VieMed
Third Quarter 2026 Earnings Conference Call
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Presenters
Trae Fitzgerald, CFO
Casey Hoyt, CEO
Todd Zehnder, COO

Q&A Participants
Ilya Zubkov – Freedom Broker
Mike Petusky – Barrington Research
Dave Storms – Stonegate
Andrew Rem – Odinson Partners

Operator
Greetings. Welcome to the VieMed Healthcare Third Quarter 2026 Earnings Conference Call. At this time, all participants are in a listen only mode. A question-and-answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press star zero on your telephone keypad. I'll now turn the conference over to Trae Fitzgerald, CFO. Thank you, Trae. You may begin.

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

Examples of such risks and uncertainties are discussed in our disclosure documents filed with the SEC or the securities regulatory in certain provinces of Canada. Because of these risks and uncertainties, investors should not place undue reliance on forward-looking statements. Forward-looking statements made in this conference call are made as of today, and the company undertakes no obligations to update or revise any forward-looking statements except as required by law. The third quarter financial supplement and financial news release as well as the related financial statements are available on the SEC's website. With that, I'll turn the call over to our Chief Executive Officer, Casey Hoyt.

Casey Hoyt
Thank you, Trae. Good morning, everyone, and thank you for joining us. Before getting into the results, I want to thank our roughly 1,500 employees. Their daily work with patients and referral

partners is what makes our growth possible. I appreciate the care they provide and the work they put into serving more patients as VieMed continues to grow. The third quarter was another strong quarter for VieMed with a record revenue of 80.7 million, representing 12.2% growth over last year. Just as importantly, that growth translated into stronger earnings. Net income attributable to VieMed increased 32% year over year and approximately 68% from the second quarter. We're continuing to grow the business at a double-digit pace, demonstrating the earnings potential of the platform we've built.

For the first time since the Lehan acquisition, both the current and prior-year quarters include a full three months of Lehan's operations. That gives us a much clearer picture of our growth with the 12.2% increase reflecting expansion across our existing businesses rather than the incremental revenue contribution of an acquisition. Sleep therapy was a particular source of strength this quarter, and we're also seeing encouraging results from bringing maternal health services into our established VieMed markets. Success in those initial maternal health markets gives us confidence to broaden the rollout. We are now on track to enter two additional states per quarter beginning in the fourth quarter, establishing a regular pace of expansion. The markets we have already entered are still early in their development. We see years of opportunity to build volume within each state as we develop referral relationships and reach more patients.

Each launch adds to that opportunity so growth can continue within our existing markets as we expand into new ones. Breast pumps and related supplies are a practical example of how we can do more with the capabilities already in the company. Lehan brought the specialized experience in this business. VieMed's existing payer relationships and reimbursement capabilities give us a way to extend it into markets we already know. The early results have given us the confidence to take that next step. As we open those markets, we'll be paying close attention to fulfillment and reimbursement. We want the additional volume to become a productive part of the business with reliable service for mothers who depend on us. The two-step cadence gives our teams a clear operating plan for the next stage.

Our growing sleep patient population shows how we're expanding VieMed's reach and serving more people. During the quarter, we served 43,861 PAP therapy patients, over 6,000 more than the second quarter, and 37.5% above a year ago. PAP setups also increased both sequentially and year-over-year. Growth is coming through in patients receiving therapy as well as the activity bringing patients into care. Resupply grew alongside that activity. We served 40,918 resupply patients, up approximately 22% from a year ago and 10.5% from the second quarter. Our expanding PAP patient population creates further opportunity to grow resupply, and increasing participation in the program is a priority. We are simplifying order processing to support that growth and make it easier for patients to receive supplies on time with a dependable service that keeps them engaged over the course of their therapy.

In ventilation, we have a longer revenue trend to assess under the revised CMS coverage rules issued in 2025. Ventilator rental revenue has increased in each quarter this year from 35.4

million to 36.4 million and now$37.5 million. The first nine months was approximately 8% above the same period last year. The comparison is particularly meaningful because much of the comparable 2025 period preceded the new CMS coverage rules. Growing ventilation revenue against that comparison supports our confidence in our ability to expand the business under the new framework. More broadly, we view the legislative and rulemaking environment as generally favorable to established providers that are invested in clinical care and compliance. Audit activity has increased across the DME industry including for providers with strong compliance programs. Our own teams are spending more time and resources responding to those reviews. We are encouraged that CMS is examining its audit contractor model and has specifically asked how to reduce unnecessary provider burden and protect patient access.

We see an opportunity for more targeted, consistent oversight, and we intend to bring our experience to that discussion so providers can devote more of their resources to caring for patients. Our responsibility is to help patients receive the care they need. We support the appropriate oversight, and we will advocate for coverage policies and review processes that preserve timely access to medically necessary care. Our clinical teams see the needs of these patients every day, and we intend to make sure those needs remain part of the policy discussions. The third quarter showed that we can grow the business under the new coverage framework and convert more revenue into earnings. We are serving more patients, and the opportunities ahead in sleep and maternal health give us confidence as we enter the final quarter of the year. Todd will now discuss the financial results and operating priorities supporting our next phase of growth.

Todd Zehnder
All right. Thank you, Casey, and good morning, everyone. All figures are in U.S. dollars, and our full results have been filed with the SEC. I'll refer to information included in the quarterly financial supplement, which is also available on our Investor Relations website. Net income attributable to VieMed was $4.6 million or $0.11 per diluted share compared with $3.5 million or $0.09 per diluted share a year ago and $2.8 million or $0.07 per diluted share in the second quarter of this year. Net income increased 32% year-over-year and approximately 68% from the second quarter. Adjusted EBITDA was 17.1 million, an increase of approximately 6% from the prior-year quarter and 24% sequentially. Adjusted EBITDA margin was 21.1% compared with 17.6% in the second quarter and 22.4% a year ago. The sequential margin expansion was approximately 350 basis points.

Revenue continued to grow this quarter, and SG&A declined from the second quarter. Both contributed to the sequential increase in profitability with several compensation and benefit adjustments also affecting the results. Revenue increased 3.3% from the second quarter with growth across rentals, equipment and supply sales, and services. Other equipment rentals grew approximately 13.1% year-over-year, and equipment and supply sales grew approximately 23.7% supported by sleep and women's health. Ventilator rental revenue was 37.5 million, up 7.4% from a year ago supported by higher average patient count. Gross profit was 46.2 million or 57.3% of revenue compared with 57.5% a year ago and 57.7% in the second quarter.

Revenue from sales and services represented 32% of revenue compared with 30.1% a year ago. The year-over-year shift towards equipment and supply sales affects gross margin because these offerings generally carry lower margins than equipment rentals while also requiring less capital investment.

As we discussed last quarter, we added a new distribution partner that, together with our existing suppliers, gives us supplier capacity well beyond our current needs across all product lines to support future growth. We are still implementing the related cost savings and expect them to improve gross margin by approximately 50 basis points once fully in place. SG&A was 35.5 million or 44% of revenue compared with 47.5% in the second quarter and 44.4% a year ago. SG&A declined approximately 1.6 million sequentially. Year-over-year, revenue grew faster than SG&A even as we added resources to support the larger business. Lower compensation-related accruals and benefit expense contributed to the sequential decline. Phantom stock expense also came down substantially as expected following the large mark-to-market adjustment in the second quarter associated with the increase in our share price.

Benefit rebates also reduced expense during the quarter. Regular payroll and software spending increased as we added capacity to serve a growing patient population. That additional capacity is supporting higher volumes including a 12% sequential increase in the PAP resupply orders. At the same time, billing expense declined approximately 12% as revenue grew, reflecting the workflow changes and implementation timing. Our focus is on getting more volume through with the people and systems that we have in place.

Compliance is another area where our personnel and systems can provide a competitive advantage as oversight increases across the industry. Enforcement and claims audit activity have picked up, and our teams are devoting more resources to those reviews. The documentation and follow-up work adds administrative and professional costs and, in some cases, can extend payment timelines. Our success rate under these audits remains very strong. Those outcomes support our confidence in the care we provide and the documentation supporting it. Our teams are focused on submitting complete responses and moving reviews towards resolution. The increase in accounts receivable had several drivers this quarter. Audit-related payment timing was one contributor alongside other billing and collection factors including delays associated with system migrations. We believe the related revenue remains fully realizable. These delays have extended the timing of cash collection and temporarily tied up more cash in working capital. Collections in October were extremely strong, so we are confident that this will work itself out during the fourth quarter.

Operating cash flow was 11.5 million. After net CapEx of 7.5 million, free cash flow was $4 million. Net CapEx represented approximately 9.2% of revenue. For the first nine months of 2026, operating cash flow was 35.5 million and free cash flow was 15.2 million compared with 33.5 million and 17.3 million respectively a year ago. Lower equipment sales proceeds also affected the year-to-date cash flow comparison as the prior-year period benefited from the ventilator return program. On a trailing 12-month basis, free cash flow was approximately 26.1

million. The business continues to generate cash after funding equipment needs, although the current quarter's collection timing reduced cash conversion.

We continued to reduce debt and return capital during the quarter. We repaid approximately 2.1 million of term debt and repurchased and canceled 115,000 shares for approximately $1 million. At September 30, cash was 9.7 million and borrowings under our credit facility were 5.3 with nothing on the revolver. We made an additional $2 million term loan repayment in October, further reducing our outstanding debt. Our first use of capital is supporting the growth within VieMed including the maternal health expansion and the needs of the larger sleep business. We retain the flexibility to consider acquisitions that fit our operations and return requirements and to repurchase shares when the value is attractive. The balance sheet allows us to evaluate those choices without committing to a fixed allocation among them.

Turning to our outlook, we are raising the lower end of our full-year revenue guidance and now expect revenue of $316 million to $320 million compared with our previous range of 314 million to 320 million. We are narrowing our adjusted EBITDA guidance to 64 million to 66 million compared with our previous range of 64 million to 68 million. With nine months complete, the narrower range reflects our results through September and our updated expectations for the fourth quarter. We are also lowering our net CapEx outlook to 8% to 9% of revenue compared with 8.5% to 10% previously. The increasing contribution from less capital-intensive offerings reduces the equipment investment needed to support our growth. Our revised outlook anticipates sequential growth in both revenue and adjusted EBITDA in the fourth quarter and excludes any potential future acquisitions or strategic transactions.

As we finish the year, our operating priorities include improving collections and preparing the next maternal health markets for the rollout Casey described. We're seeing demand in the areas where we have added resources, and our job is to turn that activity into earnings and cash as the business grows. With that, we'll wrap up our prepared remarks and take your questions. Operator, please open the lines.

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

Ilya Zubkov
Good morning and thank you for taking my question. First is on the sales side. I see that sleep resupply patients grew 10.5% sequentially, but equipment and supply sales grew only about

2%. I'm just wondering if the gap is timing, price mix, or the contribution from women's health, and how should we think about revenue per resupply patient from there?

Trae Fitzgerald
Yeah. Hey, Ilya. Good morning. Yeah, when we think about the sales line, particularly in maternal health and resupply, you are correct. There was a strong 2Q. So, if you're thinking about 3Q sequentially, I think the resupply was stronger. There's nothing that really comes to top of mind that was any sort of reduction off of 2Q other than 2Q was just a really strong quarter as well in that regard. It sets the stage for really what we expect is probably our largest growth in 4Q will be in that line. You're going to see the best seasonality in 4Q for the sleep resupply side of the business and further pull through in sort of that PAP therapy that we were talking about this quarter with increased setups and increased rental patients is going to transition to resupply in the back half of this year or the fourth quarter rather.

Ilya Zubkov
Good. Thank you. And one on margin, please, if I may. As the sales mix shifts toward lower-margin, less capital-intensive lines, what financial KPIs are you targeting over the next two, three years, and what would you consider as a normalized margin framework?

Todd Zehnder
Well, I would say that we want to grow all the way down the line from an EBITDA and net income perspective. But I think as we do move into more sales and services and have no CapEx, net income growth probably becomes a little bit more important for us versus adjusted EBITDA. That also will translate into free cash flow, which you're hearing us talk a lot about because it's extremely important to us. And I think our trailing 12 months I said it was maybe $26 million, $27 million after growing organically this quarter 12.5%. So, we're pretty pleased with that. We're not going to get too hung up on the exact EBITDA margin as we continue to move, but I definitely think we'll stay up in the 20-plus percent adjusted EBITDA for the time being.

Ilya Zubkov
Great. Thank you so much. I'll pass the line.

Todd Zehnder
Thanks.

Operator
Our next question is from Mike Petusky with Barrington Research. Please proceed with your question.

Mike Petusky
Thank you. Good morning, guys. And forgive me, I missed the first five minutes, so if you covered this, forgive. But in terms of the vent patient number in the quarter, that to me looks a

little soft and significantly down, and I'm just curious, is that a function of just sort of the higher hurdle sort of service hurdle with the NCD? Or can you speak to that? Is there anything to be concerned about in that patient number? Thanks.

Casey Hoyt
Yeah, I think you have a little bit of that, Mike, just with there's still an education process going on with the sales force and our referral partners. And so, whenever you have change with how the approval process goes for these patients, sometimes you have some referral sources get a little bit gun-shy. However, I mean, the demand is there. I see that what's happening despite us going through those hurdles, the competitor appears to be struggling a little bit more than we are just because we're so narrowly focused in complex respiratory.

So, I think there's market share to be gained here as we establish that baseline of education and look to the future of really getting to these patients. We know the patients are not going away. We're still in an underserved population. They're going in and out of the hospital. It's just our job to just continue to give these referral sources the confidence that, look, we can manage the compliance on these patients despite having all these new rules that the NCD has laid out. And so, it's been a little bit of taking time to establish that new normal, but I would say that call it 80% of the work is done, and we're excited about the patient population for the future.

Trae Fitzgerald
Yeah. Hey. And Mike, this is Trae. Let me add some context to that too. I think we talked about it in the prepared remarks, but that active patient count is a point in time. Sometimes it can be -- especially in the NCD where we have some kind of noise in some of the compliance-related active billing versus hold and those sort of things. But in the quarter, we had higher active average patients throughout the quarter, and that's why you're seeing vent revenue growing sequentially but the point in time right at the end of the month went down a little bit. So, that created a little bit of noise. We think we're going to -- we'll start to stack that up here in 4Q and into 2027.

Mike Petusky
So, I mean, would you expect sort of a sequential increase in Q4 versus Q?3 Because last year you guys actually saw a slight decline from Q3 to Q4 in terms of vent patients. Given what you just said, I mean, would you expect maybe a slight bump in Q4 versus Q3?

Todd Zehnder
That's the trends we're seeing right now, Mike. Yeah, we do expect that. And I just think that with all the change that's going on, whether it's NCD-related or other changes going on, I think the vent active patient count has been a little bit more wobbly, and, obviously, we've gotten a lot bigger. But yeah, the current trends are showing that we will be back up in the fourth quarter.

Mike Petusky

Okay. And then just one more, and I'll let other folks have a shot here. And again, forgive if I missed this, but in terms of the maternal health piece, did you guys talk at all or could you talk about progress you're making in terms of turning on states or your progress in sort of getting a plan together for turning on states over the next year? Could you just speak to sort of where you are in that rollout? Thanks.

Casey Hoyt
Yeah. I mean, I'm not going to go into the particular states, but it's going to be a two-state cadence. And we've already established our fulfillment partner, which has been a huge win in terms of creating the operational efficiencies for Lehan and their team. We're leading the maternal health sector to really scale. Our network development team is in a good spot where they're moving ahead into the next states with establishing the contracts and making sure that reimbursement is where it needs to be before we go into a particular state. We've been analyzing a lot of data on expecting mothers and birth rates and things of that nature for those particular states to where we go into the right ones first.

So, our team is really excited about the sales force that we've been dropping in behind some of these states. We're seeing higher conversion rates from those referral partners that the sales folks or boots on the ground calling on. And so, you know, they're driving a good portion of the sales as we get those contracts up and running. So, that's a brand-new model, if you will, to Lehan. So, you put the technology in place where you're getting in front of the expectant mothers that Lehan's built, and then you double down with some boots on the ground, and you improve those conversion rates, and you got the right states and the right reimbursement. It's a recipe for success. We're super excited about it. We expect to continue to grow it.

Mike Petusky
All right. Terrific. Thanks, guys.

Casey Hoyt
Thanks, Mike.

Operator
Once again, if you would like to ask a question, please press star one on your telephone keypad. Our next question is from Dave Storms with Stonegate. Please proceed with your question.

Dave Storms
Morning, fellas. Thanks for taking my questions. Maybe just wanted to stick with the maternal health rollout there. Do you have any further comments on what we should expect in terms of growth curves? I know you've mentioned two states per quarter sounds like. Should those states be pretty much fully developed after that quarter, or is that just to get them on their feet before moving to the next two states?

Casey Hoyt
I mean, I can start if you can finish on the growth rate. No, they for sure will not be fully developed within that quarter. That's just the onboarding process. So, for example, we did add, like, Texas as our first state. I mean, we're still doing so much work in Texas. That was last year. So, it's just a ramp up of having new hunting ground to go into. But it does -- the business does start coming in almost immediately just because of the technology that we have and the marketing that we do in those current states. But then you have a growth strategy after that where you drop it in boots on the ground and really getting better at conversions and so on and so forth. So, yeah, that cadence is really just new hunting ground, and it'll be increasing along the way throughout the year.

Todd Zehnder
Yeah, I'll just -- I mean, kind of exactly what Casey said. You start out. You have hopefully most of the contracts, but you don't have all of them. You start with digital marketing, and then as you gain traction, you put more personnel there. So, the growth curve definitely takes some time. We've seen growth consistently throughout the year in Texas, and we just now started two other states. So, we would expect that to happen, and the cadence will continue. Like Casey said in his remarks, a state or two every quarter going forward. So, it will continue ramping over time is the short answer.

Dave Storms
That's great clarity. I appreciate that. Sticking with that, you mentioned in your answer there that the boots on the ground are going to be important and the people there are going to be important. I know in the past we've talked about sales force training. Maybe any updates there on how that's progressing, what you're seeing, what kind of efficiencies that could be driving.

Casey Hoyt
Are you talking specifically maternal?

Dave Storms
Specifically maternal but also if you want to expand that to the rest of the business.

Casey Hoyt
Yeah. I mean, the training is very important to us. We feel like the better our training gets, the more efficient all of our new sales reps onboard new patients. So, we're constantly dumping resources into further training. The breast pump sale is really -- it's way easier, if you will, than it is to train a complex respiratory rep. And so, you're basically chasing that order and making sure that you have the appropriate documentation in place to authorize billing. And so, when you have some help with some people to chase some of those things down that technology can't do, your conversion rates in those particular states go up. But from a sales standpoint, it's a pretty easy sell. You just got to find somebody who likes to work hard and stay busy and stay in front of these referral partners.

Dave Storms
That's perfect. I appreciate that. One more if I could sneak it in. I know you mentioned in the prepared remarks that you have a strong balance sheet that gives you some optionality for additional M&A. Just any thoughts as to what you're seeing on this front? Would that take the shape of another Lehan? Is there a target profile you would think about? Anything like that?

Casey Hoyt
The pipeline is active. I mean, look, here's another way of looking at it. Last year we looked at over 40 deals, and we passed on them. The reason that you'll see us pass on these deals is because it's less expensive for us to go in and organically grow next to them versus purchasing them. And so, it takes a unique acquisition such as Lehan, such as HMP, which has perhaps a geographic coverage gap or maybe some insurance contracts that we don't have or a new service line like Lehan did for us to get really hot to trot about the M&A game. But make no mistake about it. They're out there, and we look at them constantly. It's just we're pretty darn picky because we organically grow so much faster, and it's just more efficient to do it that way than going in and spending too much money.

Todd Zehnder
Yeah, and I'd say that -- to add to that, the reasons for M&A really haven't changed in the priorities and the requirements. Basically, treating patients in the home is the first and really the most important. And then, like Casey said, if we can get geographic expansion, payer expansion, or even like we've proved out the product expansion, those are the priorities with M&A. We don't need to go acquire another vent company in an area that we have a lot of success in. That's our organic model, and we believe firmly in that.

Dave Storms
Understood. Thank you for taking my questions and good luck in the next quarter.

Todd Zehnder
Thanks, Dave.

Operator
Our next question is from Andrew Graham with Odinson Partners. Please proceed with your question.

Andrew Rem
Hey, gentlemen. Can you just repeat your comment as it related to cash flow? I think you said maybe a little bit of a hang-up on the accounts receivable side.

Todd Zehnder
Yes. So, we had higher AR. I mean, if you look on the balance sheet, I want to say it was $35 million at the end of the quarter due to a few different things. Some were just -- like the first of October was one of the better days we've had, some things that should have been collected in

September. We had some audit things that slowed down cash flow that has resolved itself in October and the beginning of November. And those are the two main ones -- and actually another -- a private payer audit that looks like it's resolving itself. So, when you have that, it actually doesn't hurt your earnings or your EBITDA, but it does slow down cash flow conversion. So, fourth quarter will make that up, but it's why the third quarter was sort of uniquely low.

Andrew Rem
Was there also something else going on? I'm not looking at it, but was it my recollection -- was prepaid expense a drag as well in the quarter?

Todd Zehnder
Was prepaid expense?

Trae Fitzgerald
Yeah, prepaid expense was a drag during the quarter. Some of it is just timing of temporary timing for the year, Andrew. It's -- I think all of our kind of tech renewals, insurance, all those things we pay annually up front, and it goes into prepaid in the third quarter. We also had some year-end -- or not year-end but sort of fiscal year-end for some of these programs for our self-health insurance, pharmacy rebates, and other product rebates that will convert to cash into the fourth quarter. So, it is a part that contributed to 3Q, but it's also a dynamic that traditionally exists in 3Q. Maybe a little more pronounced this year.

Todd Zehnder
Yeah. Prime example is we prepay all of our workers' comp, D&O, all of our insurance, instead of financing it over a year just because we get a good rate of return by paying it, and we have the cash. Same thing for like Trae's talking about some of these technology licenses. If we pay them all up front, we get a discounted rate. So, we'd rather use our cash and take a higher expense.

Andrew Rem
Okay. But just to clarify, that was a little bit higher this year -- the drag was a little bit higher this year versus last year?

Trae Fitzgerald
Mildly higher but I wouldn't say it's materially higher.

Andrew Rem
Okay. All right. And then can you clarify your comment on the business? I think you said you're about 80% complete. Are you referring to kind of the training and education of the referral sources or just kind of clarify that comment?

Casey Hoyt

Yeah, that's an anecdotal just gut feeling, Andrew, so just keep that in mind. I'm just saying that's the way it feels out there in the marketplace whenever you're talking to referral sources on education. We're still -- for the most part, they're up to speed on the NCD and new rules and the new landscape, but you still run into your roughly 20% of folks that you have to double down on education and so on and so forth. So, that's just a gut feeling. Just take that with a grain of salt.

Andrew Rem
All right. Thanks a lot, you guys. Appreciate the time.

Casey Hoyt
All right, Andrew.

Operator
We have reached the end of the question-and-answer session. I would like to turn the floor back over to management for closing comments.

Trae Fitzgerald
Okay. Thank you for joining us today. We appreciate all the questions and look forward to continue to grow VieMed. We appreciate y'all's trust. Hope everyone has a nice day. Take care.

Operator
We have reached the end of the conference. You may disconnect your lines at this time. Thank you for your participation.