Okay. All right. Then lastly, as well, you might not have a proper idea about this yet, but you did spend some time at a private equity firm. I'm wondering what your thoughts are on maybe if the stock market is not giving CRH what it wants, are you open to perhaps taking this platform private?

Tushar Ramani:

Tania, I'm quite comfortable managing this Company, both in a public venue as well as a private venue. I think we have to do what's best for the shareholders, depending on whatever the circumstances might be.

Tania Gonsalves:

Okay, perfect. That's all for me. Thank you.

Operator:

The next question comes from Richard Close, who's with Canaccord Genuity. Please go ahead, sir.

Richard Close:

Great, thanks for the questions. Welcome, Dr. Ramani. Obviously, very impressed and interested in your background, and you just received a question in and around that a little bit, but I'm curious how maybe your past history, various positions, portends for the future growth strategies for the companies, or for CRH. You mentioned expansion of the breadth of services but didn't really provide much detail there. Can you go into maybe your thoughts in terms of expanding the breadth of services at the Company?

Tushar Ramani:

Richard, thank you. I appreciate the inquiry there. I would say that in time I will be able to answer your question. I think that right now I'm getting my arms around things, and we're assessing what the landscape looks like, but for now let me just say that our plans are to continue to maximize the opportunities that present themselves.

Richard Close:

Okay, so we'll wait to hear some more there. Maybe a higher level question. I'm just curious what was your thought process in terms of what attracted you to CRH. Did you know them before? How did you come to discovering the Company and what you believed was most attractive in terms of the opportunity going forward?

Tushar Ramani:
Sure. First, I will say that, yes, I've been aware of CRH for a number of years, just because of its adjacency to my original business, and profession. I've always admired the business plan because it's a particular segment of our space that has sort of built in accelerators with colonoscopies being an increasingly important and increasingly valued screening tool, as well as ultimately a therapeutic tool. Then, the margins that are available in this type of business are attractive that allow you to develop the business in so many ways, and so that was attractive to me as well.

When I specifically looked at it most recently, the fact that it has two service lines already which are each probably a billion to $2 billion market spaces, where we essentially still just have a drop in the bucket, that just represents such a significant opportunity for some good business development, that was pretty attractive for me.

Richard Close:
Okay. I guess my next question might be for Jay here. Jay, you've thrown out the $35 million in acquisition spend. For 2019, you just did the 49% remaining on Arapahoe, and the other transaction earlier in the year. Do you think you need to—I mean, we're already here in May. Do you need to ratchet up here in order to hit that target? How should we think about the timing of transactions as we look at the rest of the year?

Jay Kreger:
Thanks, Richard. Fair question. If you look back historically at our transactions, the majority of them have taken place in the second and third quarters. While I realize the second quarter is one-third over, I think you'll find that to be the case again this year, with the third quarter especially being the strongest, which I think it has been if you were to go back and count up all the dollars spent.

I'm not sure what you mean by ratchet up, but I can assure you we're all hands on deck to maximize the opportunities that are out there, to make sure they get closed this year.

Richard Close:

Your confidence level in terms of being able to spend that $35 million hasn't changed at all since the last call?

Jay Kreger:
I am quite confident it has not changed.

Richard Close:
Okay, great. My final question, I guess this was hit on a little bit earlier, but, Richard, can you go over the change in the earnout valuation there? Just what's the background on that?

Richard Bear:
Yes. At the end of each period, we look at the historical and expected performance of GAA up through May 31 of 2019, which is the end of the measurement period, and adjust the earnout relative to that analysis. GAA is beating our estimates for Q1, which increased our estimates for April and May, that resulted in the earnout being revalued to $4.34 million, which is a $1.4 million increase from where it was at, at 12/31, and that $1.4 million increase was reflected through finance changes in our financial statements.

Like I said, the measurement period, May 31 we'll provide the seller a reconciliation and expect 45 to 60 days after that, so early Q3, to finalize that payout.

Richard Close:
Okay. I guess I do have one final one. There was the recommendation to get colonoscopies, I think it was 45 years old or whatnot. That was a change to recommend getting it at an early age. Have you guys seen any impact with respect to that in your practices, in terms of higher demand?

Jay Kreger:
Hey, Richard. That was brought out by the American Cancer Society as opposed to the College of Gastroenterologists. At this point, I think other than driving some awareness, we have not seen any material change or uptick from that recommendation. Don't expect (inaudible 27:27).

Richard Close:
Okay. Thank you.

Richard Bear:

Thanks, Richard.

Richard Close:

Thank you. Congratulations, again.

Operator:

The next question comes from David Martin who's with Bloom Burton. Please go ahead, sir.

David Martin:

Good morning. I guess my first question will be for Dr. Ramani as well. You mentioned you are positioned to provide a better entrée, more peer-to-peer. I'm wondering, do you have a lot of contacts in the GI ASC universe right now that maybe CRH didn't previously?

Tushar Ramani:

I'm sure that there's a significant amount of overlap in our contacts, but there are probably a handful that I can make introductions more readily than what we've achieved before.

David Martin:

Okay. On the M&A front, I'm wondering, the last few M&As have seemed to be more the 100% ownership than some of the ones done in the previous years. Are you leaning more towards that 100% ownership? Is that your choice? Is that the seller's choice? I'm wondering why that seems to be happening, or is it just a blip?

Jay Kreger:

Hey, David. It's Jay. I can say that it has 100% been the physician's choice. We've noted before that physicians all sell for different reasons, and the amounts that they sell are for different reasons. Some of that may be just based on the profile of the practice and maybe because of where their practices are located. I think, as we've noted before, the CMS coding change in 2017 made some doctors look at their anaesthesia business, and so some—it was a risk mitigation strategy to sell, and so they may have wanted to sell more, and that accounted for why I think three of the last six transactions were

100%. I do not believe that that is an ongoing—based on what I know of the pipeline, I don't think it's an ongoing trend. I think it's hit and miss.

David Martin:

Okay. Are you seeing a trend in the space? Prices increasing for assets? Competition increasing? Or is it pretty much the same it's always been?

Jay Kreger:

Same as it's always been, where we continue to have effective multiples of four to five. In fact, when the deals get too rich like that, we'd walk away from them.

David Martin:

Okay. Last question. Amongst your current clients, are any of them planning to build and open new clinics this year?

Jay Kreger:

When we look at organic growth, that comes from many different directions. It comes from new doctors being added to the practice and can come from new centres being opened, but it's really being driven more by the number of doctors, not how many clinics or rooms they have open.

Richard Bear:

David, there would be some coming on, but as we spoke previously, that would already be included in that 1% to 3% organic guidance that we provided.

David Martin:

Got it. Okay, thanks.

Operator:

The next question comes from Endri Leno, who's with National Bank. Please go ahead.

Endri Leno:

Hi. Good morning. Thanks for taking my questions. A couple for me. First, I just wanted to touch a little bit on the debt. You had a relatively large debt payment in the quarter, and I was wondering how do you see that going forward? Can we expect a little bit of a repayment on the credit facility? What would be your optimal or target debt ratio?

Richard Bear:

In terms of the debt payment, as you'll recall, we have $100 million credit facility, $25 million term, $75 million revolver. We use the revolver just like people use a personal line of credit. When we have excess cash, we put it against the revolver because we can reborrow on it at any time. We're trying to manage our cash balances really just to make sure we have enough for working capital, because it's difficult to get banks these days to pay you 5% on your savings, so we'd rather knock off the interest expense off our books.

In terms of where we're comfortable, in terms of a debt to EBITDA, we're sub-2 today. With the types of acquisitions that we're doing, accretive, strong margin profiles, if we did a chunk of acquisitions in a given quarter, we could expect that to creep up, but it would slowly retrace because then we'd have the benefit of that EBITDA. I'm not concerned about the structure of the current debt facility limiting our ability to grow.

Endri Leno:

Great. Thank you. The next question, perhaps for Dr. Ramani. You alluded a little bit to CRH having two segments that they do but they both have $1 billion to $2 billion potential. We've seen and we can see acquisitions and growth in the Service segment. If you can talk a little bit to the opportunities on the Product segment, I would greatly appreciate it.

Tushar Ramani:

I can, Endri. Specifically, I was referring, when I talked about the market size on the hemorrhoid treatment side, there have been recent estimates that the current state of hemorrhoid treatment represents upwards of $2 billion in expense for treatment, and we obviously have a very, very, very small share of that, yet we have the gold standard for treatment. I think that that represents an enormous opportunity for us to educate the market and continue to gain our share of that market.

Endri Leno:

Great. Thank you. That's it for me. Thanks.

Operator:

This concludes the question-and-answer session. I would now like to turn the conference back over to Tushar Ramani for any closing remarks.

Tushar Ramani:

Thank you. Again, I'll just say, if it's not clear, I am really excited to take advantage of the opportunities that we have in front of us here, and I look forward to having more of these discussions with you in more detail in the future. Thank you again all for attending.

Jay Kreger:

Thank you, everyone.

Richard Bear:

Thank you.

Operator:

This concludes today's conference call. You may disconnect your lines. Thank you for participating and have a pleasant day.