Casey Hoyt, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Viemed Healthcare, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2023

/s/ Casey Hoyt

Casey Hoyt
Chief Executive Officer

Certification of Principal Financial Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Trae Fitzgerald, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Viemed Healthcare, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2023

/s/ Trae Fitzgerald

Trae Fitzgerald
Chief Financial Officer

Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Casey Hoyt, the Chief Executive Officer of Viemed Healthcare, Inc. (the "**Company**"), hereby certify, that, to my knowledge:

1. The Quarterly Report on Form 10-Q for the period ended March 31, 2023 (the "**Report**") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 8, 2023

/s/ Casey Hoyt

Casey Hoyt

Chief Executive Officer

Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Trae Fitzgerald, the Chief Financial Officer of Viemed Healthcare, Inc. (the "**Company**"), hereby certify, that, to my knowledge:

1. The Quarterly Report on Form 10-Q for the period ended March 31, 2023 (the "**Report**") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 8, 2023

/s/ Trae Fitzgerald

Trae Fitzgerald
Chief Financial Officer