



MCI Onehealth Reports First Quarter 2023 Financial Results

May 16, 2023

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TORONTO, May 15, 2023 (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, has released its financial results for the three months ended March 31, 2023.

A summary of MCI's financial and operational results is set out below, and more detailed information is contained in the condensed interim consolidated financial statements and related management discussion and analysis, which are available on MCI's SEDAR page at www.sedar.com. Financial measures described as "Adjusted" in this news release are non-IFRS financial measures and may not be comparable to other similar measures disclosed by other companies. Please see *Non-IFRS Financial Measures* below for more information.

Cash and Liquidity Update

For the three months ended March 31, 2023, the Company experienced operating losses of \$7.4 million and negative cash flows from operations of \$1.11 million, and as at the end of that period had a cash balance of approximately \$1.4 million and accounts payable and other current liabilities of approximately \$20.7 million. The Company will need to obtain additional financing by the end of May to fund ongoing operations in the ordinary course, and may be required to obtain additional financing in future periods.

To address its immediate liquidity constraints, the Company announced on April 27, 2023 that it is seeking approval for an additional \$1.5 million debt financing facility from a related party to fund its ongoing operations and for general and administrative expenses. That facility remains subject to the approval of the Toronto Stock Exchange and has not yet closed. Even if the facility is implemented, it is likely that the Company will need to obtain additional sources of liquidity by the end of May to continue to fund its ongoing operations.

The Company's special committee (the "**Special Committee**"), comprised of two of its independent directors, remains engaged in a process to evaluate and consider the Company's current financial and liquidity position, operational challenges and possible financing, reorganization or restructuring alternatives that may be available to the Company. The Company is also continually evaluating other alternatives for generating cash in the short term, including the potential sale of certain assets identified by the Company, and is continuing to responsibly reduce costs while it evaluates the potential options. The Company provided an update on these efforts, which are ongoing, in a press release on April 20, 2023.

Other than as described in this news release, the Company has not made any decisions related to strategic alternatives at this time. The Company cautions that there are no assurances that the evaluation of strategic alternatives will result in the approval or completion of any specific transaction or outcome and there is no certainty that the Company will be able to secure additional financing or sell assets to generate liquidity, or on what terms it will be able to do so, or that its revenue growth and expense reduction strategies will be successful.

First Quarter 2023 Financial and Operational Highlights

Significant financial and operational highlights for MCI during the three months ended March 31, 2023 included:

- **Operational Challenges:** As described above, the Company faced, and is continuing to face, liquidity and operational challenges, and has taken, and is continuing to take, steps to reduce costs while considering all available options.
- **Revenue:** Revenue for 1Q23 declined 11% in the Reporting Period as compared to the Prior Period, due in large part to lower patient volumes in the Company's clinics, telehealth services and virtual healthcare services. Lower patient volumes in the Company's clinics relate in part to the consolidation of five of the Company's clinics in Ontario into its remaining fourteen clinics in that Province. Total revenue for 1Q23 was \$11.5 million, compared to \$13.0 million in 1Q22.
- **Financing:** On January 4, 2023, MCI announced an amendment of its existing credit facility with The First Canadian Wellness Co. Inc., a related party to the Company, increasing the amount of debt financing available to the Company from \$5 million to \$7 million. The details of the loan amendment are set out in the Company's press release on January 4, 2023.
- **Information and Data Analytics:** The Company continues to make progress in standing-up its data lake, comprised of an ever-increasing volume of health records currently numbering in excess of 3.3 million. The Company anticipates that it will begin servicing customers looking for data insights from these records later in 2023.
- **Smart Referral System:** The Company continues to make progress in rolling out its smart referral system, the first application to leverage the data backbone which the Company is developing with a leading data analytics partner. The smart referral system streamlines the flow of patient referrals from general practitioners to specialists within the Company's

network, optimizing patient care pathways and increasing revenue from existing customers.

- **Corporate Health Services:** The Company began offering corporate health services from its five Calgary clinics and continued to roll out services to national customers. Overall revenue from corporate health services declined during the quarter due to decreased demand for COVID-19 testing but is expected to recover as more customers are onboarded and new service offerings are made available.
- **Personnel:** The Company hired 8 new physicians during the three months ended March 31, 2023, who will begin delivering health services to patients in 2023.
- **Net Losses:** Net losses for 1Q23 were \$7.4 million, as compared to losses of \$4.2 million in 1Q22. The Company's revenue declined over the same period last year, driven by lower patient volumes. The Company's general and administrative expenses declined in 1Q23 due to cost reduction measures and focus on operational efficiency, but research and development spending increased to support projects relating to the Company's data-insights-as-a-service initiatives.
- **Adjusted EBITDA:** Adjusted EBITDA⁽¹⁾ for 1Q23 remained steady at negative \$2.4 million, as compared to an Adjusted EBITDA of negative \$2.4 million in 1Q22.

Selected Financial Information

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

	Quarter ended March 31		Period over period Change	
	2023	2022	\$	%
	(\$ in thousands except percentages)			
Revenues	\$11,534	\$13,020	\$(1,486)	(11)
Cost of sales	8,155	8,926	(771)	(9)
Gross profit	3,379	4,094	(715)	(17)
Research and development	1,851	1,830	21	1
Sales and marketing	336	412	(76)	(18)
General and administrative	5,487	6,615	(1,128)	(17)
	7,674	8,857	(1,183)	(13)
Net finance costs	355	132	223	NM
FV changes-contingent liabilities	(7)	-	(7)	NM
Loss on settlement of shares-contingent consideration	677	-	677	NM
Impairment on investments	2,303	-	2,303	NM
Share of net loss of associate	26	142	(116)	(82)
	3,354	274	3,080	NM
Loss before taxes	(7,649)	(5,037)	(2,612)	(52)
Income taxes recoveries	(201)	(814)	613	75
Net loss	(7,448)	(4,223)	(3,225)	(76)
Adjusted gross profit ⁽¹⁾	3,537	4,252	(715)	(17)
Adjusted gross margin ⁽¹⁾	30.7%	32.7%		
Adjusted EBITDA ⁽²⁾	(2,396)	(2,421)	25	1
Adjusted EBITDA margin ⁽²⁾	(20.8%)	(18.6%)		
Weighted average number Of Share outstanding: Basic and diluted	51,930,326	50,075,202		
Net loss per share -Basic and diluted	\$(0.15)	\$(0.09)		

(1), (2) Adjusted Gross Profit, Adjusted Gross Margin, Adjusted EBITDA and Adjusted EBITDA Margin are non-IFRS measures. Please see "Non-IFRS Financial Measures" below for more information and a reconciliation of these amounts to the IFRS measures found in the Company's condensed interim consolidated financial statements.

Selected Statement of Financial Position Data

	March 31, 2023	December 31, 2022
	\$ in thousands	

Cash	1,403	1,411
Accounts receivable	4,535	5,627
Other assets	1,078	1,493
Accounts payable and accrued liabilities	(8,957)	(9,227)
Bank loan	(1,695)	(1,685)
Related party loan	(7,169)	(5,315)
Lease liabilities	(9,833)	(10,420)
Other liabilities	(130)	(130)
Non-controlling interest redeemable liability	(1,305)	(1,305)
Liability for contingent consideration	(30)	(1,637)

Non-IFRS Financial Measures

The terms Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Gross Profit and Adjusted Gross Margin used in this document do not have any standardized meaning under IFRS, may not be comparable to similar financial measures disclosed by other companies and should not be considered a substitute for, or superior to, IFRS financial measures. Readers are advised to review the section entitled "Non-IFRS Financial Measures" in the Company's management discussion and analysis for the quarter ended March 31, 2023, available on MCI's SEDAR page at www.sedar.com, for a detailed explanation of the composition of these measures and their uses.

(1) The following table reconciles Adjusted EBITDA and Adjusted EBITDA Margin to net income (loss) for the three-months ended March 31, 2023 and March 31, 2022:

	Three months ended	
	March 31	
	2023	2022
	\$ in thousands	
Total Revenue	\$11,534	\$13,020
Net loss	(7,448)	(4,223)
Add back (deduct)		
Depreciation and amortization	1,261	1,221
Net finance charges	355	132
Expected credit recovery	(76)	-
Loss on settlement of shares-contingent consideration	677	-
Share of loss of associate	26	142
Impairment on investments	2,303	-
FV changes-contingent liabilities	(7)	-
Income taxes recoveries	(201)	(814)
Share-based payment expense	714	1,121
Adjusted EBITDA	\$(2,396)	\$(2,421)
Adjusted EBITDA Margin	(20.8%)	(18.6%)

(2) The following table reconciles Adjusted Gross Profit and Adjusted Gross Margin to revenue and cost of sales for the three-months ended March 31, 2023 and March 31, 2022:

	Three months ended		Period over	
	March 31		period Change	
	2023	2022	\$	%
	(\$ in thousands except percentages)			
Revenue	\$11,534	\$13,020	\$(1,486)	(11%)
Cost of sales	8,155	8,926	(771)	(9%)
Less:				
Depreciation and amortization	(158)	(158)	-	NM
	7,997	8,768	(771)	(9%)
Adjusted gross profit	\$3,537	\$4,252		
Adjusted gross margin	30.7%	32.7%		

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 approximately 280 physicians and specialists, serves more than one million patients annually and had nearly 300,000 telehealth visits

last year, including online visits via mciconnect.ca. MCI additionally offers an expanding suite of occupational health service offerings that support a growing list of more than 650 corporate customers. Led by a proven management team of doctors and experienced executives, MCI remains focused on executing a strategy centered around acquiring technology and health services that complement the company'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 cash and liquidity, the Company's need for financing, the anticipated completion of the Company's additional debt financing, the Company's ongoing review of strategic alternatives and the work of its Special Committee, the possibility of disposing of certain of the Company's assets and plans for future cost reduction. The words "engaged in", "evaluating", "continuing to", "potential", "future", "seeking", "remains", "implement", "consider", "possible", "continually", "ongoing", "result in", "able to", "successful", "progress", "increasing", "anticipates", "begin", "delivering" 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 short- and medium-term liquidity and working capital needs, the availability of working capital and sources of short-term liquidity; the Company's ability to continue to operate as a going concern; the Company's ability to secure additional debt or equity financing and the terms on which that financing may be secured; MCI's ability to close the transaction with a related party to gain access to the additional debt financing facility and the granting of approval of the debt facility by the Toronto Stock Exchange; MCI's ability to find potential transaction partners to acquire the business or certain of its assets, the price which those transaction partners may be willing to pay and the timelines required to complete any potential transactions; MCI's ability to achieve its growth and revenue strategies; the demand for MCI's products and fluctuations in future revenues; the availability of future business ventures, commercial arrangements and acquisition targets or opportunities and MCI's ability to consummate them and to effectively integrate future acquisition targets into its platform; MCI's ability to effectively roll out its smart referral system and monetize its data lake; MCI's ability to grow its customer base in its corporate health services; the effects of competition in the industry; the requirement for increasingly innovative product solutions and service offerings; trends in customer growth; the stability of general economic and market conditions; currency exchange rates and interest rates; 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.

Readers are encouraged to review the "Liquidity and Capital Resources" section of the Company's MD&A, together with Note 2(c) of the Company's condensed interim consolidated financial statements, for the period ended March 31, 2023, which indicate the existence of material uncertainties that cast significant doubt on the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent on, among other things, its ability to meet its financing requirements on a continuing basis, to sell certain assets to generate short-term liquidity, to have access to financing and to generate positive operating results. The Company's ability to satisfy its financing requirements and ultimately achieve necessary levels of profitability and positive cash flows from operations, to raise additional funds, to sell assets and to improve operating results are dependent on a number of factors outside the Company's control and there can be no assurance that the Company will be able to do so in the future.

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 annual information form dated March 31, 2023, 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.