



MCI Onehealth Reports Second Quarter 2021 Financial Results

August 16, 2021

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- Quarterly revenue of \$11.2 million up 53% over the same period last year, driven by the recovery of publicly insured health services and continued strong performance from corporate health customers
- Demand from corporate customers continues to grow, with revenues from corporate customers up more than 80% to \$1.87 million over the same quarter last year and nearly 500 corporate customers on board at the end of the second quarter
- The company continues to focus on accretive acquisitions, investments in strategic partners and forming commercial partnerships to leverage advanced technology to improve healthcare services, including \$12.6 million acquisition of Khure Health Inc.
- Addition of seasoned Chief Innovation Officer to lead the company's innovation, research and development unit lays the groundwork for expansion of the company's inhouse technology initiatives and commercial partnerships
- Adjusted EBITDA for the quarter was negative \$691,000

TORONTO, Aug. 16, 2021 (GLOBE NEWSWIRE) -- MCI Onehealth Technologies Inc. ("MCI" or the "Company") (TSX: DRDR), a clinician-led healthcare technology company focused on increasing access to and quality of healthcare, today released its financial results for the three months ended June 30, 2021. A summary of MCI's financial and operational highlights for the quarter are set out below, and more detailed information is contained in the financial statements and related management discussion and analysis, which are available on MCI's SEDAR page at www.sedar.com.

"We are continuing to ramp up our growth engine coming out of our IPO earlier this year, having completed a number of exciting investments and acquisitions in the second quarter of 2021," said Dr. Alexander Dobranowski, CEO of MCI. "We continue to pursue strong accretive acquisitions and innovative partnerships that leverage cutting-edge technology to improve access, quality and cost of healthcare services, while building on organic growth through the expansion of MCI Connect and the launch of our MCI Onehealth innovation initiatives."

Second Quarter 2021 Financial Highlights

Significant financial highlights for MCI during the second quarter of 2021 included:

- **Revenue Growth Quarter-over-Quarter:** Revenue for the second quarter of 2021 increased 53% over the same period in 2020, driven by the ongoing recovery of publicly insured health services and robust growth from corporate health services driven by a broader array of services offered to corporate health customers. Total revenue for the three months ended June 30, 2021 was \$11.2 million, compared to total revenue of \$7.3 million in Q2 2020.
- **Growth from Corporate Customers:** The performance of MCI's corporate health services business continued to see significant growth, with nearly 500 corporate customers on board at the end of the second quarter. Second quarter revenues from corporate health services were \$1.87, a 102% increase over the same quarter last year, and a 44% increase over the first quarter of 2021.
- **Liquidity:** Cash and cash equivalents were \$19.7 million at the end of the quarter, compared to \$2.3 million in the same quarter last year, providing the capital required to meet short- and medium-term capital requirements while continuing to pursue new strategic acquisitions and to develop and implement the Company's data-driven healthcare initiatives.
- **Adjusted EBITDA:** Adjusted EBITDA for the quarter was negative \$691,000, down \$1.9 million as compared to the same period last year.
- **Net Losses:** Net losses for the quarter were \$2.8 million, a difference of negative \$3.3 million from the same quarter in the previous year. Losses were driven primarily by physician fees (up \$2.5 million over the same quarter last year), increased salary, wage and benefits expenses (up \$2.0 million over the same quarter last year), corporate expenses (up \$0.8 million over the same quarter last year) and expenses relating to share based compensation granted to key employees (up \$1.4 million over the same quarter last year) as the company expands its team to match the pace of its aggressive growth strategy and continues to adjust to increased compliance and administrative costs following its IPO earlier this year.

Second Quarter 2021 Operational Highlights

Significant operational highlights for MCI during the second quarter of 2021 included:

- **Investment in Regen Scientific Inc. (“ReGen”)** On April 12, 2021, MCI entered into a share exchange agreement with ReGen, a personalized, preventative, and regenerative health provider in Canada. Under the terms of the arrangement, MCI acquired approximately 9% of the issued and outstanding shares of ReGen in exchange for the issuance of 800,000 Class A Subordinate Voting Shares of MCI (“MCI Shares”).
- **Investment in Ariel Precision Medicine, Inc. (“Ariel”)** On April 23, 2021, MCI invested US\$250,000 in a convertible promissory note issued by Ariel, whose business focuses on precision diagnosis and targeted therapeutics. The transaction agreements provide MCI with the right (but not the obligation) to participate, on a pro-rata basis, in any issuances by Ariel of equity securities or any security convertible into equity securities occurring after a qualified financing.
- **Acquisition of Khure Health Inc. (“Khure”)** On April 26, 2021, MCI acquired 100% of the outstanding common shares of Khure for aggregate consideration of up to \$12.6 million. Khure’s technology platform harnesses clinical data, enabling physicians to rapidly screen and identify patients with rare diseases and facilitate more personalized treatment. The details of the acquisition are set out in MCI’s press release dated April 27, 2021.
- **Investment in Acorn Biolabs Inc. (“Acorn”)** On June 7, 2021, MCI entered into a share exchange agreement to acquire common shares of Acorn in exchange for the issuance of 380,953 MCI Shares, with the result that the Company now owns a minority interest in Acorn. Acorn is a healthcare technology company with a focus on regenerative medicine, which offers a non-invasive live cell collection, analysis and cryopreservation service.
- **Chief Innovation Officer:** The addition of Saleema Khimji, a champion of innovation with a proven track-record of advancing science and technology initiatives across the globe, as Chief Innovation Officer of the Company gives MCI the strong leadership and expertise required to drive its MCI Onehealth Labs business unit, which is tasked with building a long-term pipeline of intellectual property and contributions to clinical research.

Events Subsequent to Second Quarter 2021

Following the end of the second quarter, MCI has continued to implement its strategic plan with a number of significant new developments, including:

- **Investment in ORO Health Inc. (“ORO”)**: On July 12, 2021, MCI invested \$250,000 to purchase an interest in ORO, an innovating telehealth service provider, through the acquisition of Series 1 Class Seed Preferred Shares of ORO.
- **Acquisition of the Polyclinic Group:** On July 15, 2021, MCI entered into an agreement to purchase an 80% interest in the “Polyclinic Group of Companies” for total consideration of \$5.8 million. The Polyclinic Group of Companies include The Quit Clinic Inc., Executive Medical Concierge Canada Ltd. and Canadian Phase Onward Inc. MCI subsequently closed the acquisition on July 30, 2021. The details of the acquisition are set out in MCI’s press releases dated July 15, 2021 and August 4, 2021

Outlook

MCI expects continued growth in total company revenue in the second half of fiscal 2021 as it executes its strategic plan on multiple fronts including:

- Organic growth of government insured health services from its omnichannel network of clinics, telehealth and the MCI Connect virtual platform.
- Continued organic growth in health services provided to corporate customers, as it expands its customer base and increases the number of available service offerings.
- New technology business ventures and acquisitions to accelerate its technology roadmap.
- Acquisitions of specialty clinics to expand its health service offerings and enter new markets by leveraging technology to deliver more services to its large and growing patient and physician base.
- Exploration of commercial relationships that leverage expressed interest in Khure Health’s AI-drive clinical evidence around rare diseases to accelerate patient recruitment for clinical trials, accelerate patient access to treatment, support regulatory decision-making through the application of real world evidence and set the foundations for new AI technologies.

Conference Call Details

MCI will hold a conference call to discuss progress on its key strategic initiatives and financial results for the second quarter of 2021, on August 16, 2021 at 5:30 pm EDT. Participants are encouraged to access the call at least 10 minutes prior to start.

Date: Monday August 16, 2021
Time: 5:30 pm (EDT)
Duration: 60 minutes

Dial-in
Canada/US: (833) 540-1153 (Toll-free)
(918) 922-6528 (International)

Conference
Call ID: 4586008

Webcast link: <https://edge.media-server.com/mmc/p/h35jabsz>

Selected Unaudited Financial Information

(In thousands of dollars, except percentages and per share amounts)

	Quarter ended June 30		Period over period Change		Six months ended June 30		Period over period Change	
	2021	2020	\$	%	2021	2020	\$	%
(\$ in thousands except percentages)								
Revenue	\$ 11,208	7,312	\$ 3,896	53	\$ 21,238	\$ 17,753	\$ 3,485	20
Expenses								
Physicians' fees	7,244	4,755	2,489	52	13,877	11,769	2,108	18
Salary, wages, and benefits	2,534	491	2,043	416	4,690	2,524	2,166	86
Occupancy costs	477	781	(304)	(39)	1,327	1,557	(230)	(15)
Office expense	1,115	498	617	124	2,004	1,066	938	88
Corporate expenses	854	30	824	2,747	1,387	65	1,322	2,034
Sales and marketing expenses	79	-	79	NM	100	-	100	NM
Research expenses	66	-	66	NM	67	-	67	NM
Income from investments	12	-	12	NM	12	-	12	NM
Expected credit losses	-	-	-	-	56	-	56	NM
Other income	(458)	(458)	-	NM	(904)	(1,051)	147	(14)
	11,899	6,097	5,802	95	22,592	15,930	6,662	42
Adjusted EBITDA	(691)	1,215	(1,906)	(157)	(1,354)	1,823	(3,177)	174
Shares based compensation	1,400	-	1,400	NM	2,648	-	2,648	NM
Finance costs	107	149	(42)	(28)	232	312	(80)	(26)
Interest income on subleases	(14)	(17)	3	(18)	(25)	(34)	9	(26)
Depreciation and amortization	967	730	237	32	1,683	1,470	213	14
Gain (loss) On sublease	-	-	-	NM	-	(10)	10	(100)
Acquisition related legal expenses	238	-	238	NM	238	-	238	NM
	2,698	862	1,836	213	4,776	1,738	3,038	175
Income (loss) before taxes	(3,389)	358	(3,742)	(1,060)	(6,130)	85	(6,215)	(7,312)
Income taxes	(556)	(120)	(436)	363	(835)	(52)	(783)	1,506
Net Income (loss)	(2,833)	473	(3,306)	(699)	(5,295)	137	(5,432)	(3,965)
Weighted average number of Shares outstanding: Basic and diluted	48,163,664	38,004,750			46,932,118	38,004,750		
Net income (loss) per share - Basic and diluted	\$ (0.06)	\$ 0.01			\$ (0.11)	\$ 0.00		

* NM means not meaningful.

Selected Statement of Financial Position Data

	June 30, 2021	December 31, 2020
Cash	19,680	894
Accounts receivable	4,490	3,637
Accounts payable and accrued liabilities	5,756	6,998
Net investment in subleases	1,498	1,685

Lease liabilities	12,577	13,833
Related party loan	-	1,210
Loan receivable	600	-
Other liabilities	130	80
Liability for contingent consideration	5,438	-

Reconciliation of Adjusted EBITDA

	Quarter ended		Six months ended	
	June 30		June 30	
	2021	2020	2021	2020
\$ in thousands				
Total Revenue	\$ 11,208	\$ 7,312	\$ 21,238	\$ 17,753
Net income (loss)	(2,833)	473	(5,295)	137
Add back (deduct)				
Depreciation and amortization	967	730	1,683	1,470
Share-based payment expense	1,400	-	2,648	-
Finance charges	107	149	232	312
Interest income	(14)	(17)	(25)	(34)
Gain (loss) on sublease contracts	-	-	-	(10)
Acquisition related legal expenses	238	-	238	-
Income taxes	(556)	(120)	(835)	(52)
Adjusted EBITDA	(691)	1,215	(1,354)	1,823
Adjusted EBITDA Margin	(6.2)%	16.6%	(6.4)%	10.3%

* **Non-IFRS Metrics:** “Gross Profit”, “Gross Margin”, “EBITDA” and “Adjusted EBITDA” do not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. MCI defines adjusted gross profit as revenue less cost of sales (excluding depreciation and amortization) and adjusted gross margin as adjusted gross profit as a percentage of revenue. MCI defines Adjusted EBITDA as net income (loss) before adjusting for acquisition costs, share-based payment expense, depreciation and amortization foreign exchange (gain) loss, finance income, finance costs and income taxes. The Adjusted EBITDA figures noted herein have not been adjusted for non-controlled interests. MCI believes that these metrics may be helpful to the reader in assessing MCI’s financial performance and operational efficiency, **however**, these measures should **not** be considered as alternatives to net income/loss determined in accordance with IFRS.

About MCI

MCI is a healthcare technology company focused on empowering patients and doctors with advanced technologies to increase access, improve quality, and reduce healthcare costs. As part of the healthcare community for over 30 years, MCI operates one of Canada’s leading primary care networks with 25 clinics, serves over 850,000 patients annually and had over 200,000 telehealth visits last year. MCI additionally offers an expanding suite of occupational health service offerings that support a growing list of nearly 500 corporate customers. Led by a proven management team of doctors and experienced executives, MCI remains focused on executing a strategy centered on acquiring technology and health services that complement MCI’s current roadmap. For more information, visit mcionehealth.com

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Forward Looking Statements

Certain statements in this press release, constitute “forward-looking information” and “forward looking statements” (collectively, “forward looking statements”) within the meaning of applicable Canadian securities laws and are based on assumptions, expectations, estimates and projections as of the date of this press release. Forward-looking statements include statements with respect to projected revenues, earnings, growth rates, targets, revenue mix, product plans, use of proceeds, new business ventures and potential acquisitions, as well as MCI’s future growth, strategic transformation plan, results of operations, performance and business prospects and opportunities. The words “plans”, “expects”, “projected”, “estimated”, “forecasts”, “anticipates”, “intend”, “guidance”, “outlook”, “potential”, “prospects”, “seek”, “aim”, “strategy”, “targets” or “believes”, “for use in”, “growth”, “expansion”, “to pursue”, “to develop”, “future”, “later” or variations of such words and phrases or statements that certain future conditions, actions, events or results “will”, “may”, “could”, “would”, “should”, “might” or “can”, or negative versions thereof, “occur”, “continue” or “be achieved”, and other similar expressions, identify forward-looking statements. Forward-looking statements are necessarily based upon management’s perceptions of historical trends, current conditions and expected future developments, as well as a number of specific factors and assumptions that, while considered reasonable by MCI as of the date of such statements, are outside of MCI’s control and are inherently subject to significant business, economic and competitive uncertainties and contingencies which could result in the forward-looking statements ultimately being entirely or partially incorrect or untrue. Forward looking statements contained in this press release are based on various assumptions, including, but not limited to the following: MCI’s ability to achieve its growth strategy; the demand for MCI’s products and fluctuations in future revenues; the availability of future business venture and acquisition targets or opportunities and MCI’s ability to consummate them; the effects of competition in the industry; the requirement for increasingly innovative product solutions and service offerings; trends in customer growth; sufficiency of current working capital to

support future operating and working capital requirements; the stability of general economic and market conditions; currency exchange rates and interest rates; equity and debt markets continuing to provide MCI with access to capital; MCI's ability to comply with applicable laws and regulations; MCI's continued compliance with third party intellectual property rights; the anticipated effects of COVID-19; and that the risk factors noted below, collectively, do not have a material impact on MCI's business, operations, revenues and/or results. By their nature, forward-looking statements are subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved.

Known and unknown risk factors, many of which are beyond the control of MCI, could cause the actual results of MCI to differ materially from the results, performance, achievements or developments expressed or implied by such forward-looking statements. Such risk factors include, but are not limited to those factors which are discussed under the section entitled "Risk Factors" in MCI's final prospectus dated December 29, 2020 and in MCI's annual information form dated March 31, 2021, each of which is available under MCI's SEDAR profile at www.sedar.com. The risk factors are not intended to represent a complete list of the factors that could affect MCI and the reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements are provided for the purpose of providing information about management's expectations and plans relating to the future. MCI disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, or to explain any material difference between subsequent actual events and such forward-looking statements, except to the extent required by applicable law. All of the forward-looking statements contained in this press release are qualified by these cautionary statements.