

August 31, 2020



# Assure Holdings Reports Second Quarter 2020 Financial Results

DENVER, Aug. 31, 2020 (GLOBE NEWSWIRE) -- Assure Holdings Corp. (the “**Company**” or “**Assure**”) (TSXV: IOM; OTCQB: ARHH), a provider of intraoperative neuromonitoring services (“**IONM**”), reported financial results for the second quarter ended June 30, 2020.

## Second Quarter 2020 Financial Results vs. Second Quarter 2019

- Total revenue was (\$10.8) million versus \$8.4 million.
- Managed cases increased 35% to 1,991 versus 1,476.
- Equity method of investment in Provider Network Entities (“PNEs”) was (\$1.1) million compared to \$0.7 million.
- Net loss of (\$13.0) million compared to net income of \$4.0 million.
- Net loss per diluted share was (\$0.37) compared to net income of \$0.09 per diluted share.
- Adjusted EBITDA was (\$14.6) million versus \$5.7 million.
- Company recorded reserves of approximately \$2.5 million for all open accounts receivable balances aged two years.
- Assure pre-emptively recorded reserves of approximately \$15 million to further reduce accrual rate and revenue per procedure expectations to more accurately reflect what the Company expects to collect based on current data.

## Management Commentary

“I am proud of the entire Assure team for their resilience in navigating the global pandemic and faithfully serving our surgeon partners and patients,” said John A. Farlinger, Assure’s executive chairman and CEO. “The Company has taken important steps to enhance its near- and long-term stability and growth during this challenging period by accessing more than \$11 million in capital since December 2019. We strengthened our balance sheet and secured funds needed for ongoing expansion by closing a [credit facility](#) on favorable terms to Assure, obtaining a potentially forgivable loan under the Paycheck Protection Program and raising convertible debt. We are also developing an in-network revenue stream with the signing of new agreements with [First Health](#) and the [largest commercial health insurer in Michigan](#). We intend to maximize our in-network revenue by aggressively securing direct contracts with payors as well as striking agreements with multi-plan aggregators.”

“We made the decision to pre-emptively write-down a sizable portion of our accounts receivable balance to minimize potential downside risk and set us up for success later this year and beyond. Our business model has evolved; a few years earlier, our financials were driven by collecting larger receivables on a small number of cases but today we are collecting smaller receivables on a much greater proportion of the cases we cover, while at the same time accumulating a relatively higher share of the professional revenue. While this

transition has had challenges, with our added scale we are building what we believe will be a sustainable and profitable model for years to come. Further, we believe that this action was prudent as we embark on the filing of a registration statement on Form S-1.”

“Our second quarter results were negatively impacted by a number of factors. The majority contributor resulted from the Company’s bi-annual review of its own collection experience for technical and professional cases completed over the previous 13 to 24 months. Based on current data, we made the proactive decision to reserve some outstanding claims that have not yet aged two years at which time they become automatic write-downs because we believe the estimated rate of recovery was too high. Relatedly, we also reserved for receivables against current quarter revenue that aged two years during the period. Both issues reflect the lingering effects of poor performance from the legacy 3rd party billing provider that was terminated. The second contributor was the steep COVID-19-related decline in elective procedures we experienced in April and lingered in certain markets through the second quarter. The third factor was the previously disclosed impact of reserving claims from a private health insurance company that to-date has failed to reimburse Assure. And fourth and finally, Neuro-Pro, the IONM company we acquired in late 2019, had historically accrued and realized a lower revenue per procedure rate compared to the main Assure business, although that gap is narrowing, and we believe temporary.”

“In addition, as we do every six months per our stated accounting policies, the Company historically estimated our revenue and accounts receivable reserves based upon collections on our accounts that are 24 to 36 months old. Assure will be conducting this analysis on a quarterly basis going forward to maximize transparency in the business. Related to this analysis, we proactively made the decision to further reduce our accrual rate and revenue per procedure expectations to more accurately reflect where the market is trending and what we expect to collect based on current data. These adjustments were driven by issues associated with the collection of 2018 claims related to our previous 3rd party biller and downward market pressure in the average payment per procedure from commercial insurance companies. This latter factor is currently being experienced throughout the IONM industry. While painful in the short-term, we believe that taking this adjustment is in the best interest of the Company because it takes our revenue per procedure accrual close to what our competitors are realizing and is also at a level near the in-network insurance rates we have been negotiating, greatly reducing down-side risk.”

“Although multiple developments impacted second quarter results, the Company is advancing on several important initiatives that position Assure to have a strong second half of the year. Since taking control of revenue cycle management from the 3rd party billing provider terminated in the autumn of 2019, Assure has renewed and expanded collection efforts generating positive results. Through the first six months of 2020, excluding cash collected from PNEs for professional IONM services which are recorded separately, Assure collected more than \$6.9 million and a record \$4.0 million in the second quarter alone. This compares to collections of \$4.5 million in the first six months of 2019 and \$2.0 million in the year-ago quarter. In addition, Assure has generated positive monthly cash flow for five consecutive months, from March through July 2020. We have also resumed negotiations with the previously mentioned private health insurance company on disputed claims that have not yet been paid, and while there is no guarantee of reaching an agreement, we are optimistic that a portion of these claims will ultimately be reimbursed. And finally, for Neuro-Pro, we are successfully negotiating higher professional fee rates on these cases and

expect this improvement to be reflected in our financials later in 2020.”

“At this stage, I believe that we have largely completed the heavy lifting associated with our accounts receivable cleanup. I also see potential based on our successful collections of receivables in the first half of 2020, and the re-billing of all outstanding 2018 claims completed earlier this year, for a meaningful share of the receivables that we reserved this quarter to ultimately be recovered in the current and future years. We are confident that the Company is converting our rapidly increasing case volume and improving cash collections to take advantage of the substantial market opportunity in IONM and expand our platform. Further, we are adding competencies and differentiators, including important [new organizational hires](#), that will accelerate our race to scale.”

Assure has also filed its year-end financial statements and management discussion & analysis (MD&A) with SEDAR and the OTC. This information can be found at [www.sedar.com](http://www.sedar.com) and [www.OTCmarkets.com](http://www.OTCmarkets.com).

### **Operational Guidance**

The Company has adjusted its guidance for full-year 2020 total procedures from 10,500 to 10,000 as a result of COVID-19 related disruptions. This record number represents a more than 55% increase in cases compared with 2019. The guidance reflects the impact to-date of COVID-19, but not a substantial future disruption relating to the pandemic.

### **Impact of COVID-19**

The adverse impact of the global pandemic on people and businesses has been extensive and far-reaching. Beginning in March and accelerating in April, Assure saw a decline of more than 70% in its number of procedures performed; however, the Company’s overall weekly case volumes in May through August exceeded average weekly case rates in January and February. However, continued COVID-19 cases in the United States has caused disruption in certain markets, primarily Texas, with a pullback of approximately 15% in terms of procedures. Assure is continuing to carefully monitor the impact of COVID-19 in all states within its operational footprint. The Company anticipates that the majority of the procedures that were postponed in March and April will be rescheduled for a later date in 2020.

### **Assure Secures United States Small Business Administration Loan Under CARES Act**

In April 2020, Assure received a \$1.2 million loan under the United States Small Business Administration Paycheck Protection Program (the “**\$1.2 million Loan**”) pursuant to the Coronavirus Aid, Relief, and Economic Security Act. Assure expects all or a portion of the loan to be forgiven as the Company has maintained its employment and compensation within designated parameters.

### **Subsequent Event: Assure Enters into a New Loan Facility**

On August 12<sup>th</sup>, 2020 Assure Holdings signed a new \$4.0 million term loan (the “**Term Loan**”) and a \$2.5 million operating line of credit (the “**Operating Line**” and together with the Term Loan, the “**Loan Facility**”), for a total of \$6.5 million with Colorado based, Central Bank & Trust, a part of Farmers & Stockmens Bank. The Loan Facility will be used to replace

the Company's current \$3.0 million facility with Bank of Oklahoma.

Under the conditions of the agreement governing the Loan Facility (the **Loan Agreement**"), the Term Loan bears interest at the Wall Street Journal prime rate ("WSJ") plus 2.0% and matures on August 12, 2024. In addition, the Operating Line bears interest at a rate of WSJ plus 2.0% and matures on August 12, 2022. For more information concerning the Loan Facility please see the Company's news release dated August 13, 2020, available on the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Conference Call**

The Company will hold a conference call today, August 31, 2020, at 5:30 p.m. Eastern time to discuss its second quarter 2020 results.

Date: Monday, August 31, 2020

Time: 5:30 p.m. Eastern time (3:30 p.m. Mountain time)

Toll-free dial-in number: 1-877-407-0792

International dial-in number: 1-201-689-8263

Conference ID: 13708176

Please call the conference telephone number 5-10 minutes prior to the start time. An operator will register your name and organization.

The conference call will be broadcast live and available for replay [here](#).

A replay of the conference call will be available after 8:30 p.m. Eastern time on the same day through September 15, 2020.

Toll-free replay number: 1-844-512-2921

International replay number: 1-412-317-6671

Replay ID: 13708176

## **About Assure Holdings**

Assure Holdings Corp. is a Colorado-based company that works with neurosurgeons and orthopedic spine surgeons to provide a turnkey suite of services that support intraoperative neuromonitoring activities during invasive surgeries. Assure employs its own staff of technologists and uses its own state-of-the-art monitoring equipment, handles 100% of intraoperative neuromonitoring scheduling and setup, and bills for all technical services provided. Assure Neuromonitoring is recognized as providing the highest level of patient care in the industry and has earned The Joint Commission's Gold Seal of Approval<sup>®</sup>. For more information, visit the Company's website at [www.assureneuromonitoring.com](http://www.assureneuromonitoring.com).

## **Non-IFRS Measures**

This press release includes certain measures which have not been prepared in accordance with International Financial Reporting Standards ("IFRS") such as Adjusted EBITDA, equity method of investment in PNEs, case volume, cases and managed cases. The non-IFRS measures presented are unlikely to be comparable to similar measures presented by other issuers. References to Adjusted EBITDA are to net income/(loss) excluding interest, taxes, depreciation, share-based compensation, performance share compensation, provision for

broker warrant fair value and provision for stock option fair value. Reference to equity method of investment in PNEs, case volume, cases and managed cases are to procedures monitored by the Company. None of the foregoing non-IFRS measures is an earnings measure recognized by IFRS and do not have a standardized meaning prescribed by IFRS. Management believes that Adjusted EBITDA, equity method of investment in PNEs, case volume, managed cases and cases are appropriate measures in evaluating the Company's performance. Readers are cautioned that Adjusted EBITDA, equity method of investment in PNEs, managed cases, case volume and cases should not be construed as alternatives to net income (as determined under IFRS), as indicators of financial performance or to cash flow from operating activities (as determined under IFRS) or as measures of liquidity and cash flow.

## **Forward-Looking Statements**

This news release may contain "forward-looking statements" within the meaning of applicable securities laws, including, but not limited to: the Company's expansion and financing plans; the proposed use of proceeds of the Loan Facility; comments with respect to strategies, expectations, planned operations and future actions of the Company; the maximization of the Company's in-network revenue; entering of agreements with multi-plan aggregators; filing of a registration statement on a Form S-1; the gap in respect of accrued and realized revenue per procedure between Assure's main business and Neuro-Pro is narrowing and temporary; the rescheduling of postponed procedures; the Company's accounting practices, including but not limited to the expected effects of the Company's decision to write-down a sizable portion of its accounts receivable and to further reduce its accrual rate and revenue per procedure expectations; the impact of COVID-19; the total number of procedures for 2020 to exceed 10,000; collections of accounts receivable including a meaningful share of the 2018 reserved receivables; that the Company will be positioned to have a strong second half of the year; reimbursement of disputed claims; higher professional fee rates on Neuro-Pro cases will be negotiated; and all or a portion of the \$1.2 million Loan will be forgiven. Forward-looking statements may generally be identified by the use of the words "anticipates," "expects," "intends," "plans," "should," "could," "would," "may," "will," "believes," "estimates," "potential," "target," or "continue" and variations or similar expressions. These statements are based upon the current expectations and beliefs of management and are subject to certain risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. These risks and uncertainties include, but are not limited to: the Company's ability to successfully expand; the Company's ability to negotiate higher professional fee rates on Neuro-Pro cases; postponed procedures may not be rescheduled in 2020 or at all; the Company's ability to complete 10,000 procedures in 2020; the Company's ability to collect past due accounts receivable; the accuracy of the reservations made to receivables; all or a portion of the \$1.2 million Loan may not be forgiven; the Company may not be able to maximize the Company's in-network revenue; the Company may not enter into agreements with multi-plan aggregators; the gap in respect of accrued and realized revenue per procedure between Assure's main business and Neuro-Pro may not be temporary and might not continue to narrow; the postponed procedures may not be rescheduled; the Company may not be able to raise additional capital through convertible debt financings; the Company's decision to write-down a sizable portion of its accounts receivable may not result in a more sustainable and profitable model; the Company's decision to further reduce its accrual rate and revenue per procedure expectations may not reduce its down-side risk; the

Company might not proceed with the filing of a Form S-1; the uncertainty surrounding the spread of COVID-19 and the impact it will have on the Company's operations and economic activity in general; and the risks and uncertainties discussed in our most recent annual and quarterly reports filed with the Canadian securities regulators and available on the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com), which risks and uncertainties are incorporated herein by reference. Readers are cautioned not to place undue reliance on forward-looking statements. Except as required by law, Assure does not intend, and undertakes no obligation, to update any forward-looking statements to reflect, in particular, new information or future events.

*Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

## Contact

Scott Kozak, Investor and Media Relations  
 Assure Holdings Corp.  
 1-720-287-3093  
[Scott.Kozak@assureiom.com](mailto:Scott.Kozak@assureiom.com)

## SCHEDULE A

### ASSURE HOLDINGS CORP. CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (in thousands of United States Dollars)

	June 30, 2020 (unaudited)	December 31, 2019
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 273	\$ 59
Accounts receivable, net	15,117	30,863
Other assets	345	168
Due from related parties	3,252	2,617
Total current assets	18,987	33,707
Equity method investments	856	2,360
Property, plant and equipment, net	1,000	871
Intangibles	4,349	4,587
Goodwill	2,857	2,857
Total assets	\$ 28,049	\$ 44,382
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 2,521	\$ 4,365
Debt	1,183	1,664
Current portion of lease liability	575	461
Current portion of acquisition liability	4,980	5,030

Other current liabilities	275	81
Total current liabilities	9,534	11,601
Lease liability, net of current portion	557	500
Debt, net of current portion	3,446	1,160
Acquisition debt, net of current portion	-	2,429
Provision for acquisition share issuance	540	540
Provision for fair value of stock options	13	66
Provision for performance share issuance	16,011	16,011
Deferred tax liability, net	271	2,184
Total liabilities	30,372	34,491
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock	35	35
Additional paid-in capital	8,028	6,682
Retained earnings (deficit)	(10,386 )	3,174
Total shareholders' equity (deficit)	(2,323 )	9,891
Total liabilities and shareholders' equity	\$ 28,049	\$ 44,382

**ASSURE HOLDINGS CORP.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENT OF INCOME/(LOSS)**  
(in thousands of United States Dollars, except per share amounts)

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
<b>Revenue</b>				
Out-of-Network fees, net	\$ (11,653 )	\$ 7,562	\$ (9,307 )	\$ 13,134
Contract fees and other	917	827	2,904	1,299
Total revenue	(10,736 )	8,389	(6,403 )	14,433
Cost of revenues	(1,039 )	(1,744 )	(2,830 )	(3,191 )
Gross (loss) margin	(11,775 )	6,645	(9,233 )	11,242
<b>Operating expenses</b>				
General and administrative	1,711	1,880	3,896	3,861
Sales and marketing	163	75	452	332
Depreciation and amortization	261	114	520	216
Total operating expenses	2,135	2,069	4,868	4,409
Income/(loss) from operations	(13,910 )	4,576	(14,101 )	6,833
<b>Other income/(expenses)</b>				
Earnings/(loss) from equity method investments	(1,110 )	722	(1,217 )	907
Other income/(expense)	(4 )	89	53	61
Interest, net	(260 )	(64 )	(498 )	(101 )

Total other income/(expense)	(1,374 )	747	(1,662 )	867
Income/(loss) before income taxes	(15,284 )	5,323	(15,763 )	7,700
Income tax benefit (expense)	2,307	(1,290 )	2,203	(1,928 )
Net income/(loss)	\$ (12,977 )	\$ 4,033	\$ (13,560 )	\$ 5,772
Basic income/(loss) per common share	\$ (0.37 )	\$ 0.12	\$ (0.39 )	\$ 0.17
Diluted income/(loss) per common share	\$ (0.37 )	\$ 0.09	\$ (0.39 )	\$ 0.13

**ASSURE HOLDINGS CORP.**  
**ADJUSTED EBITDA**  
(in thousands of United States Dollars)

	<b>Three Months Ended June 30, 2020</b>	<b>Three Months Ended June 30, 2019</b>	<b>Six Months Ended June 30, 2020</b>	<b>Six Months Ended June 30, 2019</b>
Reported net income	\$ (12,977 )	\$ 4,033	\$ (13,560 )	\$ 5,772
Interest, net	260	64	498	101
Depreciation and amortization	261	114	520	216
Share based compensation	163	271	368	748
Income tax expense	(2,307 )	1,290	(2,203 )	1,928
Provision for broker warrant fair value	-	(7 )	-	14
Provision for stock option fair value	4	(82 )	(53 )	(75 )
	\$ (14,596 )	\$ 5,683	\$ (14,430 )	\$ 8,704

**ASSURE HOLDINGS CORP.**  
**EARNINGS PER SHARE**  
(in thousands of United States Dollars, except per share amounts)

	<b>Three Months Ended June 30, 2020</b>	<b>Three Months Ended June 30, 2019</b>	<b>Six Months Ended June 30, 2020</b>	<b>Six Months Ended June 30, 2019</b>
Income attributable to common shareholders				
Basic	\$ (12,977 )	\$ 4,033	\$ (13,560 )	\$ 5,772

Weighted average common share outstanding	34,795,313	34,143,944	34,795,313	34,145,313
Basic earnings per common share	\$ (0.37 )	\$ 0.12	\$ (0.39 )	\$ 0.17
Income attributable to common shareholders				
Basic	\$ (12,977 )	\$ 4,033	\$ (13,560 )	\$ 5,772
Weighted average common shares outstanding	34,795,313	34,143,944	34,795,313	34,145,313
Dilutive effect of stock options, warrants, and performance shares	-	8,741,000	-	8,741,000
Weighted average common shares outstanding assuming dilution	34,795,313	42,884,944	34,795,313	42,886,313
Fully diluted earnings per common share	\$ (0.37 )	\$ 0.09	\$ (0.39 )	\$ 0.13



Source: Assure Holdings Corp.