



CRH Medical  
CORPORATION

TSE: CRH    NYSE: CRHM

**August 2020**

# Caution Regarding Forward Looking Statements

Information included or incorporated by reference in this press release may contain forward-looking statements. This information may involve known and unknown risks, uncertainties, and other factors which may cause our actual results, performance, or achievements to be materially different from the future results, performance, or achievements expressed or implied by any forward-looking statements. Forward-looking statements, which involve assumptions and describe our future plans, strategies, and expectations, are generally identifiable by use of the words “may,” “will,” “should,” “expect,” “anticipate,” “estimate,” “believe,” “plan,” “intend” or “project” or the negative of these words or other variations on these words or comparable terminology. Certain risks underlying our assumptions are highlighted below; if risks materialize, or if assumptions prove otherwise to be untrue, our results will differ from those suggested by our forward looking statements and our results and operations may be negatively affected. Forward looking statements in this press release include statements regarding the Company’s future growth. Actual events or results may differ materially from those discussed in forward-looking statements. There can be no assurance that the forward-looking statements currently contained in this report will in fact occur. The Company bases its forward-looking statements on information currently available to it. The Company disclaims any intent or obligations to update or revise publicly any forward-looking statements whether as a result of new information, estimates or options, future events or results or otherwise, unless required to do so by law. Forward-looking information reflects current expectations of management regarding future events and operating performance as of the date of this document. Such information involves significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in forward-looking information, including, without limitation: Our ability to predict developments in the COVID-19 pandemic and its impact to our operations; changes to payment rates or methods of third-party payors, including United States government healthcare programs, changes to the United States laws and regulations that regulate payments for medical services, the failure of payment rates to increase as our costs increase, or changes to our payor mix, could adversely affect our operating margins and revenues; We are subject to decreases in our revenue and profit margin under our fee for service contracts and arrangements, where we bear the risk of changes in volume, payor mix, radiology, anesthesiology, and pathology benefits, and third-party reimbursement rates; We may or may not successfully identify and complete corporate transactions on favorable terms or achieve anticipated synergies relating to any acquisitions or alliances, and such acquisitions could result in unforeseen operating difficulties and expenditures, or require significant management resources and significant charges; Our senior management has been key to our growth, and we may be adversely affected if we lose any member of our senior management; ASCs or other customers may terminate or choose not to renew their agreements with us; If we are unable to maintain or increase anesthesia procedure volumes at our existing ASCs, the operating margins and profitability of our anesthesia segment could be adversely affected; We may not be able to successfully recruit and retain qualified anesthesia service providers or other independent contractors; We may be unable to enforce the non-competition and other restrictive covenants in our agreements; We operate in an industry that is subject to extensive federal, state, and local regulation, and changes in law and regulatory interpretations; Changes in the medical industry and the economy may affect the Company’s business; Our failure to comply with U.S. federal and state fraud and abuse laws, including anti-kickback laws and other U.S. federal and state anti-referral laws, could have a material, adverse impact on our business; A significant number of our affiliated physicians could leave our affiliated ASCs; Our industry is already competitive and could become more competitive; Unfavorable economic conditions could have an adverse effect on our business; The Company may not be successful in marketing its products and services; Failure to manage third-party service providers may adversely affect our ability to maintain the quality of service that we provide; Congress or states may enact laws restricting the amount out-of-network providers of services can charge and recover for such services; Adverse events related to our product or our services may subject us to risks associated with product liability, medical malpractice or other legal claims, insurance claims, product recalls and other liabilities, which may adversely affect our operations; Our dependence on suppliers could have a material adverse effect on our business, financial condition and results of operations; We may need to raise additional capital to fund future operations; We are subject to various restrictive covenants and events of default under the Credit Facilities; The Affordable Care Act (“ACA”) and potential changes to it may have a significant effect on our business; The Medicare Access and CHIP Reauthorization Act of 2015 (“MACRA”) and potential changes to it may have a significant effect on our business; Government authorities or other parties may assert that our business practices violate antitrust laws; If regulations or regulatory interpretations change, we may be obligated to re-negotiate agreements of our anesthesiologists, anesthesiologists or other contractors; Despite current indebtedness levels, we may still be able to incur substantially more debt, which could further exacerbate the risks associated with increased leverage; Failure to timely or accurately bill for services could have a negative impact on our net revenue, bad debt expense and cash flow; If we or some of our suppliers fail to comply with the FDA’s Quality System Regulation and other applicable requirements, our manufacturing or processing operations could be disrupted, our sales and profitability could suffer, and we may become subject to a wide variety of FDA enforcement actions; If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, shareholders could lose confidence in our financial and other public reporting, which would harm our business and the trading price of our common shares; Our industry is the subject of numerous governmental investigations into marketing and other business practices which could result in the commencement of civil and/or criminal proceedings, substantial fines, penalties, and/or administrative remedies, divert the attention of our management, and have an adverse effect on our financial condition and results of operations; We may write-off intangible assets; If we are unable to manage growth, we may be unable to achieve our expansion strategy; The continuing development of our products and provision of our services depends upon us maintaining strong relationships with physicians; Significant shareholders of the Company could influence our business operations, and sales of our shares by such significant shareholders could influence our share price; We have a legal responsibility to the minority owners of the entities through which we own our anesthesia services business, which may conflict with our interests and prevent us from acting solely in our own best interests; Our common shares may be subject to significant price and volume fluctuations; Unfavorable changes or conditions could occur in the states where our operations are concentrated; We may be subject to a variety of regulatory investigations, claims, lawsuits, and other proceedings; Our anesthesia employees and third-party contractors may not appropriately record or document services that they provide; If we are unable to adequately protect or enforce our intellectual property, our competitive position could be impaired; If there is a change in federal or state laws, rules, regulations, or in interpretations of such federal or state laws, rules or regulations, we may be required to redeem our physician partners’ ownership interests in anesthesia companies under the savings clause in our joint venture operating agreements; Our employees and business partners may not appropriately secure and protect confidential information in their possession; Failure to protect our information technology infrastructure against cyber-based attacks, network security breaches, service interruptions or data corruption could significantly disrupt our operations and adversely affect our business and operating results; If securities or industry analysts do not publish research, or publish inaccurate or unfavorable research, about our business, our share price and trading volume could decline; We may be subject to criminal or civil sanctions if we fail to comply with privacy regulations regarding the protection, use and disclosure of patient information; Evolving regulation of corporate governance and public disclosure may result in additional expenses and continuing uncertainty; Anti-takeover provisions could discourage a third party from making a takeover offer that could be beneficial to our shareholders; We are an “emerging growth company” and a “smaller reporting company,” and any decision on our part to comply only with certain reduced reporting and disclosure requirements applicable to such companies could make our common shares less attractive to investors; We do not intend to pay dividends on our common shares, and, consequently, your ability to achieve a return on your investment will depend on appreciation, if any, in the price of our common shares; Tax reform could have a material adverse effect on us; Income tax audits and changes in our effective income tax rate could affect our results of operations; The patent protection for our products may expire before we are able to maximize their commercial value, which may subject us to increased competition and reduce or eliminate our opportunity to generate revenues; and We may face exposure to adverse movements in foreign currency exchange rates. For a complete discussion of the Company’s business including the assumptions and risks set out above, see the Company’s Form 10-K Annual Report which is available on EDGAR at [www.sec.gov/edgar.shtml](http://www.sec.gov/edgar.shtml) or on the Company’s website at [www.crhmedcorp.com](http://www.crhmedcorp.com). This document makes reference to certain non-GAAP measures.

**Non-GAAP Measures:** These non-GAAP measures are not recognized measures under US GAAP and do not have a standardized meaning prescribed by US GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. When used, these measures are defined in such terms as to allow the reconciliation to the closest US GAAP measure. These measures are provided as additional information to complement those US GAAP measures by providing further understanding of the Company’s results of operations from management’s perspective. Accordingly, they should not be considered in isolation nor as a substitute for analyses of the Company’s financial information reported under US GAAP. Management uses non-GAAP measures such as operating expenses – adjusted and operating EBITDA to provide investors with a supplemental measure of the Company’s operating performance and thus highlight trends in the Company’s core business that may not otherwise be apparent when relying solely on IFRS financial measures. Management also believes that securities analysts, investors and other interested parties frequently use non-GAAP measures in the evaluation of issuers. Management also uses non-GAAP measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets, and to assess its ability to meet future debt service, capital expenditure, and working capital requirements.

# CRH At a Glance

## Key Investment Highlights



Industry leader in the delivery of GI-focused anesthesia services and ancillary products in the United States

Large, fragmented GI services market provides ample growth opportunities

Favorable secular trends: shift toward anesthesia-assisted sedation, aging demographics, low-cost settings

Strong financial performance, solid cash generation and favorable payor mix

Dynamic, experienced management team with proven track record of organic and inorganic growth

Trusted, physician-to-physician relationships with over 1,200 GI practices through O'Regan product segment

### 2019

- Consolidated revenue: **\$120.4M**
- Adjusted Operating EBITDA: **\$51.7M**
- EBITDA-NCI: **\$36.6M**  
(Adjusted Operating EBITDA less JV EBITDA)
- FCF: **\$29.1M** (Cash flow from operations less capex and JV distributions)

# Experienced Management Team



**Dr. Tushar Ramani**  
CEO

- Joined CRH as CEO in 2019
- 30 years of anesthesia experience; a former practicing anesthesiologist
- Co-founder and President of Anesthetix Management (acquired by TeamHealth in 2009); Later served as President, TeamHealth Anesthesia
- Also co-developed a full-service healthcare staffing firm and an anesthesia revenue cycle management company



**Richard Bear**  
CFO

- Joined CRH as CFO in 2006
- Prior to CRH, Richard worked as CFO of ID Biomedical until its acquisition by GSK in 2006
- Plans and executes all financial transactions including capital private placement, debt issuance / restructuring and negotiation of anesthesia acquisitions



**Jay Kreger**  
President, Anesthesia

- Joined CRH in 2016
- Led the development of CRH's anesthesia management team
- Negotiates M&A transactions and integrates acquisitions
- Former VP of Development for the ASC division of HCA, where he expanded HCA's ASC network to over 130 through acquisitions and partnerships



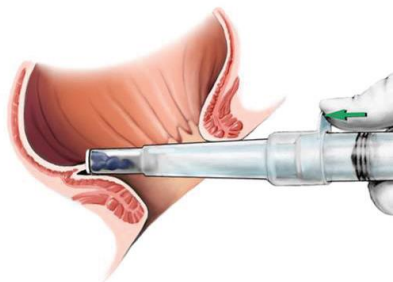
**Tom Sanders**  
VP, Commercial Development

- Joined CRH in 2020
- First executive dedicated to overseeing the O'Regan franchise at CRH
- 30 years experience as both entrepreneur and executive
- Prior to joining CRH, was VP of Business Development at the GI Alliance; Former founder, CEO of Captify Health

# Trusted Partner for the GI Community

## Complementary service offering driving new opportunities

CRH  
O'Regan System\*

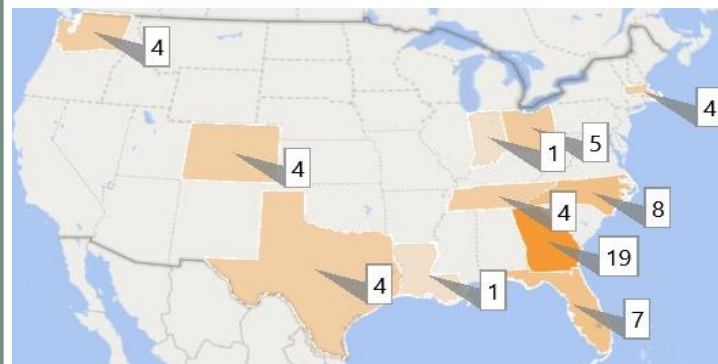


- Paradigm shift in GI community: introduced hemorrhoid care to GIs
- Hemorrhoids the 3rd most common outpatient GI diagnosis: nearly 4M patient visits annually<sup>(1)</sup>
- Total annual cost of care for hemorrhoids for just U.S. employer-insured market between \$770M and \$2.4B<sup>(2)</sup>
- GIs currently own just 8% of hemorrhoid diagnoses<sup>(2)</sup> – huge market opportunity
- CRH has trained over 3,200 GIs since 2008
- >1,200 private GI practices trained on O'Regan
- Massive opportunity in China – received CFDA approval, market acceptance analysis ongoing

### Relationships & Opportunities

**95% of our anesthesia relationships are a result of direct referrals from O'Regan customers**

CRH Anesthesia  
Management



- Established December 2014
- Acquires and operates GI anesthesia practices
- Turnkey management services providing high quality patient care and operational excellence
- CRNAs and / or anesthesiologists provide anesthesia for ASC procedures
- Performed over 345,000 cases in 2019
- 64 GI ASCs serviced (as of August 8); we are now active across 13 states
- 500+ credentialed anesthesia providers providing service to over 400 GIs across our customer base
- 29 acquisitions (through Aug 8, 2020)

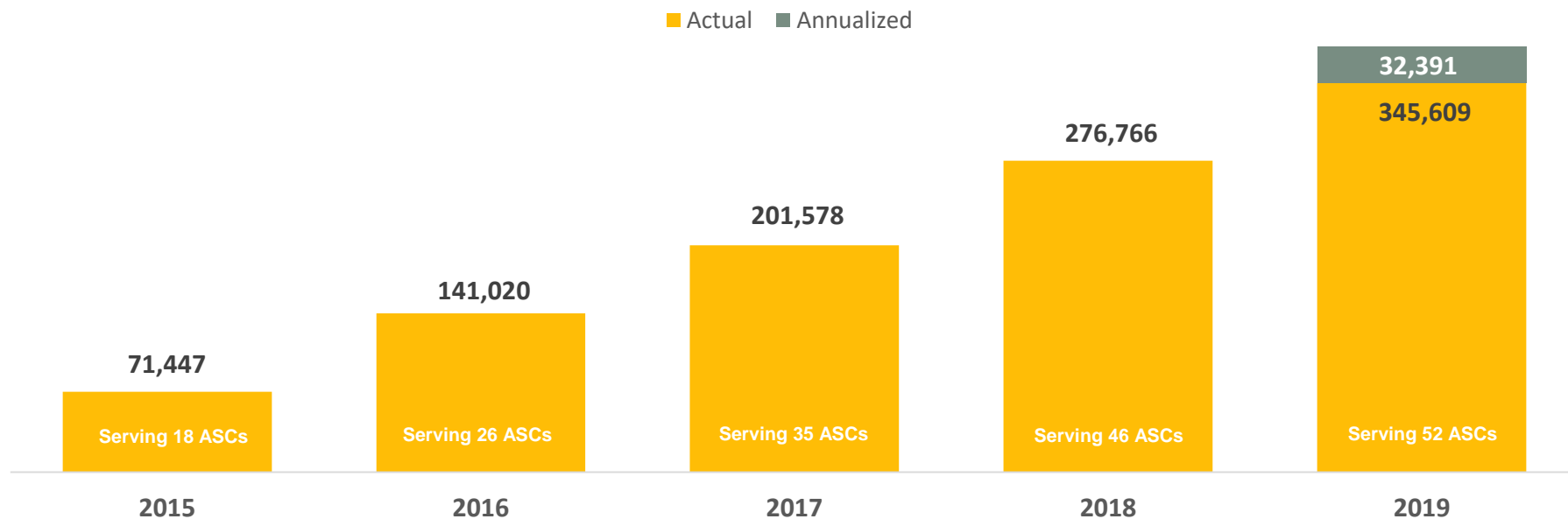
(1) Department of Epidemiology, Gillings School of Global Public Health, University of North Carolina, Chapel Hill, North Carolina

(2) The American Journal of Gastroenterology. "Burden and Cost of Outpatient Hemorrhoids in the United States Employer-Insured Population, 2014."

# History of CRH Anesthesia

| 2014                                            | 2015                            | 2016                            | 2017                                                                 | 2018                                                                 | 2019                            | 2020                                               |
|-------------------------------------------------|---------------------------------|---------------------------------|----------------------------------------------------------------------|----------------------------------------------------------------------|---------------------------------|----------------------------------------------------|
| Completed platform acquisition of GAA for \$73M | Completed \$20M in acquisitions | Completed \$34M in acquisitions | Completed \$33M in acquisitions<br><br>1 <sup>st</sup> MAC announced | Completed \$28M in acquisitions<br><br>2 <sup>nd</sup> MAC announced | Completed \$25M in acquisitions | Completed four acquisitions and one startup JV YTD |

## Annualized Case Volume: 48% CAGR 2015-2019



# Anesthesia: Market Overview

## □ Anesthesia / ASC & Endoscopic trends

- Projected 73M Americans ages 65+ in 2030, up from just 42M in 2012
- Outpatient procedure volume projected to increase 16% from 2016-2026
- CDC effort to regularly screen 80% of adults ages 50+; current rate of 66%
- Colorectal cancer third most common cancer in US
  - 145,000+ estimated new cases in 2019
- Anesthesia utilized in more than 50% of procedures in 2015, up from just 15% in 2003
- For each percent increase in pre-cancerous polyp detection, there is a 3% reduction in CRC incidence and a 4% reduction in CRC death

# Anesthesia: Market Overview (continued)

## □ Market size

- GI has been our initial focus
  - ~1,000 ASCs are single-specialty GI ASCs
    - CRH currently services 64 of these
  - There are 540 GI-Only ASCs with greater than 4,000 cases per year
    - CRH currently services 43 of these
- There are an additional 1,436 non-GI only ASC's with volumes greater than 4,000 cases per year
- 5,500 Medicare-certified ASCs
  - Vast majority of these have physician ownership

# Demonstrated Value-Add for GI ASC Partners

## Clinical Management

- Supports ASCs with board-certified anesthesiologists and experienced CRNAs
- Provides CRH Medical Director to support staff in clinical matters, serving as an added resource for anesthesiologists and GIs

## Revenue Cycle / Billing Capabilities

- Robust clinical documentation and quality control practices to optimize revenue and ensure regulatory compliance
- Dedicated support for revenue cycle and billing services, including tools to educate and support patients
- Leveraging size and knowledge of industry to secure higher value contracts

## Staffing / Scheduling

- National resources with customized local solutions to most effectively contract, manage and staff providers
- Flexible contract terms allow adoption of a variety of existing compensation and staffing models to help recruit and retain local talent

## Quality Measurement

- Develops and manages quality assurance programs and tracks QA performance indicators
- Enables Medicare's Merit-based Incentive Payment System (MIPS) reporting and reimbursement

## Financial Benefits

- Physician alignment: structure enables GIs to divest part of anesthesia business while maintaining a new, ongoing ancillary revenue stream
- Sale to partner that understands regulatory and reimbursement environment

## Compliance Support

- Dedicated compliance program current with accrediting bodies (AAAHC, JCAHO, AAAASF)
- Monitors changes and developments in the regulatory and reimbursement landscape

# Anesthesia Growth Strategy

## *Disciplined Approach to Expanding Market Presence*

### Organic

- Rate and volume
- All contracts have escalators
- General expectation for 3-5% long-term, organic case growth

### Acquire

- Leverage O'Regan and existing anesthesia partners for additional M&A opportunities
- Opportunities to acquire remainder of existing partnerships
- Completed 29 transactions since Dec 2014
- Robust acquisition pipeline
- Doubled resources devoted to BD at end of 2019

### Develop

- Continue to develop de novo Monitored Anesthesia Care ("MAC") programs
- Large opportunity: prevalence of conscious sedation and utilization of non-affiliated 3<sup>rd</sup> party anesthesia providers
- 3 MAC programs rolled out to date
- De novo arrangements to increasingly complement more traditional BD efforts

### Expand

- Add ancillary GI service offerings that complement core business

# Anesthesia Growth Strategy

## *Methods of Engagement*

### ❑ Acquisition

- Target can recapitalize a portion or all of its existing anesthesia business through CRH investment
- Outsourcing anesthesia mitigates future regulatory/reimbursement risk
- Post-transaction optimization positively impacts the profitability of the acquired business

### ❑ Development Programs: De Novos (or “MACs”)

- For those providers interested in bringing anesthesia “in-house”
- CRH works with GIs to establish and manage recruiting, credentialing, payor contracting, revenue cycle management, clinical management and compliance
- Anesthesia becomes a new source of revenue for the GI practice

### ❑ Management Services

- For those providers not interested in selling their business but seek the expertise provided by CRH
- Management Service Agreements or fee for service contracts that are accretive to our bottom line

# CRH O'Regan System Growth Strategy

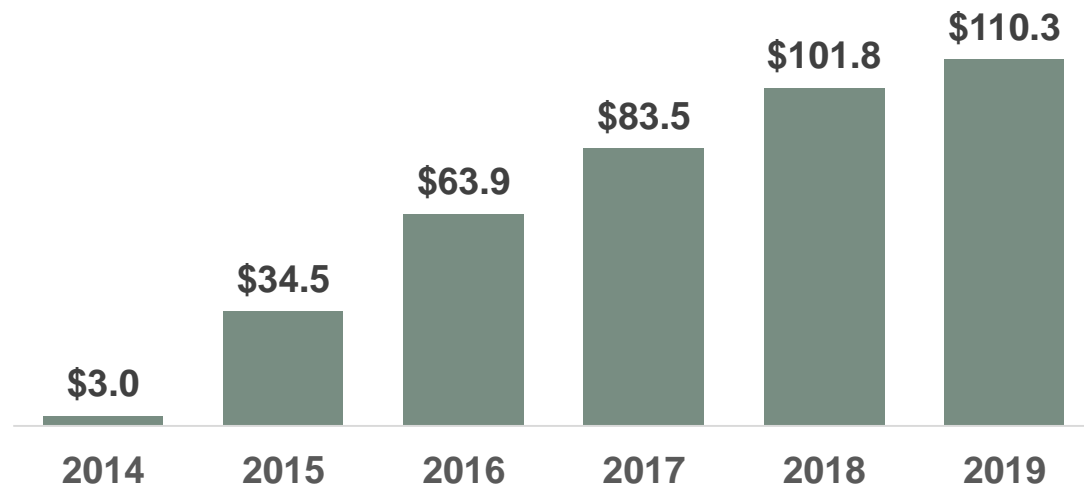
*We Expect to Accelerate O'Regan's Growth*

## ■ Implementing Initiatives to Drive Growth

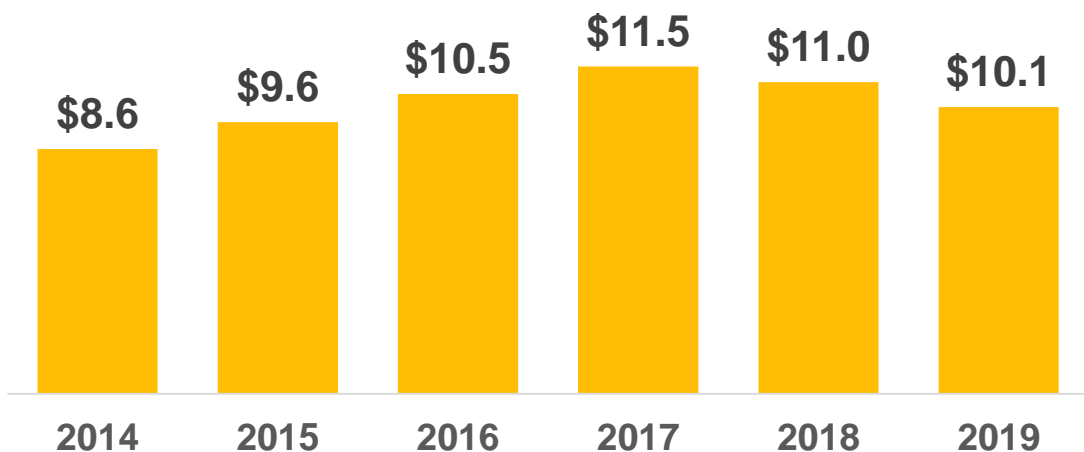
- Assessed market opportunity for O'Regan hemorrhoid banding system at \$100M or more in annual sales (at least 1.5m newly diagnosed patients per year in US)
- Renewed effort at generating thought leadership, greater brand awareness
- Greater emphasis on account management to spur further adoption among 3,000+ already-trained GIs
- Advocacy efforts at GI fellowship programs to incorporate peri-anal care, including hemorrhoid treatment, into the standard curriculum
- Reviewing international opportunities
- Dedicated leadership; Tom Sanders hired in 2020 to oversee O'Regan franchise

# Historical Financials: Annual Segment Revenue

Anesthesia Revenue (\$M)



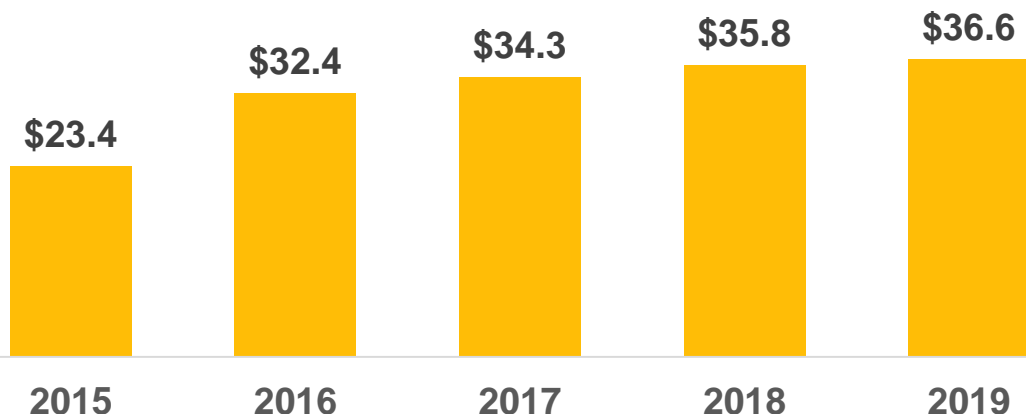
O'Regan Revenue (\$M)



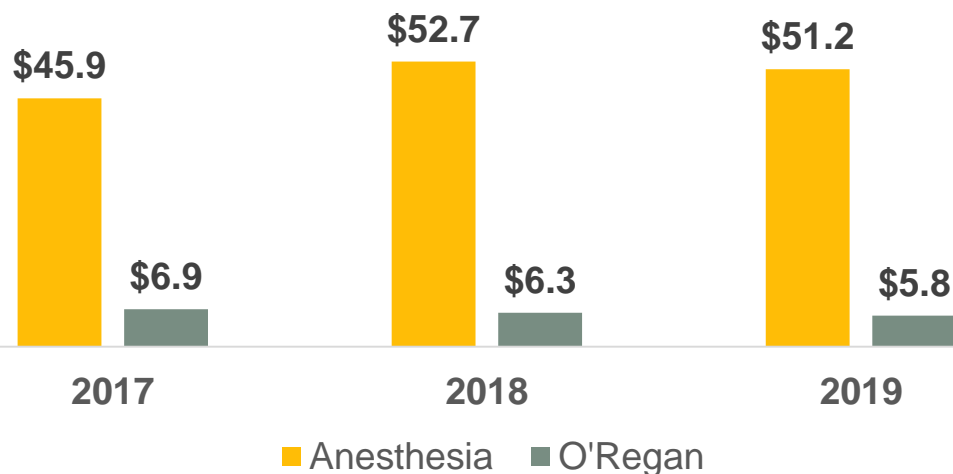
- Anesthesia revenue CAGR of 34% from 2015-2019
- Payor-related anesthesia challenges impacted revenue and adjusted operating EBITDA growth in 2019
- We are in the midst of implementing a payor contracting strategy in order to improve anesthesia visibility and strengthen our long-term payor partnerships
- We are also implementing measures to re-accelerate growth of the CRH O'Regan System

# Historical Financials: Annual Profitability

EBITDA-NCI (\$M)



Segment-Level Adjusted EBITDA



- Adjusted Operating EBITDA-NCI CAGR of 12% from 2015-2019
- 2019 consolidated Adjusted Operating EBITDA margin of 42.9%
- 2019 adjusted operating EBITDA margins in Anesthesia and O'Regan of 46.5% and 57.3%, respectively

# Financial Highlights

## *Strong EBITDA-NCI and Free Cash Flow Conversion*

- ❑ Double digit growth: EBITDA-NCI CAGR 2015 – 2019 of **12%**
- ❑ 2019 EBITDA-NCI **\$36.6M**
- ❑ Adjusted operating EBITDA Margins (2019): **42.9%**
- ❑ Adjusted operating EBITDA-NCI Margins (2019) of **30.4%**
- ❑ Free Cash Flow typically represents ~**75%** of EBITDA-NCI
- ❑ 2019 FCF after distributions to NCI of **\$29.1M**

# The Impact of COVID-19 On Our Business

- ❑ In mid March, we began to see the impact of COVID-19 across both of our business segments
  - States and health systems moved to restrict elective health procedures
  - Shelter in place restrictions / social distancing implemented
  - Demand for procedures within our ASC base decreased
  
- ❑ Anesthesia volume commentary
  - January & February: we saw solid ~4% Y/Y organic case growth
  - End of March: volumes dropped to ~40% of pre-COVID expected levels
  - April: ~10%
  - Early May: ~25%
  - **Currently ~95% of pre-COVID expected levels**
  
- ❑ O'Regan volume impact has mirrored Anesthesia impact

# Our Model Enabled us to Mitigate the Impact of COVID

## ☐ **Expense management**

- Provider staffing reductions (primarily related to 1099 and 3<sup>rd</sup> party workforce)
- Bi-monthly pay reductions to senior executive team and other non-provider employees

## ☐ **Capital conservation: liquidity and balance sheet**

- Deferred distributions to JV partners
- Suspended share buyback program
- Temporarily paused anesthesia acquisition program
- Drew down \$5 million on credit facility at end of 1Q20
- Participated in several government relief programs

# Second Quarter 2020 Results

## COVID-19 negatively impacted our 1H20 results

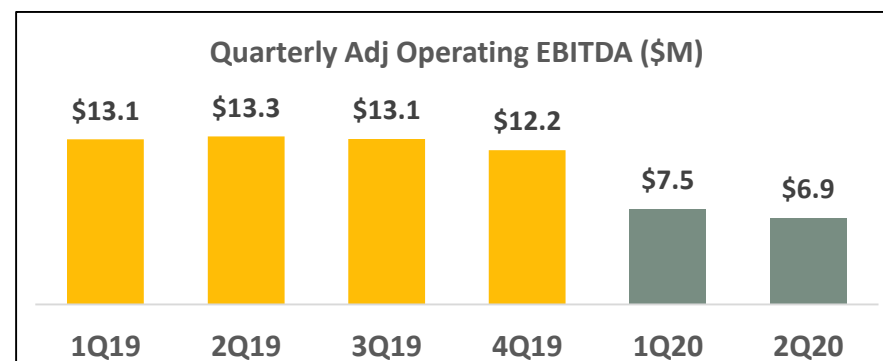
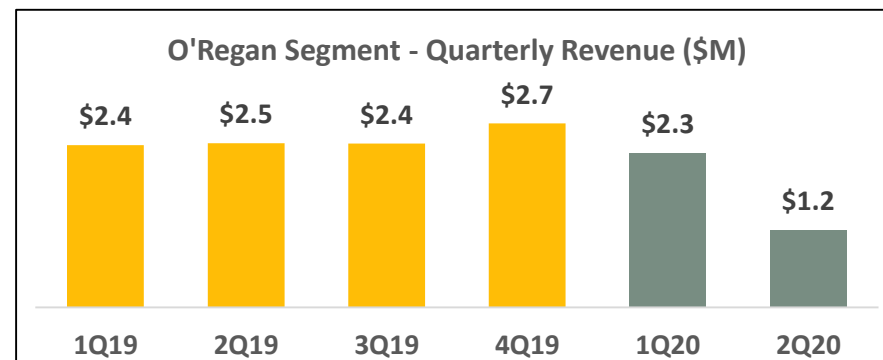
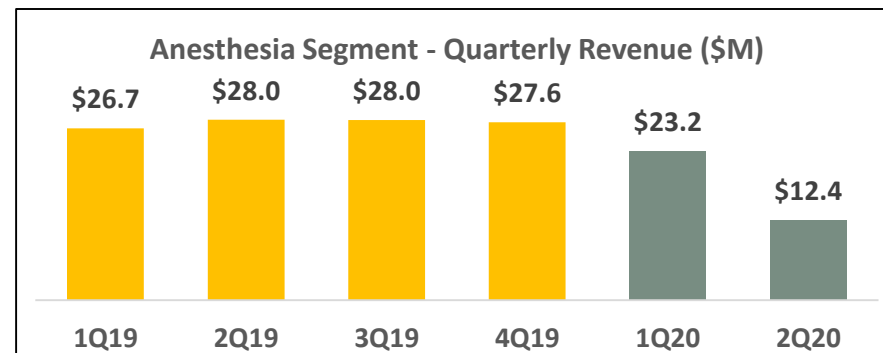
- 2Q Anesthesia revenue fell 55.7% Y/Y, on a 49.3% drop in procedure volumes
- 2Q O'Regan revenue fell 52.9% Y/Y

## Despite lower volumes due to the pandemic, we implemented measures to remain profitable and conserve cash

- 2Q Adjusted Operating EBITDA of \$6.9M (includes \$4.9M in other income tied to government assistance programs)
- 1H20 FCF after distributions to NCI of \$12.1M vs. \$13.7M in 1H19
- Remained in compliance with covenants

## Volume trends have strengthened considerably off the April lows and are now ~95% of pre-COVID expected levels

## Acquisition program reactivated; four acquisitions completed from June through August 8, bringing nearly \$10M in new anesthesia revenue



# Credit Facility

## *Ample Liquidity To Support Growth Initiatives*

- ❑ \$200M Credit Facility @LIBOR +125 bps to +175 bps
- ❑ Syndicate led by J.P. Morgan
- ❑ Facility has a leverage ceiling of 3x
- ❑ ~\$134M in unused borrowing capacity at the end of 2Q20
- ❑ We remain in compliance with our credit covenants

### \$200M Revolving Credit Facility

J.P.Morgan



WELLS FARGO

# Summary of Investment Highlights

- ✓ Leading provider of anesthesia services and hemorrhoidal care to GI's
- ✓ Experienced management team with excellent track record of success
- ✓ Solid cash flow generation supports acquisition-based expansion
- ✓ Ability to leverage O'Regan's physician-to-physician relationships with ~3,200 GIs representing ~1,200 GI practices
- ✓ Solid M&A runway and MAC program serves as an additional sources of growth
- ✓ Model can be leveraged across other specialties
- ✓ Accelerate growth of the CRH O'Regan System
- ✓ Strong EBITDA-NCI growth and Free Cash Flow Conversion

# Thank You

## **Investor Relations**

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