



MCI Onehealth Reports Second Quarter 2023 Financial Results

August 15, 2023

TORONTO, ON, Aug. 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 June 30, 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.sedarplus.ca. 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

The Company has been and is continuing to face financial and operational challenges. For the three months ended June 30, 2023 (the "Reporting Period"), the Company experienced losses from continued and discontinued operations of \$9.8 million and had negative cash flows of \$3.5 million. As at the end of that same period, the Company had a cash balance of approximately \$662,000 and accounts payable and other current liabilities of approximately \$6.8 million.

On July 19, 2023, after the end of the Reporting Period, the Company entered into definitive agreements with WELL Health Technologies Corp. ("WELL") to complete a strategic transaction (the "Transaction") which, if successfully completed, will result in the Company selling a significant portion of its clinical assets to a subsidiary of WELL, obtaining new financing and positioning itself to emerge as a key national platform with a strong focus on AI-powered healthcare technology and clinical research. Please refer to the Company's news release dated July 20, 2023 for additional details on the proposed Transaction.

In connection with signing the definitive agreements for the Transaction, WELL advanced \$3.0 million to the Company under a secured promissory note to provide the Company with working capital to stabilize its business, continue to operate in the ordinary course and to accelerate the pursuit of its strategic plan during the interim period between signing and closing the Transaction. This advance is anticipated to provide the Company with sufficient liquidity, absent any material unanticipated developments, to complete the Transaction, which is anticipated to close on October 1, 2023. At that time, the Company will complete a convertible debenture financing to raise additional capital to address its longer-term liquidity and capital requirements.

In the event that the Transaction cannot be successfully completed, or the closing date for the Transaction is delayed, the Company anticipates that it will need to obtain additional financing by the end of September to fund ongoing operations in the ordinary course.

Second Quarter 2023 Financial and Operational Highlights

Significant financial and operational highlights for MCI during the three months ended June 30, 2023 included:

- **Operational Challenges:** As described above, the Company has faced and is continuing to face liquidity and operational challenges. The Company continued to take steps during the Reporting Period to reduce its expenses, settle outstanding liabilities, sell non-core assets and otherwise address its short-term liquidity requirements while working towards the negotiation of definitive agreements for the Transaction.
- **Financing:** On May 18, 2023, MCI announced that it completed a transaction with The First Canadian Wellness Co. Inc. (the "Lender"), a related party to the Company, to provide a new \$1.5 million credit facility to the Company, in addition to its existing \$7 million loan arrangement with the Lender. Additional details pertaining to the new facility are set out in the Company's press release dated May 18, 2023.
- **Sale of Assets:** On May 31, 2023, the Company sold its subsidiary, MCI Medical Clinics (Alberta) Inc., which housed its five medical clinics in Alberta, to a subsidiary of WELL for total consideration of \$2 million, less customary closing adjustments and holdbacks. The proceeds of the sale were applied to address some of the Company's recent financial challenges and liquidity constraints. Additional details on the sale of assets are set out in the Company's news releases dated May 19, 2023 and June 1, 2023.
- **Information and Data Analytics:** The Company continued to provide data insights as a service to customers in six categories: rare disease; complex major medical/chronic; patient cohort building; clinical trial recruitment; synthetic health data and bespoke insights. Such services are targeted primarily at pharmaceutical companies, life science companies, precision medicine companies and top-tier universities.
- **Corporate Health Services:** The Company continued to offer corporate health services from its 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 at a slower rate than the previous quarter.

- **Revenue:** Revenue for 2Q23 declined 40% in the Reporting Period as compared to the 2Q22. The decline in revenue was driven primarily by the consolidation of five of the Company's medical clinics in Ontario which was completed in late 2022 and early 2023, as well as the divestiture of five of the Company's medical clinics in Alberta during the Reporting Period. Total revenue for 2Q23 from continuing operations was \$3.2 million, compared to \$5.3 million in 2Q22.
- **Net Losses:** Net losses for 2Q23 from continuing and discontinued operations was \$9.8 million, as compared to net losses of \$4.2 million in 2Q22. Higher net losses in the Reporting Period were driven by the consolidation of five clinics in Ontario in late 2022 and early 2023, the sale of the Company's clinics in Alberta, lower revenue in health technology and health research services, impairment of investments and goodwill and an increase in non-cash share-based compensation.
- **Adjusted EBITDA:** Adjusted EBITDA⁽¹⁾ from continuing operations for 2Q23 was a loss of \$2.4 million, as compared to an Adjusted EBITDA from continuing operation of negative \$2.6 million in 2Q22.

Selected Financial Information

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

	Three months ended		Period over		Six months ended		Period over	
	June 30		period		June 30		period	
	2023	2022	\$	%	2023	2022	\$	%
(\$ in thousands except percentages)								
Continuing operation								
Revenues	\$ 3,177	\$ 5,283	\$ (2,106)	(40)	\$ 6,449	\$ 8,576	\$ (2,127)	(25)
Cost of revenue	2,351	3,574	(1,223)	(34)	4,670	5,877	(1,207)	(21)
Gross profit	826	1,709	(883)	(52)	1,779	2,699	(920)	(34)
Research and development	700	2,214	(1,514)	(68)	2,551	4,044	(1,493)	(37)
General and administrative								
Sales and marketing	319	461	(142)	(31)	641	829	(188)	(23)
General and administrative								
General and administrative	3,740	3,287	453	14	6,643	6,618	25	0
Impairment of goodwill and intangibles	7,629	-	7,629	NM	7,629	-	7,629	NM
	12,388	5,962	6,426	108	17,464	11,491	5,973	52
Net finance costs	431	123	308	250	741	187	554	296
Share of comprehensive loss (income) from associate	(26)	44	(70)	NM	-	187	(187)	NM
Loss on settlement of shares-contingent consideration	-	-	-	NM	677	-	677	NM
Impairment of investment in associate	-	-	-	NM	2,180	-	2,303	NM
Changes in fair value of contingent consideration	(30)	158	(188)	NM	(37)	158	(195)	NM
Changes in fair value of investments	11	-	11	NM	134	-	11	NM
	386	325	61	19	3,695	532	3,163	NM
Loss before taxes	(11,948)	(4,578)	(7,370)	161	(19,380)	(9,324)	(10,056)	108
Income taxes	(698)	(1,216)	518	(43)	(900)	(2,031)	1,131	(56)
Net loss-continuing operation	(11,250)	(3,362)	(7,888)	NM	(18,480)	(7,293)	(11,187)	NM
Net (income)/loss on discontinued operations, net of tax	(1,437)	867	(2,304)	NM	(1,216)	1,152	(2,368)	NM
Net loss	(9,813)	(4,229)	(5,584)	132	(17,264)	(8,445)	(8,819)	104
Continuing operation								
Adjusted gross profit ⁽¹⁾	984	1,867	(883)	(47)	2,096	3,016	(920)	(31)
Adjusted gross margin ⁽¹⁾	30.9%	35.4%			32.5%	35.2%		

Adjusted EBITDA ⁽¹⁾	(2,363)	(2,664)	301	(11)	(5,250)	(5,878)	628	(11)
Adjusted EBITDA margin ⁽¹⁾	(74.4%)	(50.4%)			(81.4%)	(68.5%)		
Discontinued operation								
Adjusted gross profit ⁽¹⁾	2,176	2,376	(200)	(8)	4,602	5,481	(879)	(16)
Adjusted gross margin ⁽¹⁾	30.2%	27.8%			29.7%	30.1%		
Adjusted EBITDA ⁽¹⁾	(136)	(273)	137	(50)	48	112	(64)	(57)
Adjusted EBITDA margin ⁽¹⁾	(1.9%)	(3.2%)			0.3%	(0.6%)		
Net income/(loss) attributable to Company shareholders								
- Continuing operation	\$ (11,250)	\$ (3,362)			\$ (18,480)	\$ (7,293)		
- Discontinued operation	1,437	(867)			1,216	(1,152)		
	\$ (9,813)	\$ (4,229)			\$ (17,264)	\$ (8,445)		
Weighted average number of								
Of Share outstanding: Basic and diluted	53,869,773	50,075,202			52,900,049	50,075,202		
Net income (loss) per share -Basic and diluted								
- Continuing operation	\$ (0.21)	\$ (0.07)			\$ (0.35)	\$ (0.15)		
- Discontinued operation	0.03	(0.02)			0.02	(0.02)		
	\$ (0.18)	\$ (0.09)			\$ (0.33)	\$ (0.17)		

(1) Adjusted Gross Profit, Adjusted Gross Margin, Adjusted EBITDA and Adjusted EBITDA Margin are non-IFRS measures.

Selected Statement of Financial Position Data

	<u>June 30, 2023</u>		<u>December 31, 2022</u>	
	\$ in thousands			
Cash	662		1,411	
Accounts receivable	1,485		5,627	
Other assets	1,464		1,493	
Assets classified as held for sale	5,534		-	
Liabilities associated with assets classified as held for sale	(4,184)		-	
Accounts payable and accrued liabilities	(6,817)		(9,227)	
Bank loan	(1,410)		(1,685)	
Lease liabilities	(5,563)		(10,420)	
Other liabilities	(60)		(130)	
Related party loan	(8,927)		(5,315)	
Non-controlling interest redeemable liability	(1,305)		(1,305)	
Liability for contingent consideration	-		(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 June 30, 2023, available on MCI's SEDAR+ page at www.sedarplus.ca, 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 June 30, 2023 and June 30, 2022:

	Three months ended		Six months ended	
	June 30		June 30	
	2023	2022	2023	2022
\$ in thousands				
Total Revenue				
- Continuing operation	\$ 3,177	\$ 5,283	\$ 6,449	\$ 8,576
- Discontinued operation	7,213	8,531	15,475	18,258
	\$ 10,390	\$ 13,814	\$ 21,924	\$ 26,834

Net (loss) income				
- Continuing operation	\$ (11,250)	\$ (3,362)	\$ (18,480)	\$ (7,293)
- Discontinued operation	1,437	(867)	1,216	(1,152)
	\$ (9,813)	\$ (4,229)	\$ (17,264)	\$ (8,445)
Add back (deduct)				
Continuing operation				
Depreciation and amortization	884	710	1,788	1,330
Net finance charges	431	123	741	187
Share of comprehensive loss (income) from associate	(26)	44	-	187
Loss on settlement of shares-contingent consideration	-	-	677	-
Impairment of investment in associate	-	-	2,180	-
Impairment of goodwill and intangibles	7,629	-	7,629	-
Changes in fair value of contingent consideration	(30)	158	(37)	158
Changes in fair value of investments	11	-	134	-
Share-based payment expense	714	850	1,121	1,555
Expected (recovery) provision of credit losses	(28)	29	(103)	29
Income taxes recovery	(698)	(1,216)	(900)	(2,031)
Discontinued operation				
Depreciation and amortization	313	538	670	1,140
Net finance charges	38	56	86	124
Recovery of expected credit losses	(55)	-	(55)	-
Gain on disposal of subsidiary	(2,016)	-	(2,016)	-
Impairment charges	147	-	147	-
Adjusted EBITDA				
- Continuing operation	\$ (2,363)	\$ (2,664)	\$ (5,250)	\$ (5,878)
- Discontinued operation	(136)	(273)	48	112
Adjusted EBITDA Margin				
- Continuing operation	(74.4%)	(50.4%)	(81.4%)	(68.5%)
- Discontinued operation	(1.9%)	(3.2%)	0.3%	0.6%

(2) The following table reconciles Adjusted Gross Profit and Adjusted Gross Margin to revenue and cost of sales for the three-months ended June 30, 2023 and June 30, 2022:

	Three months ended		Period over		Six months ended		Period over	
	June 30		period Change		June 30		period Change	
	2023	2022	\$	%	2023	2022	\$	%
(\$ in thousands except percentages)								
Revenue								
- Continuing operation	3,177	5,283	(2,106)	(40%)	6,449	8,576	(2,127)	(25%)
- Discontinued operation	7,213	8,531	(1,316)	(15%)	15,475	18,258	(2,783)	(15%)
Cost of revenue								
- Continuing operation	2,351	3,574	(1,223)	(34%)	4,670	5,877	(1,207)	(21%)
- Discontinued operation	5,038	6,155	(1,117)	(18%)	10,873	12,777	(1,904)	(15%)
Less:								
Depreciation and amortization								
- Continuing operation	(158)	(158)	-		(317)	(317)	-	
- Discontinued operation	-	-	-		-	-	-	
	2,193	3,416	(1,223)	(36%)	4,353	5,560	(1,207)	(22%)
	5,037	6,155	(1,118)	(18%)	10,873	12,777	(1,904)	(15%)
Continuing operation								
Adjusted gross profit	984	1,867	(883)	(47%)	2,096	3,016	(920)	(31%)
Adjusted gross margin	30.9%	35.4%			32.5%	35.2%		

Discontinued operation

Adjusted gross profit	2,176	2,376	(200)	(8%)	4,602	5,481	(879)	(16%)
Adjusted gross margin	30.2%	27.8%			29.7%	30.1%		

About MCI

MCI is a healthcare technology company focused on empowering patients and doctors with advanced technologies and data-driven clinical insights to increase access, improve quality, and reduce healthcare costs. 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.

For media enquiries please contact:

Nolan Reeds | nolan@mcionehealth.com

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 Transaction, and plans for future cost reduction. The words "intend", "generate", "accelerate", "engaged in", "evaluating", "continuing to", "potential", "future", "remains", "consider", "ongoing", "result in", "able to", "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 satisfy any conditions precedent and complete the Transaction; MCI's ability to obtain the necessary TSX, regulatory and shareholder approvals required for the completion of the Transaction; MCI's ability to maintain its relationships with its key strategic partners, including WELL; 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 grow its customer base; 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 June 30, 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.sedarplus.ca. 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.