



CRH Medical  
CORPORATION

TSE: CRH    NYSE: CRHM

**December 2019**

# Caution Regarding Forward Looking Statements

Information included or incorporated by reference in this document 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 report include statements regarding profitability, additional acquisitions, increasing revenue and Operating EBITDA, continued growth of our business in line with historical growth rates, trends in our industry, financing plans, our anticipated needs for working capital and leveraging our capabilities. 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 successfully identify and complete corporate transactions and achieve anticipated synergies relating to any acquisitions or alliances; our ability to manage our growth effectively and achieve our expansion strategy; our ability to retain senior management personnel who have been key to our growth; changes to payment rates or methods of third-party payors and changes to U.S. laws that regulate payments for medical services; our exposure to potential decreases in revenue and profit margin under our fee for service contracts and arrangements; the risk that Ambulatory Surgical Centers (“ASCs”) or other customers may terminate or choose not to renew their agreements with us; our ability to enforce the non-competition and other restrictive covenants in our agreements; our potential need and ability to raise additional capital to fund future operations; risks arising from the various restrictive covenants and events of default we are subject to under our credit facilities; our ability to incur substantially more debt, which could exacerbate risks associated with increased leverage; significant price and volume fluctuations in our common shares; the risk that we may write-off intangible assets; our ability to maintain or increase anesthesia procedure volumes at our existing ASCs; our ability to successfully recruit and retain qualified anesthesiologists or other independent contractors; potential adverse events related to our product or our services and related risks associated with product liability, medical malpractice or other legal claims, insurance claims, product recalls and other liabilities; our inability to predict the impact of health reform initiatives; our ability to manage third-party service providers and maintain the quality of service that we provide; risks relating to income tax audits or changes in our effective income tax rate; our dependence on suppliers; risks relating to unfavorable economic conditions; the risk that we may be subject to a variety of regulatory investigations, claims, lawsuits, and other proceedings; the risk of damages resulting from claims that that we, or our employees, have wrongfully used or disclosed alleged trade secrets of our competitors or are in breach of non-competition or non-solicitation agreements with our competitors; our ability to adequately protect or enforce our intellectual property; the risk that patent protection for our products may expire; our ability to successfully market our products and services; the risk that our employees and third-party contractors may not appropriately record or document services that they provide; our ability to timely or accurately bill for services; the level of competition in our industry; changes in federal or state laws, rules, regulations, or in interpretations of such laws, rules or regulations, which may require us to redeem our physician partners’ ownership interests in anesthesia companies under the savings clause in our joint venture operating agreements; our ability to comply with U.S. federal and state fraud and abuse laws; the risk that our employees and business partners may not appropriately secure and protect confidential information in their possession; our ability to protect our information technology infrastructure against cyber-based attacks, network security breaches, service interruptions or data corruption; the risk that 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; our legal responsibility to the minority owners of the entities through which we own our anesthesia services business, which may conflict with, and prevent us from acting in, our own best interests; the risk that a significant number of our affiliated physicians could leave our affiliated ASCs; changes in regulations or regulatory interpretations, which may obligate us to re-negotiate agreements with our anesthesiologists or other contractors; our dependence on maintaining strong relationships with physicians in order to continue the development of our products and provision of our services; the extensive level of federal, state, and local regulation, and changes in law and regulatory interpretations relating to our industry; the risk that unfavorable changes or conditions could occur in the states where our operations are concentrated; the risk that government authorities or other parties may assert that our business practices violate antitrust laws; the potential that our significant shareholders could influence our business operations and sales of our shares by such significant shareholders could influence our share price; anti-takeover provisions in our constating documents that could discourage a third party from making a takeover offer that could be beneficial to our shareholders; changes in the medical industry and the economy that may affect the Company’s business; the existence in our industry of numerous governmental investigations into marketing and other business practices which could result in fines, penalties, administrative remedies or divert the attention of our management; the evolving regulation of corporate governance and public disclosure, which may result in additional expenses and continuing uncertainty; our exposure to adverse movements in foreign currency exchange rates; our ability and the ability of our suppliers to comply with the U.S. Food and Drug Administration’s (“FDA”) Quality System Regulation and other applicable requirements; our intention not to pay dividends on our common shares and the consequence that any return on a shareholder’s investment in our common shares will depend on appreciation, if any, in the price of our common shares; the risk that as an “emerging growth company” and “smaller reporting company,” our common shares may be less attractive to investors; our ability to maintain an effective system of internal control over financial reporting; and the risk that our share price and trading volume could decline if securities or industry analysts do not publish research, or publish inaccurate or unfavorable research, about our business.

For a complete discussion of the Company’s business including the assumptions and risks set out above, see the Company’s annual information form which is available on EDGAR at [www.sec.gov/edgar](http://www.sec.gov/edgar)

## Non-GAAP Measures

This document makes reference to certain 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 1,100 GI practices through O'Regan product segment

### TTM Sep 30, 2019

- Revenue: **\$122.0M**
- Adjusted Operating EBITDA: **\$55.3M**
- EBITDA-NCI: **\$38.5M**  
(Adjusted Operating EBITDA less JV EBITDA)
- FCF: **\$26.4M**  
(Cash flow from operations less distributions to JV partners)
- Net Debt / Annualized EBITDA-NCI: **1.7x**

# 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



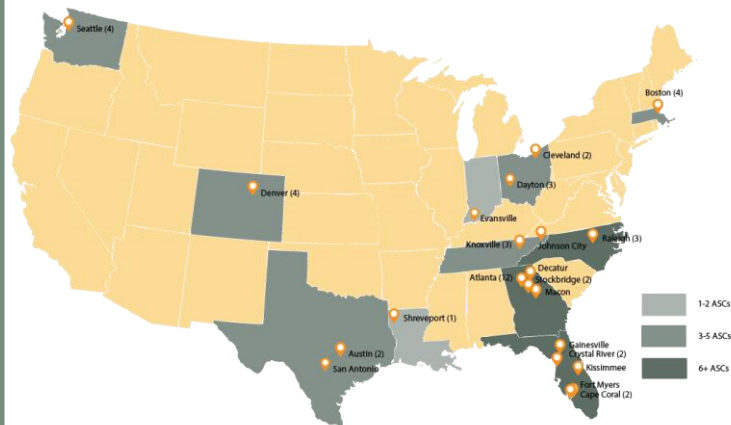
**Jay Kreger**  
President, Anesthesia

- ❑ 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

# Trusted Partner for the GI Community

*Complementary service offering driving new opportunities*

## CRH Anesthesia Management

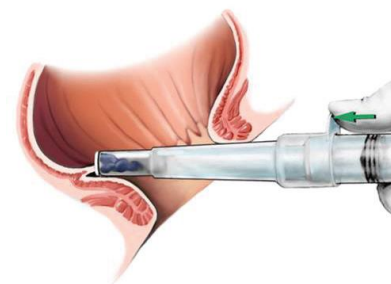


- Established December 2014
- Acquires and operates GI anesthesia practices
- Turnkey management services providing high quality patient care and operational excellence
- CRNAs and / or anesthesiologists provide anesthesia for ASC procedures
- Performs more than 350K cases annually
- 52 GI ASCs across 11 states
- 393 GIs
- 23 acquisitions completed since December 2014

### Relationships & Opportunities

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

## 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 3,099 GIs since 2008
- 1,177 private GI practices use O'Regan
- Massive opportunity in China – received CFDA approval, market acceptance analysis ongoing

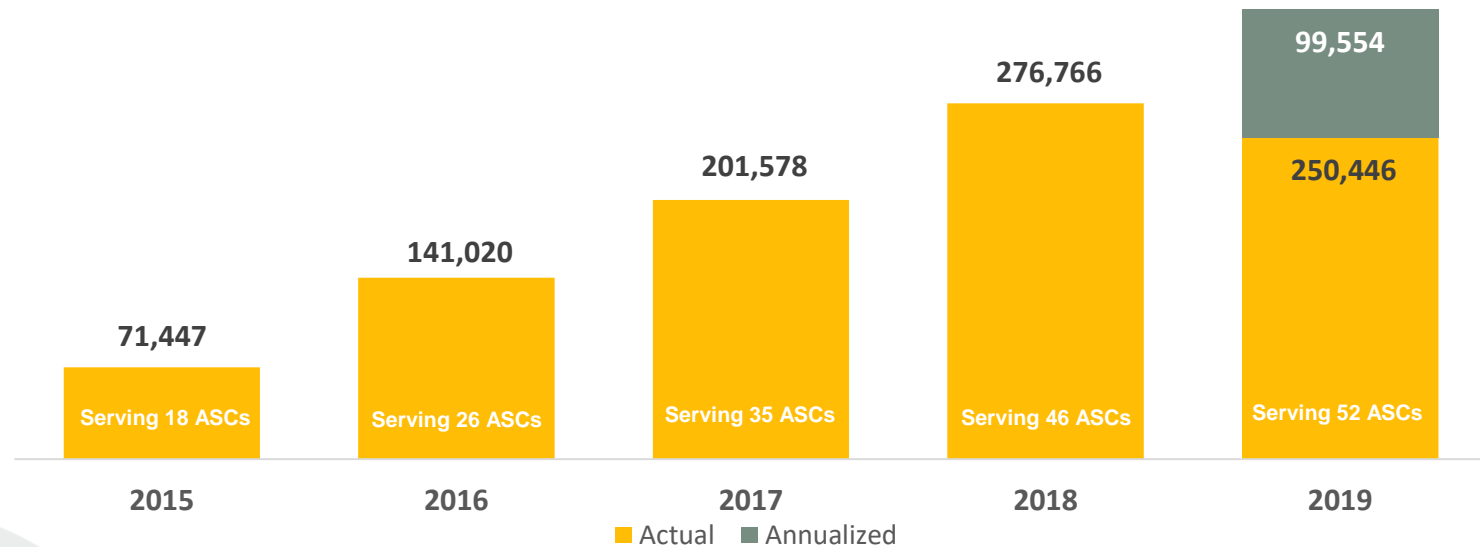
(1) Department of Epidemiology, Gillings School of Global Public Health, University of North Carolina, Chapel Hill, North Carolina

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

# History of CRH Anesthesia



Annualized Case Volume: 49% CAGR Since 2015





### □ 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

### □ **Market size**

- GI has been our initial focus
  - ~1,000 ASCs are single-specialty GI ASCs
  - There are 540 GI-Only ASC's with greater than 4,000 cases per year
    - CRH currently services 36 of these 540 ASC's; 14 centers we service today do less than 4,000 cases
- 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



# What We Do

## *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

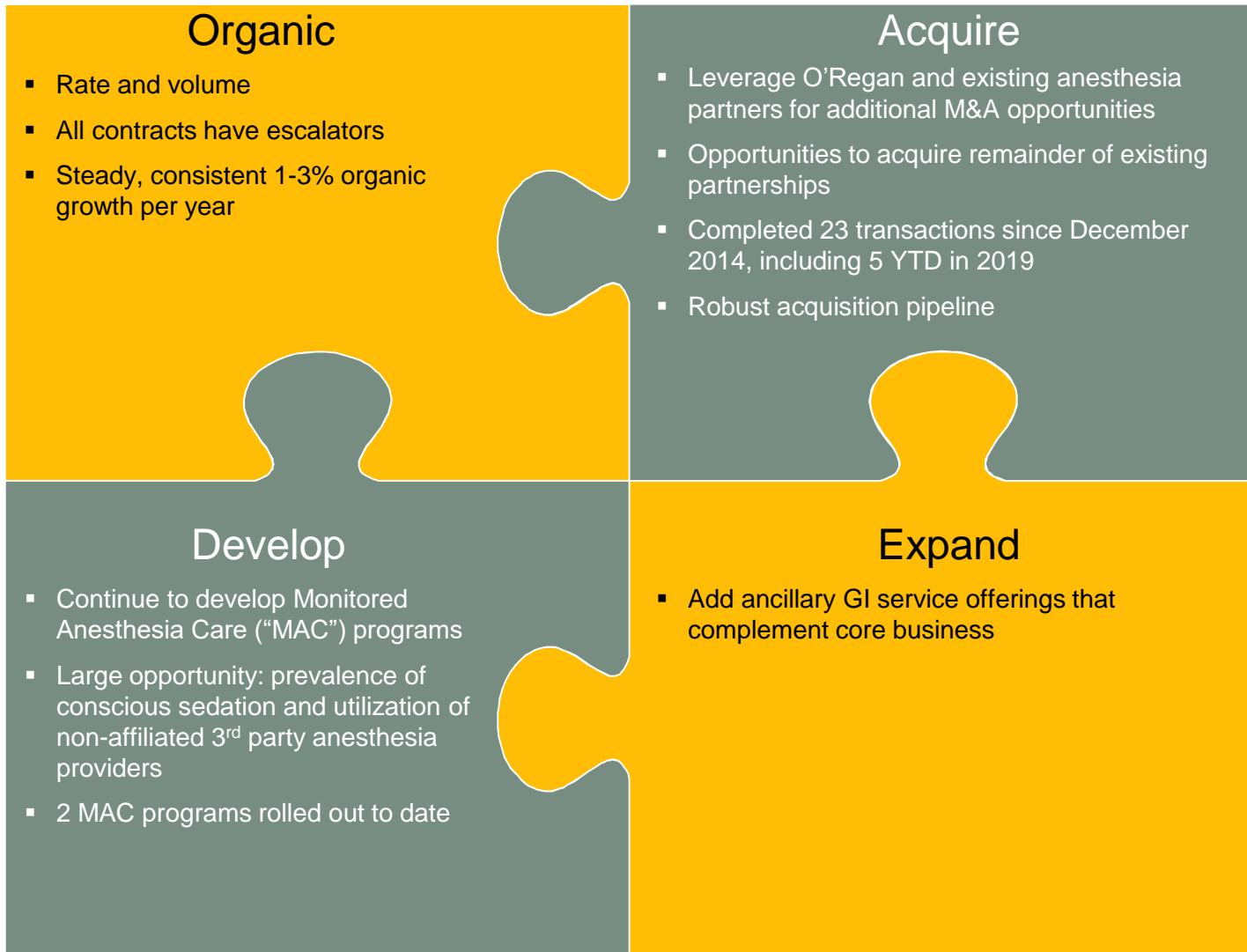
- Physician alignment: structure enables GIs to divest part of anesthesia business while maintaining a new, ongoing ancillary revenue stream
- Sale to partner that understands regulatory and reimbursement environment

### 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*



# 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

- 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*

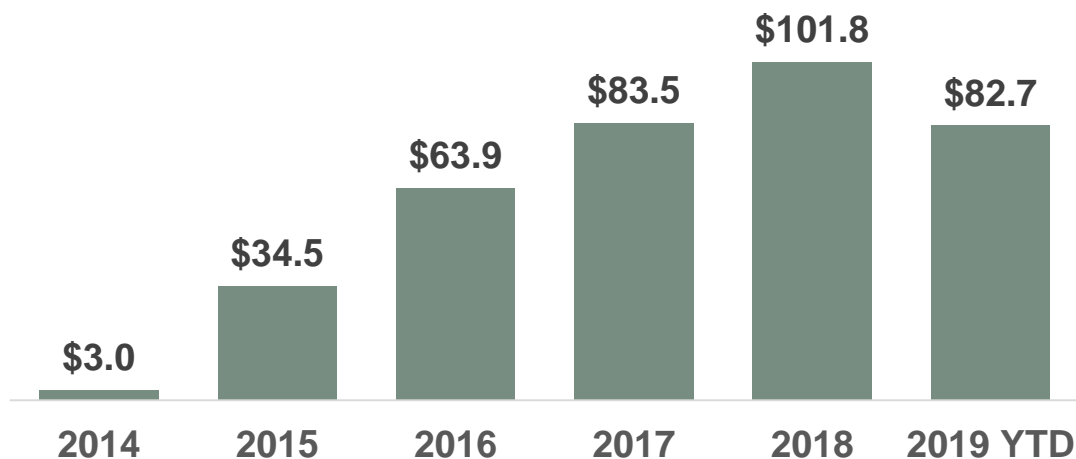
## ❑ Implementing Initiatives to Drive Growth

- 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
- Media campaign to educate and influence diagnosing and treating physicians
- Revised messaging and collateral materials for patient education
- 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
- Cross selling program with CRH Anesthesia (bidirectional exchange of leads)
- Reviewing international opportunities

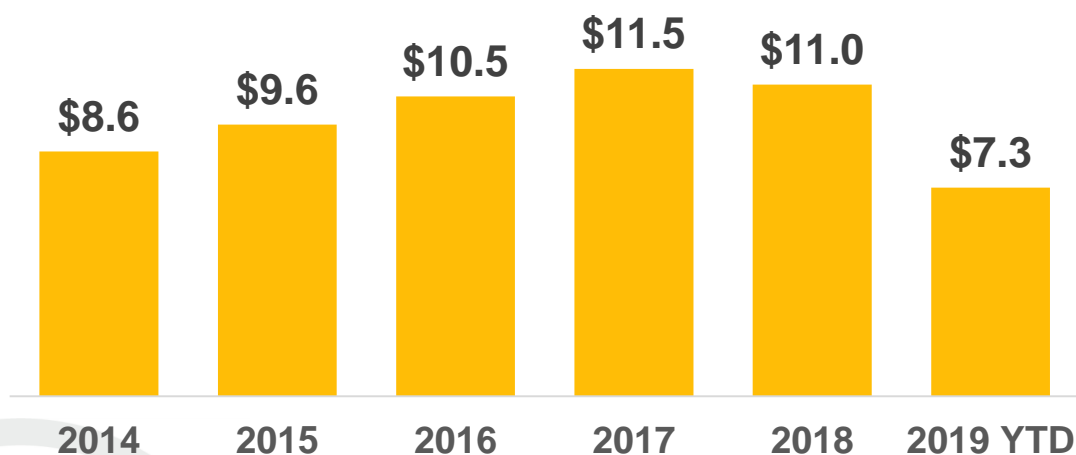
# Historical Financials

## Annual Revenue

Annual Anesthesia Revenue (\$M)



Annual O'Regan Revenue (\$M)

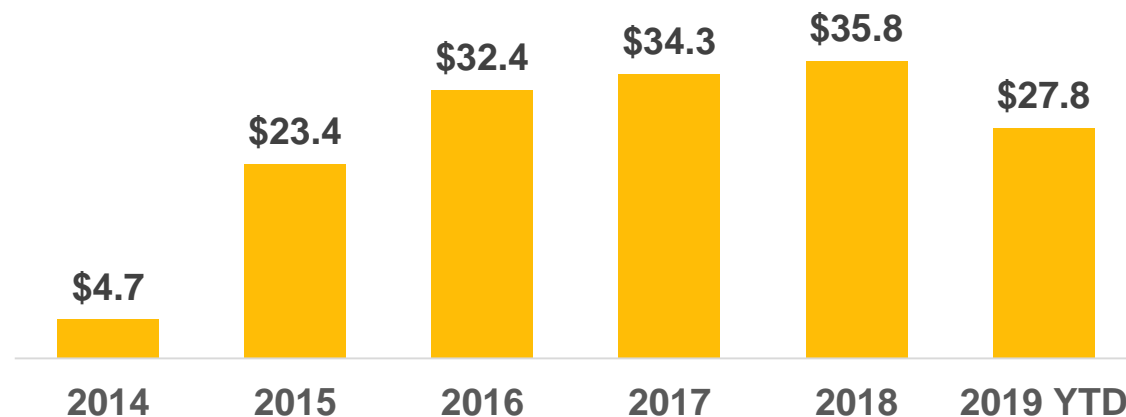


- ❑ Anesthesia revenue CAGR of 43% from 2015-2018
- ❑ CMS reimbursement changes negatively impacted revenue and adjusted operating EBITDA growth in 2018
- ❑ We are implementing measures to accelerate growth of the CRH O'Regan System

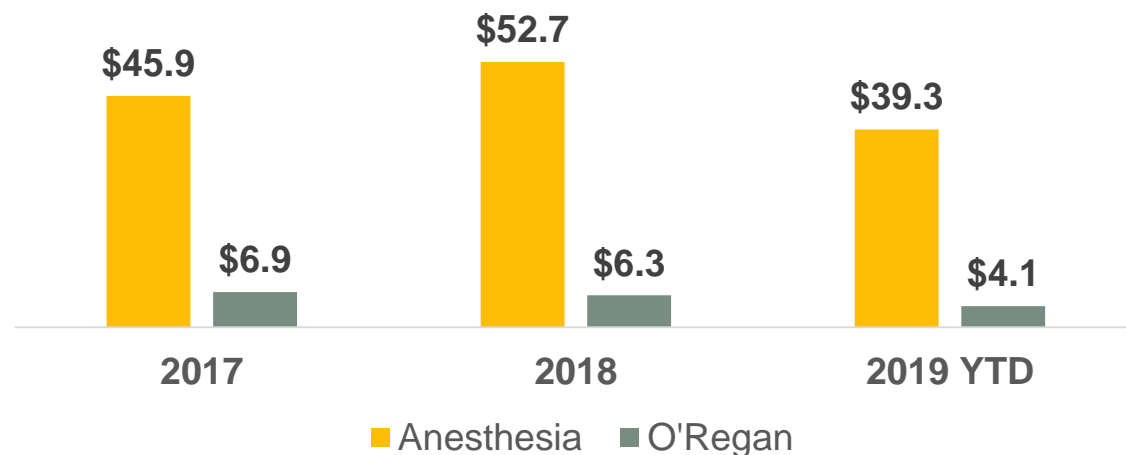
# Historical Financials

## Annual Profitability

EBITDA-NCI (\$M)



Segment-Level Adjusted EBITDA



- Adjusted Operating EBITDA-NCI CAGR of 15% from 2015-2018
- 2018 consolidated Adjusted Operating EBITDA margin of 48.5%
- 2018 adjusted operating EBITDA margins in Anesthesia and O'Regan of 51.7% and 57.4%, respectively

# Investment Highlights

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

- ❑ Double digit growth: EBITDA-NCI CAGR 2015 – 2018 of **15%**
- ❑ TTM EBITDA-NCI **\$38.5M**
- ❑ Adjusted operating EBITDA Margins (3Q19): **43.1%**
- ❑ Adjusted operating EBITDA-NCI Margins (3Q19) of **30.9%**
- ❑ Free Cash Flow represents **75%** of EBITDA-NCI
- ❑ TTM FCF **\$26.4M**



# Balance Sheet, Credit Facility and Cash Flow

## *Ample Liquidity To Support Growth Initiatives*

- ❑ New \$200M Credit Facility @LIBOR +125 bps to +175 bps
- ❑ Replaces Prior \$100M Credit Facility @Libor +250-300 bps
- ❑ Syndicate led by J.P. Morgan
- ❑ Facility has a leverage ceiling of 3x (vs. prior 2.5x)
- ❑ \$131.6M in unused borrowing capacity at the end of 3Q19
- ❑ Balance sheet < 2.0x leveraged (net debt /adjusted EBITDA-NCI)
- ❑ We expect our internal cash generation and access to external credit to continue to fund our growth initiatives

### \$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 the physician-to-physician relationships with approximately 3,000 GIs representing over 1,000 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**

Richard Bear, Chief Financial Officer

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