

**Edited Transcript of Assure Holdings Corp earnings conference call or presentation 29-May-20  
4:00pm GMT**

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Corporate Participants

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\* John Allen Farlinger

Assure Holdings Corp. - Executive Chairman & CEO

\* Preston Thomas Parsons

Assure Holdings Corp. - Founder & Director

\* Scott Kozak

Assure Holdings Corp. - Director of Investor & Media Relations

\* Trent J. Carman

Assure Holdings Corp. - CFO

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Conference Call Participants

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\* James Philip Sidoti

Sidoti & Company, LLC - Research Analyst

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Presentation

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Operator [1]

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Greetings. Welcome to Assure Holdings' Fourth Quarter and Full Year 2019 Earnings Call. (Operator Instructions) As a reminder, this conference is being recorded.

I would now like to turn the conference over to your host, Scott Kozak, Assure's Director of Investor and Media Relations. Thank you. You may now begin.

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Scott Kozak, Assure Holdings Corp. - Director of Investor & Media Relations [2]

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Good morning, and thank you for participating in today's conference call to discuss Assure's financial results for the fourth quarter and full year ended December 30, 2019. Joining us today are Assure Holdings' Executive Chairman and CEO, John Farlinger; CFO, Trent Carman; Assure's Founder and Director, Preston Parsons; Sean Blosser, Vice President of Revenue Cycle Management; and Paul Webster, Vice President of Managed Care.

Before we start, please note that remarks on this conference call may contain forward-looking statements within the meaning of applicable securities laws about Assure's current and future plans, expectations, intentions, results, levels of activity, performance, goals or achievements or any other future events or developments. Forward-looking statements are based on information currently available to management and on estimates and assumptions made based on factors that management believes are appropriate and reasonable in the circumstances.

However, because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control, and there can be no assurance that such estimates and assumptions will prove to be correct. Many factors could cause actual results to differ materially from those expressed or implied by the forward-looking statements. As a result, Assure cannot guarantee that any forward-looking statements will materialize, and you are cautioned not to place undue reliance on these forward-looking statements. Except as may be required by law, Assure has no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

During this call, we may refer to certain metrics such as adjusted EBITDA, managed cases and number of procedures, which are non-IFRS measures, and do not have any standardized meaning under IFRS and are therefore, unlikely to be comparable to similar measures presented by other issuers. Assure believes that these measures may offer useful supplemental information but are subject to inherent uncertainties and limitations and rely on various assumptions by the company and should, therefore, not be relied upon for the purpose of making any investment decisions. For additional information on these assumptions, uncertainties and risks please consult the cautionary statement regarding forward-looking

information contained in the company's earnings release dated May 29, 2020, most recently filed audited financial statements for the year ended December 31, 2019, and management discussion and analysis for the same period, which are available on the company's SEDAR profile at [www.sedar.com](http://www.sedar.com). Please note that Assure reports in U.S. dollars and all dollar amounts to be expressed today are in U.S. currency.

I would like to remind everyone that this call will be available for replay through June 12, starting at 3:00 p.m. Eastern Time today. A link to a webcast replay of this call was also provided in the earnings press release. Any redistribution, retransmission or rebroadcast of this call in any way without the express written consent of Assure Holdings is strictly prohibited.

Now I would like to turn the call over to the Executive Chairman and CEO of Assure Holdings, John Farlinger. John?

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John Allen Farlinger, Assure Holdings Corp. - Executive Chairman & CEO [3]

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Thank you, Scott, and good morning, everyone. I want to start by recognizing that this is a challenging time for all of us, and our thoughts are with those most affected by COVID-19, particularly those individuals and their families whose health has been impacted by the pandemic as well as those in the front line to the crisis. Specifically, I want to acknowledge Assure staff working in the hospitals as well as our surgeon partners that have worked diligently through this pandemic.

Now I'd like to turn to our 2019 performance. 2019 was both a transformative and challenging year for Assure. The company achieved significant progress in our expansion efforts, resulting in a 111% increase in managed case volume compared to 2018. However, we also experienced a disappointing setback of a dispute with a payer that is resisting compensating Assure for services provided. As a result, we reserved approximately \$10 million in receivables associated with these claims.

I am proud to report that we made significant progress, executing against our 3 key corporate objectives in 2019. They are: number one, bring our billing and collections function in-house; number two, developing an in-network revenue stream; and three, scaling our platform through both organic growth and M&A.

The first objective I will address was the progression of bringing our billing and collections process in-house. Given the issues that we've experienced in the past, in particular the lack of attention to claims from our former third-party legacy billing company, it was necessary for us to take control of the process to ensure that we're adequately collecting the cash that's owed to us. We have made considerable headway, revamping our accounts receivable function.

I think it's important to highlight these steps that were taken over the course of 2019 and early 2020. Here is a brief chronology of the steps taken on this initiative.

Firstly, in late August, our relationship with our legacy third-party billing partner was terminated. To be honest, they've been badly underperforming and because of an agreement that was in place, we could not terminate this agreement until that point in time.

Secondly, beginning in late August and extending through February of 2020, we formed a joint venture billing and collection company with another third-party billing company. They assisted us with the transition of the revenue cycle management processes inside the organization. During this time, we worked with our joint venture partners to gain knowledge and develop competencies.

Thirdly, by February 2020, Assure had recruited and retained a 16-person team, capable of taking control over our ongoing revenue cycle management process for new claims. As this was completed, we terminated our partnership with the joint venture billing and collections company.

Fourthly and also in February, we retained a strategic consultant to investigate and pursue Assure's significant backlog of legacy cases in which services were provided but we had not yet been compensated. This consultant has already assisted the company in collecting over \$1.1 million in collections for 2016 and 2017 receivables. This will be categorized as new revenue and income in 2020 as these amounts have previously been written off and reserved.

Fifthly, in March 2020, we signed an agreement to begin using a platform to automate and integrate revenue cycle management with our own internal teams and systems, as well as outside vendors. While it will take several more months, this project will ultimately automate a process that was previously almost entirely a manual process.

Sixth and finally, in April of 2020, the company created a new role of Vice President of Revenue Cycle Management and filled it with Sean Blosser. Sean is a seasoned professional who's previously worked as Vice President of Revenue Cycle Management with Option Care Health, where he was responsible for RCM functions at BioScrip Pharmacy, overseeing \$780 million in annual revenue and managing more than 400 team members, while driving substantial improvement in collections, bad debt and billing processes. Sean's primary objectives will include accelerating the company's cash collections, lowering accounts receivable and reducing days sales outstanding. Going forward, Sean's work will align with Paul Webster, in his new role of Vice President of Managed Care, where he will be focused on payer strategy and developing in-network revenue streams by securing agreements with commercial insurance providers.

Assure's revenue cycle management team has become much more experienced, knowledgeable and aggressive with respect to billing in a timely fashion, making appeals and negotiating and adjudicating claims. Our investment in this area was necessary to support a robust billing and collection function and timely cash collection experience, both of which represent key differentiators in the intraoperative neuromonitoring industry. We're already

seeing positive results in these changes. In fact, in the first 5 months of 2020, we generated more than a 40% increase in cash flow versus the same time in 2019. In March, April and May of 2020, Assure was cash flow positive, with March being a record month for the company in terms of cash collections. Nevertheless, we acknowledge that there's much work to do, and we are clearly not satisfied with our 2019 revenue cycle management results. Out-of-network health care billing is a battle, and Assure is intent on enforcing our rights and collecting money that we feel is owed to us.

With that, our collection data is showing two important trends. Firstly, there's been a downward pressure on revenue per procedure. And secondly, we've seen a sharp upturn on the frequency of claims that we are collecting. This underscores how critical revenue cycle management is for Assure, and we look forward to keeping investors updated to the balance of this year.

Our second key corporate objective was the development of a new network revenue stream. To our knowledge, we are the only intraoperative neuromonitoring company aggressively pursuing this strategy. Assure is seeking to build out its in-network revenue stream because providing entirely out-of-network health care services frequently results in a much longer revenue collection cycle and a higher likelihood of denied claims. These hurdles added complexity and time to the collection process and also creates volatility in our quarterly bad debt expense.

We started to make inroads in this initiative with the signing of our first in-network provider agreement with Aetna in the state of Michigan, and we are currently engaged in multiple network contract discussions at the current time. We believe that converting more of our revenue to in-network agreements in 2020 and beyond will make our collection cycle shorter, further reduce our outstanding receivables balance and, ultimately, improve cash flow.

While we're excited and optimistic regarding this initiative, I want to be clear that we have and will continue to be patient and only strike in-network deals when they make good economic sense for Assure. I fully expect this effort to extend over a period of years. It should also be noted that agreements with the terms we are seeking become more attainable as we bring greater scale in terms of number of procedures with us into the negotiation.

That brings us to our third objective, which is scale. We have been engaging in that through organic growth and M&A. Preston will later give you a more detailed perspective of these and other revenue growth opportunities. But at a high level, we are seeking opportunities to accelerate the company's growth and we'll continue to be opportunistic in pursuing accretive acquisitions that provide the company with important new surgeon and facility partnerships, complementing our existing geographical footprint and helping us to enter new surgical verticals.

In the fourth quarter of 2019, Assure announced the acquisition of Neuro-Pro, one of the largest intraoperative neuromonitoring companies serving Dallas and Fort Worth markets. To provide context on scale, Neuro-Pro's total number of procedures was approximately 2,800 in

2019. This equates to approximately 44% of Assure's procedure volume, exclusive of Neuro-Pro over the same period. In addition, historically, approximately 80% of Neuro-Pro's procedures were commercial insurance payers, while roughly 50% of Assure's procedures are commercial payers. From a financial perspective, commercial payers are significantly more profitable procedures to Assure than procedures for patients with government insurance.

In large part due to the acquisition of Neuro-Pro, the company expects its commercial payer mix to be meaningfully higher in 2020. The acquisition of Neuro-Pro was transformational for three primary reasons: Firstly, it strengthened and diversified our revenue stream, with a substantial increase in number of procedures. Secondly, it expanded our scale in Texas, which we expect will create more leverage for in-network contract negotiations with insurance companies. Third and finally, it will be accretive to earnings and cash flow in 2020 and beyond. Although negotiations associated with this acquisition took longer than initially expected, we ultimately achieved our goal of using vendor financing for the transaction, rather than having to take restrictive and expensive term for debt or paying for it with dilutive equity financing.

Our cost of capital relating to vendor financing was substantially cheaper and less dilutive for all shareholders. To date, we have paid over \$2.4 million of the \$7.7 million owed for Neuro-Pro. Our expectation and hope is that the monthly payments of \$328,000, owed between April 2020 and April of 2021, will be paid using Neuro-Pro's own cash flow. There is also a final lump sum payment of \$1.7 million due on May 31, 2021.

Now I will transition and provide a current and forward-looking perspective. This will address three aspects of the coronavirus impact. Firstly, I want to talk about Assure's social distancing and work rules driven by COVID-19; secondly, the operational impact of COVID-19; and then thirdly, Assure's financial response to COVID-19.

Firstly, regarding the social distancing and work rules. In early March, we instituted social distancing measures at our office. All employees whose jobs can be done remotely, were told to do so. And these team members are continuing to work from home. We also instituted clear guidelines for our technologists, as they prepare to support our surgeons in hospitals and surgery centers. In addition, we canceled all nonessential business air travel.

Second segment is the operational impact of COVID-19. Beginning in March and accelerating in April, Assure saw a decline of more than 70% in our number of procedures performed. May has been very encouraging, with a return to healthy volume of cases. In fact, our weekly case volumes at the end of May are equivalent to the weekly averages that we were experiencing in January and February prior to COVID-19 becoming an epidemic. As a reference point, we did over 800 managed procedures during the month of May. Two further points on this topic. Firstly, we anticipate that the majority of the procedures that were postponed in March and April will be scheduled for later dates in 2020. Secondly, typically during the summer months, we see a minor slowdown from surgeons due to vacations and time spent away from the office. However, the conversations we are having with our surgeons suggest that there will be a relatively less seasonal softness this summer compared to prior years.

Finally, I'll discuss Assure's financial response to COVID-19. In reaction to the decline in the number of procedures we experienced in March and April, we took proactive steps to reduce costs and increase our financial flexibility. This includes the implementation of salary reductions and selective employee furloughs, designed to reduce corporate spending by over 20% compared to the third quarter of 2019. Assure has also been proactive in applying to participate in programs created for businesses by the U.S. Federal Government in response to the COVID-19 pandemic. These efforts have produced a success when the company received \$1.2 million unsecured funding from the Payment Protection Program loan. 2-year SBA administered payment protection loan has interest rate of 1% per annum, and the company anticipates and expects that the significant portion of this loan will be forgiven.

In addition, we are currently in the process of looking at other government funding opportunities available to us. We'll also evaluate other opportunities for funding and do so from a position of improved strength, given our recent cash flow collection performances.

Building on that, our financial position was further strengthened by actions we had previously put in place to make our collection cycle more efficient and to improve cash flow. I already touched on this in my earlier comments, but I want to highlight this change by comparing our cash receipts of \$5.3 million in the first 5 months of 2020 to a total of \$8 million received in all of 2019. These cash receipts do not include our portion of the PNE revenues.

In addition, we were pleased to have attracted funding and strengthened our balance sheet in a challenging market environment. Between December and March, Assure raised more than \$2.3 million across 3 tranches of a convertible debt offering. During May, Assure completed a second non-brokered private placement of convertible debenture units, raising a total of \$830,000, which was primarily used for a payment of \$700,000 needed because of the Neuro-Pro transaction. Taking a step back and evaluating the big picture, we made significant progress delivering on the company's three corporate objectives and to position ourselves as the best-in-class intraoperative neuromonitoring provider.

Although revenue cycle management did not meet our expectations in 2019, we have taken steps to remedy this, and I'm very proud of the cash collection improvements we have made and the cash that we are generating in the first half of 2020. We expect and are focused on delivering continued improvements against each of our objectives over the balance of this year. With consistently positive cash flow over the past 3 months and successful funding efforts, the company has stable financial flexibility with \$1.2 million in cash in treasury as of May 27, 2020. Our Neuro-Pro acquisition is performing as well as expected. It was acquired on favorable terms to Assure and it's profitable and cash flow positive, with substantial growth opportunities ahead of it.

Our disappointing news was that the negotiation with a major payer located primarily in Louisiana, recently reached an impasse. This led to a preemptive decision by our management team to make a significant reevaluation of the amounts outstanding from these receivables. We are committed to taking a conservative approach with respect to evaluating our balance sheet.

We cannot force payers to pay us, however, we will certainly take steps to enforce our rights and our entitlement to be fairly paid.

In terms of our operational outlook, I'm happy to announce that we're experiencing a return to normal in our elective procedures, with our number of procedures in May on par with the pre-pandemic caseloads in January and February. Notwithstanding the effect of the COVID-19 epidemic, the company is forecasting total procedures for our full year 2020 to exceed 10,500, a record number, representing a nearly 65% increase in cases compared with 2019.

As a final note, I'd like to remind everyone that Assure is exploring the possibility of filing a registration statement on Form S-1 with the U.S. Securities and Exchange Commission as we consider uplisting to a major U.S. exchange. The market environment will also influence the timing of a potential uplisting.

Now I'd like to pass the call on to Preston Parsons, founder of the company.

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Preston Thomas Parsons, Assure Holdings Corp. - Founder & Director [4]  
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Thanks a lot, John, and good morning, everyone. As John said, Assure grew significantly in 2019. In fact, in 2019, Assure managed 6,414 cases and at the end of that year, had worked with 98 surgeons across 53 hospitals and medical facilities, supported by 50 technologists. Comparatively, all of these metrics are nearly or in some cases, more than double what they were at the end of 2018. The growth of Assure year-over-year continues to be impressive.

We also achieved many important milestones in 2019. One of the most important was earning a prestigious accreditation from The Joint Commission. Their Gold Seal of Approval demonstrates Assure's unwavering commitment to providing clinical excellence for the surgeons and hospitals we partner with and enhanced safety for the patients we serve. Also important to note, only a very small percentage of IONM companies achieved this nationally recognized quality indicator, further differentiating Assure from our industry peers.

On the strength of a successful 2019, Assure entered 2020 with a growing pipeline of expansion opportunities. John referenced our acquisition of Neuro-Pro Monitoring, but I want to add a few comments on this topic. There are numerous opportunities to unlock significant value from Neuro-Pro beyond its profitable and successful existing business. One was by retaining the principles of Neuro-Pro to further leverage their wide network of relationships ensure us to even more opportunities in the State of Texas. We believe this formula will help Assure win substantial new business in the large and attractive Dallas-Fort Worth market and elsewhere in Texas.

The second plank of our strategy is to leverage and more fully maximize valuable relationships Neuro-Pro had built and nurtured. Among the most important is with the internationally



renowned doctors from the Texas Back Institute. Assure is now covering cases daily for these highly influential surgeons, and I'm pleased to announce today that we are currently formulating plans with them to collaborate on important clinical research projects associated with IONM safety, efficacy and cost savings, which would position Assure as the recognized trailblazer in the industry. Another very important benefit is that we believe this research and subsequent data will help us in the area of payer negotiations and in-network contracting.

Before moving on to other topics, I also wanted to add that Assure learned valuable lessons with the acquisition and integration of Neuro-Pro that will help us efficiently optimize potential future acquisitions.

Between our legacy Texas business, Neuro-Pro and new organic growth, including the agreement we struck in March to provide services for a surgeon group based in the greater Houston area, Assure is now working with 28 surgeons in Texas. Year-to-date in 2020, Texas has been our largest state in terms of number of procedures.

Other states within our existing platform that I'd like to highlight from a growth perspective, include Colorado and Michigan.

In our home state of Colorado, our presence continues to grow as Assure's strong brand and excellent reputation have helped us build new relationships in the Denver area and throughout the state. In January, we announced that Assure is now providing IONM for 2 hospitals, serving residents in Western Colorado. These new relationships demonstrate the attractiveness of our offering to rural hospitals and surgery centers, many of which are searching for new solutions and are committed to providing access, quality of care and reliable staffing at their facilities.

We also extended our footprint in Michigan. Assure began working with a new surgeon group in Central Michigan in February, and we continue to see substantial opportunities in the state. In addition to the expansion within our current states, Assure also began providing IONM services in South Carolina in January of this year. This is our seventh state, and we see great potential in South Carolina going forward.

Over the past 2 years, Assure has extended its operations from exclusively serving Colorado to now providing IONM services across 7 states, including Texas, Louisiana, Utah, Pennsylvania, Michigan and South Carolina. The company's reputation for providing exceptional quality of service and unique clinical expertise has been the primary driver of our growth. We have also benefited from the increase in demand for neuromonitoring services across numerous medical procedures.

Assure has developed a large funnel of exciting new business development prospects in 2020, as we continue expanding our footprint across the country. The market for hiring high-performing technologists to fill the new roles we expect to create will be challenging. But the steps we took to retain our talent during the COVID-driven downturn in elective surgeries that occurred in March and April was noticed industry-wide, especially since many of our competitors took a different approach.

We believe that the culture we have developed at Assure and the relationships we have built with our talented professionals will give us a leg up on recruiting for future openings as the company expands.

Now I'd like to pass the call to our CFO, Trent Carman, who will go through the results of the fourth quarter and year-end financials. Trent?

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Trent J. Carman, Assure Holdings Corp. - CFO [5]  
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Thanks, Preston. Good morning, everyone, and thank you for joining us today. I will first provide some narrative on the full year 2019 numbers and then offer a brief overview on factors that impacted the company's financial results. After that, I will discuss some of our fourth quarter financial results and conclude by highlighting areas of focus for the year ahead.

For the full year, total revenue increased 20% to \$17.7 million compared to \$14.8 million in 2018. The improved revenue was driven by higher case volumes, offset by a 16% decline in the revenue accrual that we use, plus accounts receivable valuation reserves John previously mentioned. And to provide further context on our results, as John mentioned, Assure's negotiations with a major payer over a dispute in which claims were submitted, a reimbursement associated with technical services performed have not been made, recently reached an impasse. The disputed claims, representing a onetime reserve adjustment of approximately \$10 million for outstanding accounts receivable, primarily relate to this payer's Louisiana affiliate and, to a lesser degree, include claims associated with the payer's Michigan and Texas affiliates.

Rather than wait for the associated receivables to be reserved after 24 months, pursuant to the company's reserve policy, Assure has chosen the conservative approach of reserving the full amount at December 31, 2019.

In addition, Assure performed its regular cash collection analysis at the end of 2019 to evaluate if the revenue recorded for our technical and professional cases occurring during 2018 and 2019 was consistent with our actual cash collection experience. This analysis showed that the actual amount of cash collections were lower than the amount of revenue recorded for those cases. As such, the company revised its revenue estimate for each open technical and professional case downward at the end of 2019 to the actual cash collection experience being realized. An adjustment of \$6 million was made in the fourth quarter of 2019 to record the cumulative effect of this difference.

If you'll recall, our fourth quarter of 2018 were also impacted by a biannual cash collection analysis. We made an adjustment of \$9.6 million to our accounts receivable and our valuation allowance in the fourth quarter of 2018. We will continue to review our cash collection

experience for technical and professional claims every 6 months, with the next update occurring at June 30, 2020.

Full year adjusted EBITDA, as defined in our MD&A was \$5.7 million compared to \$6.7 million in 2018. Adjusted EBITDA was lower due to increased G&A to support the company's growth, higher share-based compensation and higher professional expenses associated with our recent fundraising activities. Net income was \$2.5 million or \$0.06 per diluted share compared to net income of \$4.3 million or \$0.10 per diluted share in 2018. The decrease was primarily the result of the aforementioned \$10 million reserve for outstanding accounts receivable and the \$6 million reduction in revenue associated with our year-end collection analysis.

For 2019, Assure received over \$979,000 of distributions from our equity investments or our PNEs. This compares to \$1.171 million for 2018. This slight decrease relates to the company buying one of our PNEs during 2019. The results of that PNE are now included in our consolidated operating results. Cash receipts for our technical and professional cases, where we retained 100% of the receipts, were \$8 million in 2019 compared to \$9 million in 2018. Although Canadian regulatory authorities have advised Assure and other companies listed on its market not to perform pro forma comparisons, I want to highlight the 2019 cash collection reserve and the payer reserve adjustments impacted the fourth quarter and full year revenue by approximately \$16.3 million and adjusted EBITDA by approximately \$15 million. In 2018, the cash collection reserve impacted the fourth quarter and full year revenue by approximately \$9.6 million and adjusted EBITDA by approximately \$10.9 million.

Now moving on to fourth quarter results. Managed cases increased 132% to a quarterly record of 2,242 versus 965 in the fourth quarter of 2018. Total revenue in the fourth quarter was negative \$4.7 million compared to negative \$3 million in the fourth quarter of 2018. Excluding the \$16.3 million and \$9.6 million of revenue adjustments for the fourth quarters of 2019 and 2018, respectively, revenue would have increased 76% to \$11.6 million. This increase was driven by the continued growth in managed case volumes, generated by our existing network and the acquisition of Neuro-Pro at the end of October 2019.

Moving on to the rest of the income statement. Considering the above-mentioned fourth quarter adjustments, gross margins in the fourth quarter of 2019 were 85% compared to 87% in the same prior year period. Total operating expenses increased to \$9.3 million versus \$2.7 million in the prior year period, primarily due to the hiring of employees to support the company's growth and professional fees associated with the company's fundraising activities, as previously mentioned. Earnings from equity investments were \$113,000 during the fourth quarter of 2019 versus a negative \$1.1 million in the fourth quarter of 2018. This difference was primarily due to the valuation allowance recorded in the fourth quarter of 2018 for our PNE entities.

Adjusted EBITDA, as defined in our MD&A, was negative \$8.1 million in the fourth quarter 2019 compared to negative \$6.5 million in the prior year quarter. The net loss was \$6.8 million or negative \$0.20 per basic share compared to net loss of \$5 million or a negative \$0.14 per basic share in the fourth quarter of 2018.

Turning to our balance sheet, Assure ended the year with \$59,000 in cash compared to \$831,000 at the end of 2018. We also ended the year with \$22.1 million in working capital compared to \$22.3 million at the end of 2018. Total bank debt, lease liabilities, convertible debentures and acquisition debt at the end of the year was \$11.2 million compared to \$861,000 at the end of 2018. Over \$7 million of this increased debt related to the acquisition of Neuro-Pro.

Before concluding, I want to highlight Assure's 2020 goals from a perspective of its financial funding. We are focused this year on tightly managing expenses and improving collections. John has already noted the steps that the company is taking to execute against these objectives.

With that, I'll turn the call over to the operator for questions and answers.

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Questions and Answers

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Operator [1]

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(Operator Instructions) The first question is from the line of Jim Sidoti with Sidoti & Company.

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James Philip Sidoti, Sidoti & Company, LLC - Research Analyst [5]

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First question on contract revenue, really a two-part question. One, was that at all affected by the write-down on the accounts receivable? And if not, is that a good proxy for the growth of the business?

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Trent J. Carman, Assure Holdings Corp. - CFO [6]

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There's a couple of factors in the contract revenue. And the big one is the company has migrated more to a managed service type of arrangement with the PNEs as opposed to having an equity percentage, particularly including Neuro-Pro. Neuro-Pro's PNE entity, we have a

managed services agreement. So the growth there will obviously continue as we get a full year of operations of Neuro-Pro in there. But as well in other states where we've expanded in 2019, we have taken more of the managed services type of arrangement with those. There was a slight decline there at the end of the year, as it related to the one particular payer. There was some receivable that was caught in that reserve, but very, very immaterial amount as a result of that.

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John Allen Farlinger, Assure Holdings Corp. - Executive Chairman & CEO [7]

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Yes, Jim, it's John. One thing that we've been working on is really moving away from the PNE model or the equity model and into the MSA model. And I think you'll see more of that going forward, which will mean a shift in revenue, really from an equity participation in equity pickup methodology, to more of a top line approach where we share in the revenue.

I think the other factor, building on Trent's point, is that we have been renegotiating a lot of these agreements with our surgeon partners and we expect this revenue number to increase over the next 12 to 24 months as we take a larger portion of the revenue from the partnerships.

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James Philip Sidoti, Sidoti & Company, LLC - Research Analyst [8]

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And then can you tell me how many technologists you have now that Neuro-Pro is closed?

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John Allen Farlinger, Assure Holdings Corp. - Executive Chairman & CEO [9]

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We have approximately 50 technologists.

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James Philip Sidoti, Sidoti & Company, LLC - Research Analyst [10]

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And how does that compare to a...

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John Allen Farlinger, Assure Holdings Corp. - Executive Chairman & CEO [11]

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At the end of 2018, we had approximately 35 technologists. And I'm saying 50, but right now, we are in the process of hiring 3 to 4 more techs in advance of what we expect to be expansion into new states.

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James Philip Sidoti, Sidoti & Company, LLC - Research Analyst [12]

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All right. And then with the convertible notes that you've issued, can you just give us a sense on what you think interest expense will be for 2020? And where you think the share count will wind up?

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John Allen Farlinger, Assure Holdings Corp. - Executive Chairman & CEO [13]

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Trent?

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Trent J. Carman, Assure Holdings Corp. - CFO [14]

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The interest rate on the indebtedness there is 9%. That's the coupon rate. The effective rate that the company has because we had to -- because they have a equity component associated with them and a debt component, I mean there were warrants with the issuance, causes the effective rate to go up, as you can imagine. I don't have that, to be quite honest with you, but you can assume the effective rate on that indebtedness is mid-teens anyway.

The Neuro-Pro indebtedness is a very, very, very low interest rate and the bank debt is at 6%. So I'm not answering the question definitively, obviously, but I don't have that in front of me. But those are kind of the effective interest rates that you would play with on that indebtedness. And you could run that model out there.

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James Philip Sidoti, Sidoti & Company, LLC - Research Analyst [15]

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Okay. And the share count, will that change significantly?

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John Allen Farlinger, Assure Holdings Corp. - Executive Chairman & CEO [16]

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Only with the conversion of the debentures, Jim, and with the issuance of the performance shares at some point in the future. And all of that's documented in financial statements on the MD&A.

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Operator [17]

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Thank you. At this time, I'd like to turn the floor to John Farlinger for his final comments.

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John Allen Farlinger, Assure Holdings Corp. - Executive Chairman & CEO [18]

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Thank you, Rob. On behalf of the management team and the Board, we'd like to thank everyone for their attendance and listening to today's call.

Before concluding, I'd like to add a few final comments. Firstly, continuing to improve the performance of our revenue cycle management function is a top priority at Assure and represents an important differentiator in the intraoperative neuromonitoring industry. We're very confident in the team that we've assembled. And we expect that we will continue to see very strong results over the balance of this year.

Secondly, we're very pleased to see our case count return to pre-pandemic levels in May. We expect to generate strong growth in terms of number of procedures over the balance of 2020.

Thirdly, Neuro-Pro is already contributing very meaningfully to Assure's financial results, and we anticipate continued strong results and growth over the balance of 2020.

Fourthly, Assure has been very proactive in applying to participate in programs created for businesses by the U.S. Federal Government in response to the COVID-19 pandemic.

Lastly, as a note, we've added approximately a dozen doctors over the first 6 months of 2020, notwithstanding the pandemic issues that we're facing.

We look forward to speaking with you again on our first quarter 2020 call. Thank you for joining us today.

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Operator [19]

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Thank you, everyone. This will conclude today's conference. You may disconnect your lines at this time. Thank you for your participation.