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 September 30, 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 ☒ 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 ☒ 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 October 19, 2023, there were 38,489,001 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 September 30, 2023	At December 31, 2022
		(Unaudited)	*(Audited)*
ASSETS			
Current assets			
Cash and cash equivalents		$ 10,078	$ 16,914
Accounts receivable, net	2	17,926	15,379
Inventory	2	4,670	3,574
Income tax receivable	10	—	26
Prepaid expenses and other assets		3,187	3,849
Total current assets		$ 35,861	$ 39,742
Long-term assets			
Property and equipment, net	4	73,423	67,743
Finance lease right-of-use assets	6	531	—
Operating lease right-of-use assets	6	461	694
Equity investments	2	1,771	2,155
Debt investment	2	2,164	2,000
Deferred tax asset	10	3,910	3,119
Identifiable intangibles, net	3	688	—
Goodwill	3	29,704	—
Other long-term assets	9	887	1,590
Total long-term assets		$ 113,539	$ 77,301
TOTAL ASSETS		$ 149,400	$ 117,043
LIABILITIES			
Current liabilities			
Trade payables		$ 5,978	$ 2,650
Deferred revenue		6,215	4,624
Income taxes payable	10	232	—
Accrued liabilities	5	16,719	11,092
Finance lease liabilities, current portion	6	333	—
Operating lease liabilities, current portion	6	242	495
Current debt	6	1,834	—
Total current liabilities		$ 31,553	$ 18,861
Long-term liabilities			
Accrued liabilities	8	543	889
Finance lease liabilities, less current portion	6	180	—
Operating lease liabilities, less current portion	6	215	199
Long-term debt	6	8,095	—
Total long-term liabilities		$ 9,033	$ 1,088
TOTAL LIABILITIES		$ 40,586	$ 19,949
Commitments and Contingencies	9	—	—
SHAREHOLDERS' EQUITY			
Common stock - No par value: unlimited authorized; 38,489,001 and 38,049,739 issued and outstanding as of September 30, 2023 and December 31, 2022, respectively	8	$ 18,633	$ 15,123
Additional paid-in capital		14,164	12,125
Retained earnings		76,017	69,846
TOTAL SHAREHOLDERS' EQUITY		$ 108,814	$ 97,094
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 149,400	$ 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)

	Note	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Revenue	2	$ 49,402	$ 35,759	$ 132,269	$ 101,324
Cost of revenue		18,840	14,108	51,597	39,540
Gross profit		$ 30,562	$ 21,651	$ 80,672	$ 61,784
Operating expenses					
Selling, general and administrative		23,654	17,677	63,979	50,989
Research and development		593	670	2,131	1,974
Stock-based compensation	8	1,453	1,309	4,315	3,885
Depreciation		419	291	957	771
Loss on disposal of property and equipment		278	292	373	168
Other (income) expense, net		(41)	(57)	(124)	(721)
Income from operations		$ 4,206	$ 1,469	$ 9,041	$ 4,718
Non-operating income and expenses					
Income from equity method investments		270	84	442	853
Interest expense, net	6	(237)	(42)	(168)	(165)
Net income before taxes		4,239	1,511	9,315	5,406
Provision for income taxes	10	1,320	456	2,549	1,622
Net income		$ 2,919	$ 1,055	$ 6,766	$ 3,784
Other comprehensive income (loss)					
Change in unrealized gain/loss on derivative instruments, net of tax		—	112	—	334
Other comprehensive income (loss)		$ —	$ 112	$ —	$ 334
Comprehensive income		$ 2,919	$ 1,167	$ 6,766	$ 4,118
Net income per share					
Basic	11	$ 0.08	$ 0.03	$ 0.18	$ 0.10
Diluted	11	$ 0.07	$ 0.03	$ 0.17	$ 0.09
Weighted average number of common shares outstanding:					
Basic	11	38,438,058	38,232,788	38,307,343	38,870,949
Diluted	11	40,420,615	39,583,438	40,391,729	39,852,297

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						
	Shares	Amount	Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings	Total Shareholders' equity
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 units	—	—	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 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**
Stock-based compensation - options	—	—	757	—	—	757
Share-based compensation - restricted stock units	—	—	514	—	—	514
Shares repurchased under share repurchase program	(960,689)	—	—	—	(5,114)	(5,114)
Change in accumulated other comprehensive loss, net of tax	—	—	—	59	—	59
Net income	—	—	—	—	967	967
Shareholders' equity, June 30, 2022	**38,333,089**	**$ 14,348**	**$ 9,991**	**$ (56)**	**$ 68,944**	**$ 93,227**
Stock-based compensation - options	—	—	767	—	—	767
Stock-based compensation - restricted stock	—	—	542	—	—	542
Exercise of options	15,087	87	—	—	—	87
Shares issued for vesting of restricted stock units	81,394	492	(492)	—	—	—
Shares redeemed to pay income tax	(3,970)	—	—	—	(24)	(24)
Shares repurchased under the share repurchase program	(323,053)	—	—	—	(1,857)	(1,857)
Change in accumulated other comprehensive loss	—	—	—	112	—	112
Net Income	—	—	—	—	1,055	1,055
Shareholders' equity, September 30, 2022	**38,102,547**	**$ 14,927**	**$ 10,808**	**$ 56**	**$ 68,118**	**$ 93,909**

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, 2022	**38,049,739**	**$ 15,123**	**$ 12,125**	**$ —**	**$ 69,846**	**$ 97,094**
Stock-based compensation - options	—	—	348	—	—	348
Stock-based compensation - restricted stock units	—	—	1,043	—	—	1,043
Exercise of options	108,370	544	—	—	—	544
Shares issued for vesting of restricted stock units	183,036	1,429	(1429)	—	—	—
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**
Stock-based compensation - options	—	—	301	—	—	301
Stock-based compensation - restricted stock units	—	—	1,170	—	—	1,170
Exercise of options	119,356	684	—	—	—	684
Shares issued for vesting of restricted stock units	6,655	70	(70)	—	—	—
Shares redeemed to pay income tax	(1,978)	—	—	—	(21)	(21)
Net income	—	—	—	—	2,330	2,330
Shareholders' equity, June 30, 2023	**38,400,422**	**$ 17,850**	**$ 13,488**	**$ —**	**$ 73,167**	**$ 104,505**
Stock-based compensation - options	—	—	263	—	—	263
Stock-based compensation - restricted stock	—	—	1,190	—	—	1,190
Exercise of options	1,136	6	—	—	—	6
Shares issued for vesting of restricted stock units	95,944	777	(777)	—	—	—
Shares redeemed to pay income tax	(8,501)	—	—	—	(69)	(69)
Net Income	—	—	—	—	2,919	2,919
Shareholders' equity, September 30, 2023	**38,489,001**	**$ 18,633**	**$ 14,164**	**$ —**	**$ 76,017**	**$ 108,814**

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	Nine Months Ended September 30, 2023	2022
Cash flows from operating activities			
Net income		$ 6,766	$ 3,784
Adjustments for:			
Depreciation		15,943	11,257
Change in inventory reserve		—	(1,418)
Stock-based compensation expense	8	4,315	3,885
Distributions of earnings received from equity method investments		833	931
Income from equity method investments		(442)	(853)
Income from debt investment		(164)	—
Loss on disposal of property and equipment		373	168
Deferred income tax (benefit) expense		(791)	745
Changes in working capital, net of effects from acquisitions:			
Accounts receivable, net		(533)	(2,159)
Inventory		(514)	697
Prepaid expenses and other assets		1,193	(2,870)
Trade payables		(255)	33
Deferred revenue		859	892
Accrued liabilities		4,086	3,170
Income tax payable/receivable		259	1,802
Net cash provided by operating activities		$ 31,928	$ 20,064
Cash flows from investing activities			
Purchase of property and equipment		(18,161)	(17,326)
Investment in equity investments		(7)	(141)
Cash paid for acquisition of HMP, net of cash acquired	3	(28,580)	—
Proceeds from sale of property and equipment	4	2,128	869
Net cash used in investing activities		$ (44,620)	$ (16,598)
Cash flows from financing activities			
Proceeds from exercise of options	8	1,234	87
Proceeds from term notes	6	5,000	—
Principal payments on term notes	6	(2,746)	(1,440)
Proceeds from revolving credit facilities	6	8,000	—
Payments on revolving credit facilities		(5,005)	—
Shares redeemed to pay income tax	8	(595)	(143)
Shares repurchased under the share repurchase program	8	—	(8,858)
Repayments of lease liabilities		(32)	(42)
Net cash provided by (used in) financing activities		$ 5,856	$ (10,396)
Net decrease in cash and cash equivalents		(6,836)	(6,930)
Cash and cash equivalents at beginning of year		16,914	28,408
Cash and cash equivalents at end of period		$ 10,078	$ 21,478
Supplemental disclosures of cash flow information			
Cash paid during the period for interest		$ 497	$ 185
Cash paid (received) during the period for income taxes, net of refunds		$ 3,218	$ (920)
Supplemental disclosures of non-cash transactions			
Non-cash change in debt from the reclassification of debt issuance costs		(714)	—

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 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 nine months ended September 30, 2023, the Company's 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:

	September 30, 2023	September 30, 2022
Balance, beginning of year	$ 8,483	$ 7,031
Provision for uncollectible accounts	10,800	7,811
Amounts charged off	(7,722)	(6,326)
Balance, end of period	**$ 11,561**	**$ 8,516**

Included in accounts receivable at September 30, 2023 are amounts due from Medicare and Medicaid representing 31% and 5%, respectively, and 36% combined, of total outstanding net 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 and nine months ended September 30, 2023 and 2022 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Medicare revenues	46 %	46 %	45 %	47 %
Medicaid revenues	8 %	8 %	9 %	9 %
Total Medicare and Medicaid	**54 %**	**54 %**	**54 %**	**56 %**

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:

	September 30, 2023	December 31, 2022
Equity method investments	$ 424	$ 816
Other equity investments	1,347	1,339
Balance, end of period	**$ 1,771**	**$ 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. Distributions received from the investee reduce the Company’s carrying value of the investment. 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 September 30, 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 September 30, 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.

Valuation of Goodwill

Goodwill resulting from business combinations is not amortized, rather, it is assessed for impairment annually and upon the occurrence of a triggering event or change in circumstances indicating a possible impairment. Such triggering events potentially warranting an annual or interim goodwill impairment assessment include, among other factors, declines in historical or projected revenue, operating income or cash flows, and sustained decreases in the Company’s stock price or market capitalization. Such changes in circumstance can include, among others, changes in the legal environment, reimbursement environment, operating performance, and/or future prospects. The Company performs its annual impairment assessment of goodwill during the fourth quarter of each year. The impairment assessment can be performed on either a quantitative or qualitative basis. The Company first assesses qualitative factors to determine whether it is necessary to perform a quantitative goodwill impairment analysis. If determined necessary, the Company applies the quantitative impairment test to identify and measure the amount of impairment, if any. Fair value determinations require considerable judgment and are sensitive to changes in underlying assumptions and factors, such as estimates of a reporting unit's fair value and judgment about impairment triggering events. As a result, there can be no assurance that the estimates and assumptions made for purposes of the annual or interim goodwill impairment test will prove to be accurate predictions of the future. During the three months ended September 30, 2023 the Company evaluated the events and changes that could indicate that goodwill might be impaired and concluded that an interim test was not necessary.

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 September 30,		Nine Months Ended September 30,	
	2023	**2022**	**2023**	**2022**
Revenue from rentals under Topic 842				
Ventilator rentals, non-invasive and invasive	$ 28,322	$ 23,869	$ 79,181	$ 68,123
Other durable medical equipment rentals	11,119	5,882	26,441	15,153
Revenue from sales and services under Topic 606				
Equipment and supply sales	7,742	3,649	19,287	9,931
COVID-19 response sales and services	—	—	—	2,278
Service revenues	2,219	2,359	7,360	5,839
Total revenues	**$ 49,402**	**$ 35,759**	**$ 132,269**	**$ 101,324**

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 September 30, 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 September 30, 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.

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.

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

3. Business Combinations

On June 1, 2023, Viemed, Inc., a wholly-owned subsidiary of the Company, completed the acquisition of Home Medical Products, Inc., ("HMP"), which operates in Tennessee, Alabama, and Mississippi. The Company acquired 100% of the equity ownership of HMP in exchange for approximately $29.4 million in cash or cash payable, subject to customary post-closing net working capital and other adjustments. Approximately $15 million of the purchase consideration was funded by cash on hand, $8 million was funded by a borrowing on the 2022 Revolving Credit Facility, and $5 million was funded by a borrowing on the 2022 Term Loan Facility.

The results of HMP's operations have been included in the consolidated financial statements since the date of acquisition. The Company expensed $477,000 of acquisition costs in conjunction with the acquisition for the nine months ended September 30, 2023. These costs include system conversion and integrating operations charges, as well as legal and consulting expenses, and are included in selling, general, and administrative expense in the accompanying consolidated statements of income and comprehensive income.

The following table summarizes the consideration paid and estimated fair values of the assets acquired and liabilities assumed at the acquisition date.

Purchase Price	
Cash paid or payable	$ 29,417
Identifiable Assets	
Cash and cash equivalents	838
Accounts receivable	2,014
Inventory	582
Prepaid expenses and other assets	498
Property and equipment, net	4,358
Lease assets	743
Identifiable intangibles	688
Other long-term assets	25
TOTAL ASSETS	9,746
Identifiable Liabilities	
Trade payables	1,980
Deferred revenue	732
Accrued liabilities	1,195
Current portion of lease liabilities	536
Current debt	4,558
Long-term lease liabilities	196
Long-term debt	836
TOTAL LIABILITIES	10,033
Net assets (liabilities) acquired	(287)
Resulting goodwill	$ 29,704

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

The fair value of accounts receivables acquired is $2.0 million, with the gross contractual amount being $2.9 million. The Company expects $0.9 million to be uncollectible. The Company is in the process of obtaining third-party valuations of certain fixed assets and identifiable intangible assets; thus, the provisional measurements of property plant and equipment, trade names, non-compete agreements, and goodwill are subject to a material change. After the Company's June 30, 2023 financial statements were issued, management identified and recorded immaterial measurement period adjustments to the provisional balances pertaining to the acquired cash and cash equivalents, prepaid expenses other assets, trade payables, and long-term lease liability accounts. As a result of these adjustments, there was a reduction in the provisional goodwill balance, which resulted in no impact on the current period's income or expenses.

Goodwill resulted from a combination of synergies and cost savings, and further expansion into Tennessee, Alabama, and Mississippi. All of the goodwill is deductible for income tax purposes. There are no contingent consideration arrangements included in the transaction.

4. 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:

	September 30, 2023	December 31, 2022
Medical equipment	$ 108,325	$ 93,893
Furniture and equipment	3,832	2,792
Land	2,566	2,566
Buildings	7,147	7,043
Leasehold improvements	354	296
Vehicles	1,254	1,052
Less: Accumulated depreciation	(50,055)	(39,899)
Property and equipment, net of accumulated depreciation and amortization	**$ 73,423**	**$ 67,743**

Depreciation in the amount of $5,556,000 and $3,829,000 is included in cost of revenue for the three months ended September 30, 2023 and 2022, respectively, and in the amount of $14,987,000 and $10,486,000 for the nine months ended September 30, 2023 and 2022, respectively. Medical equipment purchases with a cost of $2,598,000 and $738,000 were included in accounts payable at September 30, 2023 and December 31, 2022, respectively.

5. Current Liabilities

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

	September 30, 2023	December 31, 2022
Accrued trade payables	$ 3,306	$ 2,254
Accrued commissions payable	874	608
Accrued bonuses payable	5,438	3,708
Accrued vacation and payroll	3,396	1,484
Current portion of phantom share liability	1,196	1,704
Accrued other liabilities	2,509	1,334
Total accrued liabilities	**$ 16,719**	**$ 11,092**

6. 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 September 30, 2023.

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

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

The recorded balances associated with the 2022 Senior Credit Facilities are as follows:

	September 30, 2023	December 31, 2022
Outstanding balance	$ 8,938	$ —
Financing costs and commitment fees	(715)	—
Less:		
Current portion of notes payable	(188)	—
Net long-term notes payable	**$ 8,035**	**$ —**

Medical Equipment Financing

As a result of the acquisition of HMP, the Company assumed equipment financing obligations consisting of installment payments for medical equipment which secure the financing. The financing obligations are payable in monthly installments through 2026 and include interest at rates ranging from 0% to 7.99%. As of September 30, 2023, $1.6 million of the outstanding medical equipment financing obligations is presented on the condensed consolidated balance sheets as short term debt and $0.1 million is presented as long term debt, based on the scheduled repayment dates.

7. 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 Measured at Fair Value on a Recurring Basis

The Company measures certain assets 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 measured at fair value on a recurring basis as of September 30, 2023 and December 31, 2022:

	At September 30, 2023			
(In thousands)	Level 1	Level 2	Level 3	Total
Recurring Fair Value Measurements:				
Money market mutual funds	$ 5,615	$ —	$ —	$ 5,615
Available for sale debt instrument	—	—	2,164	2,164
Total	**$ 5,615**	**$ —**	**$ 2,164**	**$ 7,779**

	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 September 30, 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 Measured at Fair Value on a Nonrecurring Basis

The Company measures certain assets at fair value on a nonrecurring basis. These assets 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 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.

8. 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 38,489,001 and 38,049,739 shares were issued and outstanding as of September 30, 2023 and December 31, 2022, respectively.

For the nine months ended September 30, 2023, the Company acquired and cancelled 75,235 common shares at a cost of $0.6 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 September 30, 2023, the Company had outstanding options of 4,236,000 and RSUs of 1,230,000 associated with common shares under the Omnibus Plan.

The following table summarizes stock-based compensation expense for the three and nine months ended September 30, 2023 and 2022 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Stock-based compensation - options	$ 263	$ 767	$ 911	$ 2,344
Stock-based compensation - restricted stock units	1,190	542	3,404	1,541
Total	**$ 1,453**	**$ 1,309**	**$ 4,315**	**$ 3,885**

At September 30, 2023, there was approximately $597,000 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 1.15 years. As of September 30, 2023, there was approximately $5,200,000 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 1.10 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 nine months ended September 30, 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	(229)	5.51		
Expired / Forfeited	(32)	6.51		
Balance September 30, 2023	**4,236**	**$ 5.24**	**6.1 years**	**$ 7,975**

[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 share price of the Company's common stock on the last trading day of the period ($6.73).

The aggregate intrinsic value of options outstanding was $7,974,846 and options exercisable were $7,247,301 at September 30, 2023. For the nine months ended September 30, 2023, 229,000 common shares were issued pursuant to the exercise of stock options.

At September 30, 2023, the Company had 3,451,000 exercisable stock options outstanding with a weighted average exercise price of $4.97 and a weighted average remaining contractual life of 5.7 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 the nine months ended September 30, 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 nine months ended September 30, 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	916	7.88		
Vested	(286)	5.82		
Expired / Forfeited	(29)	6.92		
Balance September 30, 2023	**1,230**	**$ 7.23**	**1.10 years**	**$ 8,274**

[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 ($6.73).

During the three months ended September 30, 2023, the Company issued 213,369 RSUs with a vesting term of one year and a fair value of $1.7 million. During the nine months ended September 30, 2023, the Company issued 916,000 RSUs with a vesting term of one or three years and a fair value of $7.3 million.

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 nine months ended September 30, 2023:

	Number of phantom share units (000's)	Value of share equivalents[1]
Balance December 31, 2022	**513**	$ 3,878
Issued	181	1,444
Vested	(245)	(2,354)
Expired / Forfeited	(26)	(175)
Balance September 30, 2023	**423**	**$ 2,847**

[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, and the values of expired/forfeited share equivalents and outstanding share equivalents at the end of the period 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 $6.73 on September 30, 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 September 30, 2023 is $1,739,000, with $1,196,000 of this amount included in current accrued liabilities and the remaining portion of $543,000 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 (benefit) associated with the phantom share units for the three and nine months ended September 30, 2023 and 2022 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Selling, general, and administrative	$ (333)	$ 473	$ 1,504	$ 1,422

The Company paid cash settlements of $2,358,000 and $1,383,000 during the nine months ended September 30, 2023 and 2022, respectively, pertaining to vestings of cash-settled phantom share units.

9. 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 completed discovery on July 17, 2023. The State Court issued an order on September 5, 2023 granting the Company Partial Summary Judgment finding that Vyaire breached the contract. The remaining issue of the damages suffered by the Company as a result of the breach will be determined at a non-jury trial pending Vyaire's interlocutory appeal of the State Court's partial summary judgment ruling.

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 September 30, 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 assessment of recoupment of reimbursement, 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 nine months ended September 30, 2023.

10. Income Taxes

For the nine months ended September 30, 2023, the Company recorded income tax expense of $2.5 million, which includes a discrete tax benefit of $0.3 million associated with stock-based compensation arrangements. Excluding the impact of the discrete taxes, the effective rate for the nine months ended September 30, 2023 is 29.4%. 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.

At September 30, 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 2020.

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.

11. 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.

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Numerator - basic and diluted:				
Net income attributable to shareholders	$ 2,919	$ 1,055	$ 6,766	$ 3,784
Denominator:				
Basic weighted-average number of common shares	38,438,058	38,232,788	38,307,343	38,870,949
Diluted weighted-average number of shares	40,420,615	39,583,438	40,391,729	39,852,297
Basic earnings per share	$ 0.08	$ 0.03	$ 0.18	$ 0.10
Diluted earnings per share	$ 0.07	$ 0.03	$ 0.17	$ 0.09
Denominator calculation from basic to diluted:				
Basic weighted-average number of common shares	38,438,058	38,232,788	38,307,343	38,870,949
Stock options and other dilutive securities	1,982,557	1,350,650	2,084,386	981,348
Diluted weighted-average number of shares	40,420,615	39,583,438	40,391,729	39,852,297

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

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 a "smaller reporting company" under Rule 12b-2 of the Exchange Act, and as such, we have elected to comply with certain reduced U.S. public company reporting requirements.

Unless otherwise noted herein, all references to "$" or "USD" are to the currency of the United States and references to "CAD$" or "Canadian dollars" are to the currency of Canada.

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 57.3% and 66.7% of our traditional revenue, excluding COVID-19 response sales and services, for the three months ended September 30, 2023 and 2022, respectively, and 59.9% and 68.8% for the nine months ended September 30, 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 September 30, 2023, we employed 374 licensed RTs, representing approximately 38% 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 May 11, 2023, the COVID-19 Public Health Emergency declared by the Secretary of HHS under Public Health Service Act section 319 ("COVID-19 PHE") ended. 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 nine months ended September 30, 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. 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 received a 9.1% reimbursement rate increase. Items not subject to the competitive bidding program received 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	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
Financial Information:								
Revenue	$ 49,402	$ 43,311	$ 39,556	$ 37,508	$ 35,759	$ 33,310	$ 32,255	$ 31,962
Gross Profit	$ 30,562	$ 26,106	$ 24,004	$ 22,896	$ 21,651	$ 20,390	$ 19,743	$ 19,662
Gross Profit %	62 %	60 %	61 %	61 %	61 %	61 %	61 %	62 %
Net Income	$ 2,919	$ 2,330	$ 1,517	$ 2,438	$ 1,055	$ 967	$ 1,762	$ 4,087
Cash (As of)	$ 10,078	$ 10,224	$ 23,544	$ 16,914	$ 21,478	$ 21,922	$ 29,248	$ 28,408
Total Assets (As of)	$ 149,400	$149,117	$ 124,634	$ 117,043	$ 119,419	$115,904	$ 119,007	$ 117,962
Adjusted EBITDA(1)	$ 12,081	$ 9,810	$ 8,328	$ 9,306	$ 6,982	$ 6,458	$ 7,273	$ 9,549
Operational Information:								
Vent Patients(2)	10,244	10,005	9,337	9,306	9,127	8,837	8,434	8,405

(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 September 30, 2023 and 2022:

The following table summarizes our results of operations for the three months ended September 30, 2023 and 2022:

	Three Months Ended September 30,					
	2023	% of Total Revenue	2022	% of Total Revenue	$ Change	% Change
Revenue	**$ 49,402**	**100.0 %**	**$ 35,759**	**100.0 %**	**$ 13,643**	**38.2 %**
Cost of revenue	18,840	38.1 %	14,108	39.5 %	4,732	33.5 %
Gross profit	**30,562**	**61.9 %**	**21,651**	**60.5 %**	**8,911**	**41.2 %**
Selling, general and administrative	23,654	47.9 %	17,677	49.4 %	5,977	33.8 %
Research and development	593	1.2 %	670	1.9 %	(77)	(11.5)%
Stock-based compensation	1,453	2.9 %	1,309	3.7 %	144	11.0 %
Depreciation	419	0.8 %	291	0.8 %	128	44.0 %
Loss (gain) on disposal of property and equipment	278	0.6 %	292	0.8 %	(14)	(4.8)%
Other expense (income)	(41)	(0.1)%	(57)	(0.2)%	16	(28.1)%
Income from operations	**4,206**	**8.5 %**	**1,469**	**4.1 %**	**2,737**	**186.3 %**
Non-operating income and expenses						
Income from equity method investments	270	0.5 %	84	0.2 %	186	221.4 %
Interest expense, net	(237)	(0.5)%	(42)	(0.1)%	(195)	464.3 %
Net income before taxes	**4,239**	**8.6 %**	**1,511**	**4.2 %**	**2,728**	**180.5 %**
Provision (benefit) for income taxes	1,320	2.7 %	456	1.3 %	864	189.5 %
Net income	**$ 2,919**	**5.9 %**	**$ 1,055**	**3.0 %**	**$ 1,864**	**176.7 %**

Revenue

The following table summarizes our revenue for the three months ended September 30, 2023 and 2022:

	Three Months Ended September 30,					
	2023	% of Total Revenue	2022	% of Total Revenue	$ Change	% Change
Net revenue from rentals						
Ventilator rentals, non-invasive and invasive	$ 28,322	57.3 %	$ 23,869	66.7 %	$ 4,453	18.7 %
Other durable medical equipment rentals	11,119	22.5 %	5,882	16.5 %	5,237	89.0 %
Net revenue from sales and services						
Equipment and supply sales	7,742	15.7 %	3,649	10.2 %	4,093	112.2 %
Service revenues	2,219	4.5 %	2,359	6.6 %	(140)	(5.9)%
Total net revenue	**$ 49,402**	**100.0 %**	**$ 35,759**	**100.0 %**	**$ 13,643**	**38.2 %**

For the three months ended September 30, 2023, net revenue totaled $49.4 million, an increase of $13.6 million (or 38.2%) from the comparable period in 2022. The net revenue growth was associated with an increase in ventilator rental revenue of $4.5 million (or 18.7%) which can be primarily attributed to the organic expansion of our 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 $5.2 million (or 89.0%), consisting of rental revenue from oxygen therapy, PAP, and percussion vest activities associated with our continued national organic expansion of services and the acquisition of HMP. Equipment and supply sales increased by $4.1 million (or 112.2%), primarily driven by the continued growth of the PAP resupply program and other sleep offerings. While ventilator rentals continue to make up the majority of our revenue, the growth of PAP and oxygen related sales and services is contributing significantly to the diversity of our overall revenue mix. As we continue to expand geographically into new territories and further expand our presence in our existing territories, we expect continued growth in our active ventilator patient base and our other respiratory offerings.

Cost of revenue and gross profit

For the three months ended September 30, 2023, cost of revenue totaled $18.8 million, an increase of $4.7 million (or 33.5%) from the comparable period in 2022. Overall gross profit percentage increased from 60.5% in the three months ended September 30, 2022 to 61.9% in the three months ended September 30, 2023. The change in gross profit percentage is primarily attributable to the migration of our revenue mix, which reflects our deliberate organic and inorganic efforts towards product and service diversification, aimed at further enhancing our market position. Gross profit percentage is expected to remain relatively stable through the end of 2023 due to subsiding inflationary cost pressures and the positive effects of seasonality in collection rates, partially offset by the impacts of continued product and service diversification.

Selling, general and administrative expense

Selling, general, and administrative expenses as a percentage of revenue decreased to 47.9% for the three months ended September 30, 2023 compared to 49.4% for the three months ended September 30, 2022. Selling, general and administrative expenses totaled $23.7 million for the three months ended September 30, 2023, an increase of $6.0 million (or 33.8%) from the comparable prior period. The increase in overall selling, general and administrative expense as compared to the prior period is primarily attributable to additional employee related expenses to accommodate the overall growth of the Company. Our full time employee count increased from 722 on September 30, 2022 to 988 on September 30, 2023, an increase of 36.8%, which was partially due to the acquisition of HMP on June 1, 2023. Employee compensation expenses increased $2.4 million (or 22%) as a result of the increase in our employee headcount and increases in incentive and volume based compensation. We expect that current year selling, general and administrative expenses as a percentage of revenue will continue to improve through the end of 2023 due to increased efficiencies and costs stabilization relative to revenue growth.

Research and development

For the three months ended September 30, 2023, research and development expense totaled $0.6 million, a decrease of $0.1 million (or 11.5%) 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 associated costs will remain consistent in 2023 relative to 2022 costs.

Stock-based compensation

For the three months ended September 30, 2023, stock-based compensation totaled $1.5 million, an increase of 11.0% from the comparable period in 2022. We anticipate that as we expand our workforce, incorporating stock-based awards as a component of employee compensation, stock-based compensation expenses will correspondingly rise. Historically, revenue growth has outpaced the growth in stock-based compensation, and as a result, the percentage of stock-based compensation relative to revenue is expected to continue declining.

Interest expense, net

For the three months ended September 30, 2023, net interest expense totaled $0.2 million, As a result of continued paydowns on debt issued to fund the acquisition of HMP, we expect quarterly net interest expense to decrease for the remainder of 2023.

Provision for income taxes

For the three months ended September 30, 2023, the provision for income taxes was a $1.3 million expense, compared to $0.5 million during the comparable period in 2022. The increase in income tax expense was primarily due to the increase in pre-tax income. Our annual estimated effective tax rate for 2023 is 29.4%.

Net income

For the three months ended September 30, 2023, net income was $2.9 million, an increase of $1.9 million (or 176.7%) from the comparable period in 2022. Net income as a percentage of net revenue increased from 3.0% for the three months ended September 30, 2022 to 5.9% for the three months ended September 30, 2023, primarily due to improvements in selling, general, and administrative expenses associated with increased efficiencies and stabilizing costs.

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

Comparison of the Nine Months Ended September 30, 2023 and 2022:

The following table summarizes our results of operations for the nine months ended September 30, 2023 and 2022:

	Nine Months Ended September 30,					
	2023	% of Total Revenue	2022	% of Total Revenue	$ Change	% Change
Revenue	**$ 132,269**	**100.0 %**	**$ 101,324**	**100.0 %**	**$ 30,945**	**30.5 %**
Cost of revenue	51,597	39.0 %	39,540	39.0 %	12,057	30.5 %
Gross profit	**80,672**	**61.0 %**	**61,784**	**61.0 %**	**18,888**	**30.6 %**
Selling, general and administrative	63,979	48.4 %	50,989	50.3 %	12,990	25.5 %
Research and development	2,131	1.6 %	1,974	1.9 %	157	8.0 %
Stock-based compensation	4,315	3.3 %	3,885	3.8 %	430	11.1 %
Depreciation	957	0.7 %	771	0.8 %	186	24.1 %
Loss (gain) on disposal of property and equipment	373	0.3 %	168	0.2 %	205	NM
Other expense (income)	(124)	(0.1)%	(721)	(0.7)%	597	(82.8)%
Income from operations	**9,041**	**6.8 %**	**4,718**	**4.7 %**	**4,323**	**91.6 %**
Non-operating expenses						
Income from equity method investments	442	0.3 %	853	0.8 %	(411)	NM
Interest expense, net	(168)	(0.1)%	(165)	(0.2)%	(3)	1.8 %
Net income before taxes	**9,315**	**7.0 %**	**5,406**	**5.3 %**	**3,909**	**72.3 %**
Provision for income taxes	2,549	1.9 %	1,622	1.6 %	927	57.2 %
Net income	**$ 6,766**	**5.1 %**	**$ 3,784**	**3.7 %**	**$ 2,982**	**78.8 %**

Revenue

The following table summarizes our revenue for the nine months ended September 30, 2023 and 2022:

	Nine Months Ended September 30,					
	2023	% of Total Revenue	2022	% of Total Revenue	$ Change	% Change
Net revenue from rentals						
Ventilator rentals, non-invasive and invasive	$ 79,181	59.9 %	$ 68,123	67.2 %	$ 11,058	16.2 %
Other durable medical equipment rentals	26,441	20.0 %	15,153	15.0 %	11,288	74.5 %
Net revenue from sales and services						
Equipment and supply sales	19,287	14.6 %	9,931	9.8 %	9,356	94.2 %
COVID-19 response sales and services	—	— %	2,278	2.2 %	(2,278)	NM
Service revenues	7,360	5.5 %	5,839	5.8 %	1,521	26.0 %
Total net revenue	**$ 132,269**	**100.0 %**	**$ 101,324**	**100.0 %**	**$ 30,945**	**30.5 %**

For the nine months ended September 30, 2023, revenue totaled $132.3 million, an increase of $30.9 million (or 30.5%) from the comparable period in 2022. Excluding COVID-19 response sales and services revenue, net revenue increased $33.2 million (or 33.5%) from the comparable period in 2022. The net revenue increase was comprised of an increase in ventilator rental revenue of $11.1 million (or 16.2%), rental revenue from other DME of $11.3 million (or 74.5%), equipment and supply sales of $9.4 million (or 94.2%), and service revenue of $1.5 million (or 26.0%). The growth in other durable medical equipment rentals has been primarily driven by the continued national expansion of PAP, oxygen therapy, and percussion vest activities and the acquisition of HMP. The increase in equipment sales and supplies is primarily driven by the success of our PAP resupply program and other sleep offerings. The increase in service revenue is primarily due to the addition of our healthcare staffing offerings. While ventilator rentals continue to make up the majority of our revenue, the organic and acquired 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. As we continue to expand geographically into new territories and further expand our presence in our existing territories, we expect continued growth in our active ventilator patient base and our other respiratory offerings.

There were no COVID-19 response sales and services during the nine months ended September 30, 2023, compared to $2.3 million during the comparable nine month period in 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 nine months ended September 30, 2023, cost of revenue totaled $51.6 million, an increase of $12.1 million (or 30.5%) from the comparable period in 2022. Overall gross profit percentage of 61.0% remained stable between the nine months ended September 30, 2022 and the nine months ended September 30, 2023. Gross profit percentage is expected to remain relatively stable through the end of 2023 due to subsiding inflationary cost pressures and the positive effects of seasonality in collection rates, partially offset by the impacts of continued product and service diversification.

Selling, general and administrative expense

Selling, general, and administrative expenses as a percentage of revenue decreased to 48.4% for the nine months ended September 30, 2023 compared to 50.3% for the nine months ended September 30, 2022. Selling, general and administrative expenses totaled $64.0 million for the nine months ended September 30, 2023, an increase of $13.0 million (or 25.5%) from the comparable period in 2022. The overall increase in 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 and transaction costs related to the acquisition of HMP. Our full time employee count increased from 722 on September 30, 2022 to 988 on September 30, 2023, an increase of 36.8%, which was partially due to the acquisition of HMP on June 1, 2023. Employee compensation expenses increased $7.8 million (or 25%) as a result of the increase in our employee headcount and increases in incentive and volume based compensation. We expect that current year selling, general and administrative expenses as a percentage of revenue will continue to improve through the end of 2023 due to increased efficiencies and costs stabilization relative to revenue growth.

Research and development

For the nine months ended September 30, 2023, research and development expense totaled $2.1 million, an increase of $0.2 million (or 8.0%) 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 associated costs will remain consistent in 2023 relative to 2022 costs.

Stock-based compensation

For the nine months ended September 30, 2023, stock-based compensation totaled $4.3 million, an increase of 11.1% from the comparable period in 2022. We anticipate that as we expand our workforce, incorporating stock-based awards as a component of employee compensation, stock-based compensation expenses will correspondingly rise. Historically, revenue growth has outpaced the growth in stock-based compensation, and as a result, the percentage of stock-based compensation relative to revenue is expected to continue declining.

Interest expense, net

For the nine months ended September 30, 2023, net interest expense totaled $0.2 million. As a result of continued paydowns on debt issued to fund the acquisition of HMP, we expect quarterly net interest expense to decrease for the remainder of 2023.

Provision for income taxes

For the nine months ended September 30, 2023, the provision for income taxes was a $2.5 million expense, compared to $1.6 million during the comparable period in 2022. The resulting decrease in the overall effective tax rate as a percentage of pre-tax income was due to the impact of discrete tax benefits associated with stock-based compensation between periods. Our annual estimated effective tax rate for 2023 is 29.4%.

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

Net income

For the nine months ended September 30, 2023, net income was $6.8 million, an increase of $3.0 million (or 78.8%) from the comparable period in 2022. Net income as a percentage of revenue increased from 3.7% for the nine months ended September 30, 2022 to 5.1% for the nine months ended September 30, 2023, primarily due to improvements in selling, general, and administrative expenses associated with increased efficiencies and stabilizing costs.

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	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
Net Income	$ 2,919	$ 2,330	$ 1,517	$ 2,438	$ 1,055	$ 967	$ 1,762	$ 4,087
Add back:								
Depreciation	5,975	5,207	4,762	4,373	4,120	3,740	3,397	3,120
Interest expense (income)	237	(20)	(49)	32	42	59	64	69
Stock-based compensation[(a)]	1,453	1,471	1,391	1,317	1,309	1,271	1,305	1,305
Transaction costs[(b)]	177	94	206	—	—	—	—	—
Income tax expense	1,320	728	501	1,146	456	421	745	968
Adjusted EBITDA	**$ 12,081**	**$ 9,810**	**$ 8,328**	**$ 9,306**	**$ 6,982**	**$ 6,458**	**$ 7,273**	**$ 9,549**

(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 September 30, 2023 was $10.1 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 utilizes short term financing arrangements with a major supplier that could be extended over a longer term if there was a need for additional liquidity.

Cash Flows

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

	Nine Months Ended September 30,	
	2023	2022
Net Cash provided by (used in):		
Operating activities	$ 31,928	$ 20,064
Investing activities	(44,620)	(16,598)
Financing activities	5,856	(10,396)
Net decrease in cash and cash equivalents	**$ (6,836)**	**$ (6,930)**

Net Cash Provided by Operating Activities

Net cash provided by operating activities during the nine months ended September 30, 2023 was $31.9 million, resulting from net income of $6.8 million, increased by net income adjustments of $20.1 million and a change in net working capital of $5.1 million. The net income adjustments primarily consisted of $15.9 million of depreciation, $4.3 million of stock-based compensation, $0.8 million of distributions from equity method investments, and a $0.8 million change in deferred tax asset. The primary changes in working capital were an increase in accrued liabilities of $4.1 million and a decrease in other assets of $1.2 million, offset by an increase in net accounts receivable of $0.5 million.

Net cash provided by operating activities during the nine months ended September 30, 2022 was $20.1 million, primarily resulting from net income of $3.8 million, increased by net income adjustments of $14.7 million and a change in net working capital of $1.6 million. The net income adjustments primarily consisted of $11.3 million of depreciation, $3.9 million of stock-based compensation, $0.9 million income from equity investments and a $0.7 million change in deferred tax asset. The primary changes in working capital were an increase in net accounts receivable of $2.2 million and an increase in other assets of $2.9 million, offset by an increase in accrued liabilities of $3.2 million and a decrease in income taxes receivable of $1.8 million. Included in our operating cash flows for the period 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 nine months ended September 30, 2023 was $44.6 million, primarily due to the net cash paid for the acquisition of HMP of $28.6 million. Net cash used in investing activities during the period also consisted of $18.2 million of purchases of property and equipment, partially offset by $2.1 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 a $0.8 million, or 4.8%, increase year over year.

Net cash used in investing activities during the nine months ended September 30, 2022 was $16.6 million, consisting of $17.3 million of purchases of property and equipment, partially offset by $0.9 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 Financing Activities

Net cash provided by financing activities during the nine months ended September 30, 2023 was $5.9 million. For the nine months ended September 30, 2023, proceeds from the 2022 Term Loan Facility (as defined below) were $5.0 million and proceeds from the 2022 Revolving Credit Facility (as defined below) were $8.0 million, which were used to partially fund the cash acquisition of HMP. Subsequent to the acquisition, principal payments on the 2022 Revolving Credit Facility were $4.0 million. Additionally, principal payments on acquired revolving and term loans were $3.8 million during the nine months ended September 30, 2023. The Company acquired and cancelled 75,235 common shares at a cost of $0.6 million to satisfy employee income tax withholding associated with RSUs vestings while proceeds from the exercise of options during the nine months ended September 30, 2023 were $1.2 million.

Net cash used in financing activities during the nine months ended September 30, 2022 was $10.4 million. For the nine months ended September 30, 2022, the Company repurchased and canceled 1,673,620 common shares at a cost of $8.9 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 27,712 common shares at a cost of $0.1 million to satisfy employee income tax withholding associated with RSUs vesting during the nine months ended September 30, 2022. Net cash used in financing activities during the nine months ended September 30, 2022 also included $1.3 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. Outstanding borrowings under the 2022 Term Loan Facility and 2022 Revolving Credit Facility were $4.9 million and $4.0 million, respectively, as of September 30, 2023.

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 September 30, 2023.

Use of Funds

Our principal uses of cash are funding the purchase of rental assets and other capital purchases, the repayment of debt, funding of business combinations, operations, and other working capital requirements. Our contractual obligations primarily relate to the repayment of existing debt and contractual obligations for operating and finance leases. Total outstanding borrowings under our debt arrangements as of September 30, 2023 were $9.9 million, of which $1.8 million is due within 12 months. Except for the funding of potential business combinations and investments, we anticipate that our operating cash flows will satisfy our material cash requirements for the 12 months after September 30, 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 $316,000 and $259,000 for the three months ended September 30, 2023 and 2022, respectively, and $1,050,000 and $882,000 for the nine months ended September 30, 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.

<u>Accounting and Disclosure Matters</u>

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 the provision for uncollectible accounts 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 $11.6 million and $8.5 million as of September 30, 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 September 30, 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 9—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 2, 2023, which could materially affect our business, financial condition or future results. Except as set forth below, there have been no material changes in our risk factors from those disclosed in that Annual Report.

Our strategic growth plan, which involves the acquisition of other businesses, may not succeed.

The Company's strategic growth plan calls for significant growth in its business over the next several years through an increase in its density in select markets where it is established as well as the expansion of its geographic footprint into new markets. This growth would place (and has placed) significant demands on the Company’s management team, systems, internal controls and financial and professional resources. As a result, the Company could be required to incur (and has incurred) expenses for hiring additional qualified personnel, retaining professionals to assist in developing the appropriate control systems and expanding the Company’s information technology infrastructure. If the Company is unable to effectively manage growth, its financial results could be adversely impacted.

The Company’s strategic growth plan contemplates continued growth from future acquisitions of home medical equipment and service providers. The Company may face increased competition for attractive acquisition candidates, which may limit the number of acquisition opportunities available to the Company or lead to the payment of higher prices for its acquisitions. Without successful acquisitions, the Company’s future growth rate could decline. In addition, the Company cannot guarantee that any future acquisitions, if consummated, will result in further growth.

The integration of acquisitions requires significant attention from management, may impose substantial demands on the Company’s operations or other projects and may impose challenges on us including, but not limited to, consistencies in business standards, procedures, policies and business cultures. There can be no assurance that any future acquisitions, if consummated, will result in further growth. Specific integration risks relating to the acquisition of other businesses by the Company may include: difficulties related to combining previously separate businesses into a single unit, including patient transitions, product and service offerings, distribution and operational capabilities and business cultures; availability of financing to the extent needed to fund acquisitions;customer loss and other general business disruption; managing the integration process while completing other independent acquisitions or dispositions; diversion of management’s attention from day-to-day operations; assumption of liabilities of an acquired business, including unforeseen or contingent liabilities or liabilities in excess of the amounts estimated; failure to realize anticipated benefits and synergies, such as cost savings and revenue enhancements; potentially substantial costs and expenses associated with acquisitions and dispositions; and failure to retain and motivate key employees difficulties in establishing and applying the Company’s internal control over financial reporting and disclosure controls and procedures to an acquired business.

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 September 30, 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
Jul 1- Jul 31, 2023	—	$—	—	189,851
Aug 1- Aug 31, 2023	8,501	$8.12	—	189,851
Sep 1- Sept 30, 2023	—	$—	—	189,851
Total	8,501	$8.12	—	—

[1]This amount includes 8,501 common shares acquired at a cost of $69,000 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 was authorized to 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 was terminated on September 30, 2023.

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 the 2022 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(a)(5) 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: November 1, 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: November 1, 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: November 1, 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 September 30, 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: November 1, 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 September 30, 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: November 1, 2023

/s/ Trae Fitzgerald

Trae Fitzgerald

Chief Financial Officer