



## Second Quarter 2023 Earnings August 10, 2023

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### **Presenters**

**Casey Hoyt - CEO**

**Todd Zehnder - COO**

### **Q&A Participants**

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

**Doug Cooper - Beacon Securities**

**Andrew Rem - Odinson Partners**

**Eric Coldwell - Baird**

### **Operator**

Greetings and welcome to the VieMed Second Quarter 2023 Earnings Call. At this time, all participants are in a listen only mode. A brief question and answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press (\*) (0) on your telephone keypad. As a reminder, this conference is being recorded.

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

### **Todd Zehnder**

Thank you and good morning, everyone. Please note that our remarks in this conference call may include forward-looking statements under the US Federal securities laws are forward-looking information under applicable Canadian securities legislation, which we collectively refer to as forward-looking statements. Such statements reflect the company's current views and intentions with respect to future results or events and are subject to certain risks and uncertainties, which could cause actual results or events to vary from those indicated in forward-looking statements.

Examples of such risks and uncertainties are discussed in our disclosure documents filed with the SEC or the security regulatory authorities in certain provinces of Canada. Because of these risks and uncertainties, investors should not place undue reliance on forward-looking statements. The forward-looking statements made in this conference call are made as of today and the Company undertakes no obligation to update or revise any forward-looking statements except as required by law. The second quarter financial results news release including the related financial statements are available on the SEC's website.

I'll now turn it over to Casey to get things.

### **Casey Hoyt**

All right. Thank you, Todd, and good morning, everyone. Welcome to our second quarter 2023 earnings call. Today, we are excited to share a comprehensive overview of our robust business performance along with a positive forward-looking outlook for the industry. Our organization is

positioned exceptionally well to expand our reach and strategically capitalize on prevailing tailwinds in our operating environment.

During this period, we've achieved significant organic growth, a testament to our management team and their commitment to continuing to our growth model. And we've simultaneously initiated our long-awaited M&A strategy. We are pleased to announce the successful completion of the HMP acquisition on June 1st, which further accelerates our growth engine and broadens our capabilities geographically. This acquisition reinforces our dedication to delivering exceptional patient care while building a larger VieMed team with expanded resources.

Before we delve further, I want to take a moment to acknowledge and express our gratitude to our dedicated team of respiratory therapists, behavioral health specialists, staffing professionals and administrative support staff. Their continuous commitment to delivering best in class care to the patients we serve is the driving force behind our outstanding quarter and continued growth provide VieMed. As of the end of the second quarter, our VieMed family group to 974 employees, including 172 new onboarded employees from the HMP team. We are fortunate and excited to welcome the H&P team into our families.

The second quarter of 2023 exhibited the strength of our business model. Our revenue results again landed at the top end of our guided range, confirming that even as a larger company, we continue to experience strong growth. Our success is built on a robust and resilient strategy which has consistently demonstrated its ability to overcome challenges and drive sustainable growth.

We are pushing our growth strategy to new heights by executing on strategic and accretive acquisitions that build upon our existing capabilities. These acquisitions serve as powerful catalysts, accelerating the expansion of our comprehensive respiratory offerings and geographic coverage gaps throughout the country. Our back-office team is continuously refining our processes for training and culture, which helps drive both organic and synergized inorganic growth.

Through the acquisition and integration of HMP, we are demonstrating the value of our well developed and mature based organization and training programs. We are already seeing tremendous success by sharing our mature complex respiratory model with the strong team at HMP. In the first month of post close operations, the noninvasive ventilation setups from HMP have experienced significant growth over historic levels. Additionally, we will be training HMP clinicians on the use of our proprietary care delivery technologies such as ENGAGE.

Through this high-tech high-touch delivery model, we will continue to improve patient outcomes while driving efficiencies for all stakeholders. Our commitment to data-driven decision making allows us to continuously measure and improve our business performance and patient satisfaction.

Our equipment supply chain remains stronger than ever with many new manufacturers competing for our business. We have diversified our sources and forged partnerships with multiple reputable manufacturers, safeguarding US against potential. This enhanced stability in the supply chain allows us to meet the ever-increasing demands of our patients, regardless of fluctuations in the market. This increased competition is stabilizing equipment costs and ensuring that we have adequate supply to meet the needs of our patients. Moreover, the recent HMP acquisition has

delivered significant volume pricing favorability, amplifying the advantages we gained due to our scale and the competitive equipment landscape.

Our commitment to diversification has yielded substantial success and the integration of HMP has played a pivotal role in contributing to these efforts. We are now reaching patients earlier in their disease state, expanding our patient base like never before. As of June 30th, we are treating over 96,000 unique patients, a significant increase from the same time last year. Our growing portfolio that provides a robust continuum of care solution for patients and pulmonologists and our early intervention capabilities allows us to treat underlying conditions at the right time. As coordinated care efforts gained prominence, our adoption of sophisticated care services such as behavioral health, addressing social determinants of care, going beyond respiratory, this positions us as a leader in patient centric -- as a leading patient centric provider in the industry.

The adoption of innovative technologies such as portable oxygen concentrators and remote setups of PAP devices has enabled us to expand our portfolios rapidly and in a cost-effective manner. These ventilator adjacent offerings not only increase the length of our patient relationships, but also allow us to provide timely care for patients as their disease progresses. Integral to our strategy is our focus on people. VieMed Healthcare staffing is playing a pivotal role in our organization, acting as a driving force behind the identification and recruitment of top tier talent across all economic cycles.

Our commitment to finding the best professionals continued to drive remarkable results, as evidenced by the significant improvements in both the quality and volume of internal hires. This success not only enhances our workforce, but also reflects our dedication to always developing a thriving and talented team. As our staffing division continues to mature, it has earned the trust and respect of our valued partners and customers. Organizations such as the VA and large Regional Hospital networks have come to rely on our staffing solutions, recognizing the value we bring in meeting their workforce needs.

Our reputation as a dependable and valuable staffing partner has continued to grow, further strengthening our position in the healthcare industry. By continually refining our recruitment strategies and investing in advanced data and analytical tools, we are better equipped to identify and engage with top candidates in the market. And we are consistently prepared to make informed decisions that keep us ahead of the competition. This data-driven approach empowers us to match the right professionals with the right positions, ultimately -- leading to improved patient care and organizational performance.

We continue to see encouraging progress ongoing -- and ongoing collaboration between regulators, legislators and the home medical equipment industry. Together, we are working to find practical solutions that ensure providers can deliver care to patients effectively.

Regarding competitive bidding, although CMS has not announced plans related to future rounds, we have observed that the timeline for a potential round in 2024 for competitive bidding has effectively lapsed. The prevailing signals also strongly suggest that the prospect of the 2025 round is dwindling. We remain confident in the current indicators of a strong reimbursement environment for the coming years. And our business is well positioned in the face of potential macroeconomic challenges such as a recession and long-term inflation pressures.

Additionally, the issuance of the final rule by CMS on April 5th, 2023, marks a significant milestone in the healthcare landscape, particularly in the realms of the Medicare Advantage and Medicare Part D prescription drug benefits. This rule ushers in a host of changes impacting several key aspects of the programs and signaling a positive direction for the industry as a whole. Included in the provisions are improvements impacting prior authorization, marketing and communications, health equity, provider directories, coverage criteria, network adequacy and other areas. Importantly, the final rule emphasizes the need to ensure that individuals with Medicare Advantage receive access to the same medically necessary care available in traditional Medicare. This parity and care is a crucial step towards achieving healthcare equity and ensuring that beneficiaries have equitable access to essential medical services, irrespective of their -- chosen Medicare program.

As the healthcare reimbursement environment evolves, driven by Medicare Advantage trends and value-based arrangements, we maintain an optimistic outlook for the demand of our high quality and cost-effective service offerings. Our unwavering commitment to investing in advanced technology and robust protocols allows us to streamline administrative processes, capture essential data, and demonstrate tangible benefits to patients, physicians and payers alike.

At this juncture, I'll now hand the call over to Chief Operating Officer, Todd Zehnder, to provide additional insights on -- regarding our financial results and capital activities. Todd, the floor is yours.

**Todd Zehnder**

All right. Thanks, Casey. In reviewing the financial results, all figures are in US dollars and the full results have been made available on the SEC website as well as (inaudible). Our core business generated net revenue of \$43.3 million during the second quarter of 2023 as compared to net revenues of \$33.1 million during the second quarter of 2022, which equates to a 31% increase. This revenue amount includes approximately \$2.5 million of revenue related to our acquisition of HMP during June. Excluding that impact, our organic growth over the second quarter of 2022 was an impressive 23%.

Our sequential growth for the core business was 9%. And we see that continuing to increase as we will have HMP for the entire third quarter and our organic growth remains very strong. We continue to stay optimistic that we will be able to continue our high organic growth rates as well as continue our evaluation of inorganic opportunities.

Our gross and EBITDA margin percentages are once again strong as we are focused on both margin and diversification. We remain committed to our dual strong -- dual prong strategy of continuing to diversify our revenue stream, all while looking to expand our bottom-line margins. We continue to see our margin percentages be influenced by our product mix. And continue to be pleased by the notional growth.

Our gross and EBITDA margins during the quarter came in at \$60.3. And 22.6% respectively. Our second quarter gross and EBITDA amounts came in at \$26.1 and \$9.8 million respectively. Our second quarter 2023 EBITDA is approximately 52% higher than second quarter 2022 EBITDA, which is a testament to our overall focus for the last 12 months.

Our second quarter revenue from vents was approximately 60% of our core revenue as compared to 69% in the second quarter of 2022. Our SGNA for the quarter totaled approximately \$20.5 million as compared to \$17.5 million in the second quarter of 2022.

We are continuing the efforts of managing costs across the board and are pleased in a quarter that had revenues growth 31%, GNA grew 17%. We will continue to invest in our patient and employee experiences. We continue to expect to grow revenues at a faster rate than expenses even in light of the ongoing inflationary.

For the quarter, we invested approximately \$6 million on capital expenditure. The CapEx has been spent through a diversified supplier network, which has given us an ability to leverage relationships whereby we have minimized inflationary impacts as much as possible. As was the case over the recent periods, our vent and oxygen products had the most CapEx spent during the period.

We have once again funded all of our CapEx with discretionary cash flow during a quarter of extreme growth and we were able to use our balance sheet to fund the HMP acquisition. We are very proud of the pristine balance sheet where we ended the quarter with a cash balance of \$10 million. Additionally, we ended the quarter with an overall working capital balance of \$4.4 million.

We drew on our credit facility in order to close the acquisition and had \$12.1 million of long-term debt at June 30th. We will opportunistically pay down or use the revolver portion depending on needs of cash resulting from additional organic growth or future inorganic opportunities.

We are extremely excited in the integration efforts related to our acquisition of HMP. As previously stated, we are being extremely diligent in assuring the company is folded into VieMed to assure efficiencies are attained. The HMP culture is one that is being easily integrated. And we are seeing revenue center dues come through early, which was always the number one reason for us to acquire this great company.

We are diligently working with retained management to make sure this is the proverbial win-win.

We have now begun executing on our capital allocation strategy that we defined at the end of 2022, our first priority remains on CapEx to service new patients. Our organic growth through new patient service has and will likely always be our first priority. We continue to see major organic growth opportunities for both Legacy VieMed as well as HMP. Now that we have completed our first deal, it is evident that M&A has moved into a number two priority on the capital allocation. We continue to patiently evaluate other deals as we are optimizing our first one. As we previously mentioned, we might consider paying down on the revolver until another deal comes up that needs capital, but the flexibility of our credit facility allows for those decisions to be made routinely and quickly. We also expect to renew our existing shelf registration statement, which is scheduled to expire next month. This renewal will maintain our ongoing capacity to rapidly fund an acquisition or seize opportunistic transactions.

Moving on to the third quarter, we have provided net revenue guidance in the \$49-\$50.2 million range related to our core business. The midpoint of our net revenue guidance is up 39% over the core revenue in the third quarter of 2022. We remain active in our discussions with existing and potentially new investors. We are planning to attend a couple of institutional conferences during the third quarter whereby we will hopefully expand our investor base. We are excited to tell our

story, but we are even more excited to continue to build out our footprint to new patients through our organic and now inorganic growth strategies.

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

**Casey Hoyt**

All right. Thanks, Todd. In the midst of these exciting developments in the quarter, we are most pleased with the fact that our commitment to organic growth remains unwavering. Our team has done some incredible orchestration for this next chapter of our growth story and their careful work on the integration of the HMP acquisition has not slowed us down in any way.

On the contrary, we're firing on all cylinders, continuously improving, growing and expanding our operations. We remain focused on maintaining our position as a leader in the industry, never taking our eye off the ball. As we move forward with the help of the stable regulatory environment, we remain aggressive on creating more preferred partnerships with our hospital partners. Driving innovation and ongoing improvements to our clinical model will continue to be a major part of our strategy. We are confident in our ability to navigate the evolving healthcare landscape and deliver sustainable value to our stakeholders.

Once again, thank you all for joining us today and we look forward to sharing the exciting developments ahead for VieMed Healthcare. This concludes our prepared remarks. We'll now open up the floor for further questions. Thank you.

**Operator**

Thank you. We'll now be conducting a question-and-answer session. If you would like to ask your question, please press (\*) (1) on your telephone keypad. The confirmation tone will indicate your line is in the question queue. You may press (\*) (2) if you'd like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your hands up before pressing the star keys.

One moment, please, while I poll for questions.

Thank you. Our first question is from Brooks O'Neil with Lake Street Capital Markets. Please proceed with your question.

**Brooks O'Neil**

Thank you and good morning, guys. Congratulations on the terrific results.

**Casey Hoyt**

Morning, Brooks. Thank you.

**Brooks O'Neil**

Yep, so I have a couple of questions here. The first, I guess is, if I remember correctly the business mix from HMP was modestly -- I mean it overlaps with yours, but it's maybe more skewed to the sleep side. Can you just talk a little bit about initial efforts to cross sell in their geographies and maybe take advantage of some of the strength you have on the vent side of the business?

**Casey Hoyt**

Yes, good point. The HMP mix was I guess very heavy on the sleep side - call it, what, 50% and then I would say 10% was ventilation. So that was one of the things that really excited us about the acquisition when we were analyzing on the front end. So, I mean, June 1st, we closed the deal. Brooks, we had our -- bid team up at -- their offices the following week and -- training their folks on how to walk and talk the VieMed way from selling our complex respiratory model which is ventilation. And they hit record numbers in month one for vent, so we -- really got jazzed about that. We were excited about the ability to -- for them to receive the -- training and really adopt it. And -- we were impressed with how much incremental growth was out and about in their respective markets, so, you know, they're going to continue to double down on -- sleep as well. They've got a strong sleep program with many locations throughout the Tennessee, Mississippi and Alabama markets. They -- service labs. There's some opportunities to grow their sleep business through initializing some home sleep programs in rural markets outside of where they currently service. So, we're excited about being able to. Help them with that, because that's something that we're really good at, too, is developing a home sleep program.

So yeah, all the revenue synergy things are the things that we've been focused on right out of the gate. I mean, we're obviously uncovering other opportunities to tighten screws down on -- some costs here and there. But right now, we've got a major opportunity with just growing sales and that's what we're focused on.

#### **Brooks O'Neil**

Great. Appreciate all that color. So, I'm curious, you -- and Todd both talked about continuing to mine the pipeline of acquisition opportunities. Would you say this first acquisition has been a -- a slam dunk template for what you're going to do going forward? Or have you learned some things from this one that might make you even better at making acquisition down the road?

#### **Todd Zehnder**

I think the answer is yes to both of them. This was an ideal -- you know, I think this was an ideal transaction for a lot of reasons, just because we know all the business units that they are in. But at the same time, it's a diversification of the revenue streams. It's in an area that we weren't very strong. And lastly, but probably most importantly, culturally, it was a very good fit.

But at the same time, it would be disappointing if we didn't learn things during our first pretty significant acquisition. And we are learning things, but it's not -- kind of like Casey said, we haven't uncovered anything that spooks us. It's all been good. It's a new way of growing for our company. But the main thing is to do it right. Get it integrated. Get the revenue synergies all while making sure our organic growth doesn't get impacted. And that's the -- main thing we've been able to do.

So, we're looking forward to the next one. When it comes, we'll see. We're not necessarily pressing to do another one immediately, but if another one comes soon, we'll be ready for it, so. It's all good on this first one.

#### **Brooks O'Neil**

Good, and let me just ask one last one and it's sort of revisiting an old friend, if you will. Any progress with the VA in terms of opening the doors for the oxygen programs broadly across that opportunity set?

**Casey Hoyt**

Yeah, the pilot program is not dead. It's still ongoing and pressing forward. We're dealing with some employees that are coming and going that we're developing the program which slowed things down. Again, the main success that we're having inside of the VA is coming through staffing where we become a you know, we've got a lot of experience now. We have that background of being a quality provider for the VA and so that is voted well for us landing staffing contracts which has been some of the bigger wins. But it doesn't mean that our rest complex respiratory push is over or dead. We're I mean, it's just it's still waiting on the VA and status quo as from quarter to quarter as we always talk about it.

**Brooks O'Neil**

Okay, cool. Thanks for the color. I'm excited for the future.

**Todd Zehnder**

All right. Thanks, Brooks.

**Casey Hoyt**

Thanks, Brooks.

**Operator**

Thank you. Our next question is from Doug Cooper with Beacon Securities. Please proceed with your question.

**Doug Cooper**

Hey, good morning, guys and terrific work on the quarter. Just a couple quick ones for me. Just - - want to confirm pro forma, because you only had the acquisition in for one month. Would pro forma, would have been if you had it for the full quarter, roughly \$48-\$48.5 million of revenue and \$11 million of EBITDA? Is that sort of in the ballpark?

**Todd Zehnder**

The \$48 million is a -- good approximate. We don't have an estimate of EBITDA, but I don't think it's going to change the composition very much, Doug.

**Doug Cooper**

Okay. I saw that vent, you're over 10,000 vent patients now. A nice milestone. And that looked like it had, you know, the strongest growth, certainly sequentially. It's up 7% sequentially for some time. How much of that was due to HMP? Casey, you mentioned they were out of the gate selling. And -- how much of it is -- you know, just I don't know, maybe the -- physicians finally realizing that this is a good therapy.

**Todd Zehnder**

I think HMP, I don't have the exact number, Doug. But I think HMP made-up about 340-350 vents of the growth. The rest was our traditional sequential growth which I want to say -- I don't have the exact number in front of me was probably about 300 for the quarter. Yeah, that makes sense because we grew at about 700. So, our own efforts made up about half of it, so the organic piece is clicking for sure. But then folding their -- group in obviously gave us a really good bump.



**Casey Hoyt**

Another little nugget, Doug, is we set an internal goal to kind of end the year with 115 in quality sales reps. We're sitting at 112 right now, so our recruiting efforts are really clicking. And it's -- we're -- we've put a lot of good people into the system. It's -- just a matter of getting them trained and making sure that we have the back-end infrastructure to support not only the new guys that we've been finding, but also the new HMP team as well. So, a lot of our focus is building up sales training and -- sales managers and so on and so forth right now.

**Doug Cooper**

Okay. So just to be clear, you added 300 over three months and they added 340 in a month?

**Todd Zehnder**

Well, no. I mean, that gets all added at once. It -- that's part of the acquisition. So, what -- that was their activation.

**Doug Cooper**

Oh, I got it. Got it, got it, got it. Okay, okay. And this is the -- on the non-vent business, just call it the sleep and -- oxygen and so forth, even excluding the contribution from HMP, it looks like it grew 50%. Is that -- did I read that right?

**Todd Zehnder**

You're talking about our ancillary services, with the growth --

**Doug Cooper**

Yeah, just the -- non-vent revenue.

**Todd Zehnder**

Yeah, that's going to be an encompass by, you know, a lot of growth in oxygen and a lot of growth in sleep. And then, you know, you got staffing up and running, just our sales revenues are higher at this point, so. That's probably about right. I don't -- see the number exactly you're talking about. I want to make sure that HMP is not included in that. But our --

**Doug Cooper**

Yeah, HMP -- I guess if I added 2.5 million of that other non-vent revenue, obviously your non-vent revenue up I think was up over 100%, so if I backed that out.

**Todd Zehnder**

I got you.

**Doug Cooper**

It would be about 50.

**Casey Hoyt**

Yeah, that's right. That's right.

**Doug Cooper**

Which would be incredible growth, so, you know, how -- obviously making great inroads into the sleep and oxygen space. Can you just have any -- how -- can you keep that kind of growth rate going, like?

**Todd Zehnder**

Well, that kind of goes back to our -- age-old, like how long can we keep growing? I mean our intent is to always grow this thing organically in these high rates that we've been posting. You know, call it 25-30%. It gets harder when the numbers get bigger, but inherently, as our sleep business grows, that means the resupply piece starts growing with it. And that's sort of the annuity, if you will. And as we have more sales reps around the country, they're out there pushing everything, which includes vents, vests, oxygen, sleep.

And so, I'll tell you that that is the intention to keep growing those numbers dramatically. There's a smaller base, so they have an advantage over events to keep those high percentage growth rates, but we just want to see everything grow. That's -- what it comes down to.

**Doug Cooper**

Yeah, it was interesting for me with that, I guess Owens and Minor with Apria. They had organic growth rate year over year of 10.5%, I think. And the Adopt Health was 9 or 10%, so. I mean the sleep side of the business continues to have pretty strong fundamentals I would suspect.

**Todd Zehnder**

Yes, it does. I mean, sleep apnea is a growing disease state for sure. And you know once again, we're still benefiting from only rolling that out nationally kind of during the COVID time, so it's still, you know, you get a new sales rep or two or three that hit their stride as being able to offer it in addition to everything else. So, we're benefiting from having that. And then, you know, once again, benefiting from bringing in HMP. Going forward, that's only going to bolster our non-vent revenue growth going forward.

**Doug Cooper**

Right. And I'm assuming that supply chain issues, residents really picked up the pace and there's no issue about getting any equipment?

**Todd Zehnder**

We have no issue on any product at this point. Yeah, so everything is good there.

**Doug Cooper**

Okay, okay. Great guys, congratulations.

**Todd Zehnder**

Thanks, Doug.

**Casey Hoyt**

Thanks, Doug.

**Operator**

Thank you. Our next question is from Andrew Rem with Odinson Partners. Please proceed with your question.

**Andrew Rem**

Hey, gentlemen, great quarter. Congrats to your team. You guys are doing a great job executing.

**Casey Hoyt**

Thank you.

**Todd Zehnder**

Thank you.

**Andrew Rem**

Just maybe going back to HMP, what was their kind of organic growth profile prior to the acquisition? Or at the time of the acquisition?

**Todd Zehnder**

Well, if you look at it over kind of a three-year period, I want to say the CAGR would be somewhere in the kind of high teens, low 20s. The last year wasn't as high. They had -- just, you know, slowed down to probably upper single digits, so we're -- hopeful that when we bring our skill set of growing the complex respiratory, we can get it back to kind of our organic growth rates, which is in that mid 20 type range.

**Andrew Rem**

Okay. And then, is that kind of factoring in the opportunities around ventilation? Because it sounds like that wasn't really necessarily a strength for them, but it is for you.

**Todd Zehnder**

Yes. That's the goal. That's the goal is to have them continue to grow their ventilation business at a much higher rate than they were historically. And then, you know, our -- sort of benchmark for them is if we can keep them growing at our growth rate, then we're doing a pretty good job.

**Andrew Rem**

Okay. And then, can you just maybe flush out a little bit more to your comment about or -- just help me understand better, when you say a good cultural fit between these two -- or between you and HMP just define that a little bit.

**Casey Hoyt**

The best way to define it is that they're patient centric. They -- put the patient first, which is something that is extremely important to us. They -- they're just good people that are looking to do the right thing with -- and that's -- what we're looking for. We can work with that whenever we have the -- passion and the bleeding-heart clinicians at our side. And that's what -- we saw with HMP, so we're kind of just springboarding that -- passion into their communities.

**Andrew Rem**

And then, just operating expenses, can you maybe talk about the second half of the year and as you go into '24 and kind of beyond ability to kind of leverage maybe more just kind of the SG&A expense? Obviously, you had inflation pressure last year. You're getting some of that caught up with the -- improvement in reimbursement, but other things that you guys can do operationally to -- kind of leverage those expenses.

**Todd Zehnder**

Yeah, I mean we -- we're very proud as I said in my prepared remarks that G&A was only up 17% this quarter and revenue was up 31. So, it's happening. We're continuing to push on it. And scale

helps that just generally. You know, we're able to leverage kind of sea level expenses versus a growing revenue base.

The -- key is we're not necessarily going to try to slow down the G&A growth because that's what yields these impressive organic growth rates. We are always out there trying to hire new salespeople, trying new innovative ideas. And we've always said, and we're proud of it, that we invest in the future of this business. And it yields above average organic growth rates.

We do expect to grow margins. To say that we're going to be able to grow them in '24, as high as we -- or as much as we've grown them this year, we're kind of trending towards a 200-basis point bottom line increase. That would be difficult to replicate next year, but we fully intend on attempting to do that. And we do see the ability to continue to grow them. It's just at what rate, we're not -- exactly sure yet.

**Andrew Rem**

And does that kind of -- is that assuming -- in the out year, I understand your comments. -- about this year, but on that out year, there's some component that's dependent on reimbursement and then a portion would be on the -- your internal activities. So, looking to improve next year, clearly not at the pace. But how much of that do you control on the improvement?

**Todd Zehnder**

Well, there's -- probably three factors. You hit on two of them. One is the reimbursement. And you know looking at mid-year CPI, that was running, I think 3-3.5, so. We got to figure that we're probably going to see about an average of 2% next year. So that's not extremely meaningful. The majority will be what we do.

The one thing that we always caution people on is ventilation has a higher even EBITDA margin, so we're -- we are diversifying the product base. As I've said in my prepared remarks, we went from 69% last year to 60%. A lot of the business that we are getting into is feeders into higher margin later in kind of their product life cycle. So the -- composition of the revenue, the CPI adjustment, and then the -- those are sort of up to us, but -- I mean the composition is sort of up to us, but we let that naturally happen.

The real thing that we can control is the cost. And once again, we know that we will see some corporate leverage as a result of, you know, you don't need two Todd and two Casey's when you double a company, so those are the type of things that we can do. But at the same time, we're always investing in the future, so. We -- it's very important to us. I think the most impressive number for this conference call was that our EBITDA was up 52% year-over-year for the quarter basis. And you know, that's our intent is to keep growing that number.

**Andrew Rem**

All right, thanks -- a lot and -- again, congrats to your team.

**Todd Zehnder**

All right. Thanks, Andrew.

**Casey Hoyt**

Thanks, Andrew.

**Operator**

Thank you. Our next question is from Eric Coldwell with Baird. Please proceed with your question.

**Eric Coldwell**

Hey, thanks very much and good morning. I have I think 3 questions. The first one, I'd like to hear a bit about your traction with payers. I know it's -- still very early with HMP. But as you broaden your scale and your geographies and capabilities, I'm curious what your recent conversations with payers have been? And have you've been able to expand any network access? Or do you have any opportunities that you could highlight for us as you look over the next 12 months?

**Casey Hoyt**

Yeah, we have done a hell of a job with payers this year. Our network development team has been very active. They've -- added 5 million lives into our network year to date and they've got another -- 5 million under contract headed our way, so. We're very pleased with the efforts of -- that those guys are doing. We still have payer struggles that are, you know, typically with the big guys. You know, United and Humana are -- tough cookies for us. We do some out-of-network work for them, but we have great opportunities to get those big guys on board.

But as far as everybody else, I mean we're the -- payer conversation is really healthy. They understand that when -- we present data, that shows that we can save money on our complex respiratory model if we get these patients on at the right time. They understand that. We -- bring a unique offering to the table in treating a very sick and typically expensive batch of their patients. So, you know, the -- that's the reason and the driving force behind how we -- we added 5 million lives and -- we'll continue -- to double down on that message with -- through the lens of data.

**Eric Coldwell**

Since you brought up Humana, specifically, you know, as one of a representative of a large MCO that -- you know, maybe a harder conversation right now, I suspect it's not an issue for you, given perhaps underweighting there historically as well as geographic issues, but -- their recent deal with Rotech and Adapt on certain products being exclusive, does that -- have any impact on your thoughts? I know not all categories were covered either, but I am -- curious if you have any thoughts on that -- type of an arrangement that we've seen. Yeah.

**Casey Hoyt**

Well, you know, for our company, specifically, it didn't really affect us because we're not, you know, we weren't doing much business with United and Humana.

Eric Coldwell

Right.

**Casey Hoyt**

I mean, I -- my prospect -- perspective on that deal is kudos to -- Apria and -- Rotech for -- getting that. I mean, it's -- yet to be seen whether or not they'll be able to handle the entire network of Humana, which could be United and Humana now, so. That is -- in my mind it's just -- I don't -- I'm not -- you know, the jury's still out on whether they can continue to support the coverage area. It doesn't give us much angst just because we really weren't even servicing those patients in the first place. But -- yeah, we -- we'll just have to wait and see how that works out.

**Eric Coldwell**

That's -- fair. And then on the -- the commentary on the -- you know, the organic growth rates which are, you know, clearly pretty remarkable. I'm curious how much of that if you had to -- if you had to guess or if you have maybe even have the -- information, you know, with you, how -- much of that organic growth if -- was there an inflection -- in market volumes, patients, you know, getting on first script? Or really, is this just a continuation of the expansion of the -- sales network, the payer network and -- in some market share gains on top? I'm trying to get a sense on the underlying market dynamics and what you've seen in -- your -- core categories.

**Todd Zehnder**

Are you -- Eric, are you specifically, like, talking about existing areas versus new areas with that question or?

**Eric Coldwell**

Yeah, just -- kind of seems -- if you will seem store apples to apples growth rates in your core areas. Are you seeing a change in overall patient volume, national script trends, you know, new - - access because of regulatory changes or -- statutory changes over the last couple of years? Or is that a pretty steady market and -- really the growth is -- just, you know, but for perhaps the recovery in sleep, which is obvious after the recall, but? You know, but for that, is it -- is really this growth, you know, underlying growth that is, you know, clearly well above market -- is it all share gain or is it -- something -- is there something more underneath it?

**Todd Zehnder**

It's really just, I mean, okay, so first of all, we generally -- run between kind of 85 % and 90%. And I don't have the exact quarterly amount, but I can tell you it's going to be in that range for same-store sales.

**Eric Coldwell**

Yeah.

**Todd Zehnder**

So generally, what happens is it takes a little while for our new reps to hit their stride. And when they do, they just progressively get larger and larger and larger. Inherently, our strongest reps continue to bear the load of the majority of the growth. So, that's the -- general answer, but there's nothing unique to this quarter. I mean, if you go back and look, there's -- it ebbs and flows a little bit, but we always have these type growth rates. It's the way we do things. We're -- a very sales driven organization. We're aggressive with our recruiting and training and retaining new sales reps to get into new areas that ultimately become same-store sales.

So, I think over the last few years offering additional products for these seasoned reps to sell, be it sleep, oxygen, percussion, vest has given the ability to sustain the high growth rates. All while knowing that the complex respiratory population, primarily COPD and neuromuscular, is a very underserved market and continues to be. So, the green pasture is still there. That's why we're confident that we can continue to grow it. The job is ours to continue to find new people to help, you know, spread the good news and get more people on therapy.

**Eric Coldwell**

Last one for me, if I have time. The -- with the PHE ending last quarter, you got a partial impact under your belt. This will be a full quarter. Any -- notable call outs there in terms of changes in market dynamics, reimbursement, regulatory changes, audit changes, what you're seeing, you

know, on that side of the market? Are there -- any notable call outs that people should be paying attention to in a post-PHE environment?

**Todd Zehnder**

No, not really. I mean, obviously you hit on everything, but we -- fortunately I guess or yeah, I guess unfortunately during the -- relief, we didn't get too large of a revenue uplift from the blended rate and so forth. It impacted us some.

**Eric Coldwell**

Yeah, yeah.

**Todd Zehnder**

But it was -- so inconsequential that we never had to really call it out or even think about it from a modeling perspective. It got blended in pretty easily when we look at things. So, nothing that -- has been a knee jerk reaction that we've seen that says oh, man, this is this is back to some problem. We -- so it's --kind of business as usual. And no -- issues on that end.

**Casey Hoyt**

One other thing I'll add is there is a -- movement, if you will, I guess inspired by the PHE, where we didn't have to get CMN's to -- standardize CMN, Certificate of Medical Necessity for oxygen. And that would reduce audit pressure on the oxygen business, so I think that's a positive that really came out of it. Like, what can we adopt going forward that really worked during the PHE? So we'll -- wait and see if -- CMS gets on that train, but they should. It should -- be a win-win for us and for them in terms of just audit pressure.

**Eric Coldwell**

Yeah, perfect. Well, again, congrats. Nice -- results here and look forward to -- seeing you guys next month. Thanks so much.

**Todd Zehnder**

Thanks, Eric.

**Casey Hoyt**

Alright. Thank you, Eric.

**Operator**

Thank you. There are no questions at this time. I'd like to hand the floor back over to management for any closing comments.

**Todd Zehnder**

All right. We want to thank everybody for participating once again on the call. And we look forward to visiting with anyone that has follow up questions in the near future. Have a good day.

**Operator**

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