

FINAL TRANSCRIPT

Medical Facilities Corporation

2016 Third Quarter Results Conference Call

Event Date/Time: November 10, 2016 — 8:30 a.m. E.T.

Length: 31 minutes

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



CORPORATE PARTICIPANTS

Britt Reynolds

Medical Facilities Corporation — President and Chief Executive Officer

Michael Salter

Medical Facilities Corporation — Chief Financial Officer

Jim Rolfe

Medical Facilities Corporation — Chief Development Officer

CONFERENCE CALL PARTICIPANTS

Neil Maruoka

Canaccord Genuity — Analyst

Lennox Gibbs

TD Securities — Analyst

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



PRESENTATION

Operator

Good morning, ladies and gentlemen. Welcome to the Medical Facilities Corporation's 2016 third quarter results conference call.

Before the call is turned over to management, listeners are cautioned that today's presentation and the responses to questions may contain forward-looking statements within the meaning of the safe harbor provisions of Canadian provincial securities law.

Forward-looking statements involve risks and uncertainties, and undue reliance should not be placed on such statements. Certain material factors or assumptions are implied in making forward-looking statements, and actual results may differ materially from those expressed or implied in such statements.

For additional information about factors that may cause actual results to differ materially from expectations, and about material factors or assumptions implied in making forward-looking statements, please consult the MD&A for this quarter, the Risk Factor section of the Annual Information Form, and Medical Facilities other filings with Canadian securities regulators.

Medical Facilities does not undertake to update any forward-looking statements. Such statements speak only as of the date made.

Listeners are also reminded that today's call is being recorded for the benefit of individual shareholders, the media, and other interested parties who may want to review the call at a later time.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



I would now like to turn the meeting over to Mr. Britt Reynolds, President and CEO of Medical Facilities. Please go ahead, Mr. Reynolds.

Britt Reynolds — President and Chief Executive Officer, Medical Facilities Corporation

Thank you, Operator, and good morning, everyone. Joining me today is Michael Salter, our Chief Financial Officer, and Jim Rolfe, our Chief Development Officer.

Prior to the market opening today, we released our 2016 third quarter financial results. Our news release, financial statements, and MD&A may be accessed through our corporate website at www.medicalfacilitiescorp.ca, and these were also released to SEDAR today.

For today's call, I'll start by discussing the results of our third quarter, and then Michael will review further detailed financial results. Jim will provide some insight on our growth plans and future; then we will open the call (phon) to questions.

The third quarter of 2016 was a solid quarter for us, anchored by the acquisition of new centres, the strengthening of our management team resources, and solid increases in volume and revenue.

A big part of our mandate when I was appointed CEO last spring was to systematically and methodically grow the Company and enhance consolidation opportunities in the global markets.

In the previous quarter we made solid progress on these fronts. We closed on the acquisition of a speciality surgical hospital in Mishawaka, Indiana, and an ambulatory surgery centre near our Sioux Falls surgical hospital in South Dakota.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



Unity Medical and Surgical Hospital in Mishawaka, Indiana, is a physician-owned hospital institution with our current portfolio as a Medicare-certified provider with 29 beds and 6 surgical and special procedure suites; is focused primarily on orthopaedic surgery; ophthalmology; podiatry; neurosurgical; and pain management procedures.

We acquired a 62 percent interest in Unity for \$27.8 million. We also have the right to purchase an additional 21 percent over the next three years.

This is an important acquisition for us. It adds another high-quality, physician-owned surgical hospital to our group, and it expands our geographic diversification.

It's also important to note that five of our six centres are now five-star rated by the Centres for Medicare & Medicaid Services.

In a related transaction we also purchased the land and buildings near Unity's operations for \$27.4 million. Similar to our ownership of real estate at some of our other facilities, this could serve as a future financial diversification opportunity. We have already made progress in integrating Unity into our operations, and we are optimistic on our ability to generate long-term value in this new market.

Just after the end of the quarter our Sioux Falls surgical hospital purchased a nearby ambulatory surgical centre for \$20 million. This surgery centre, Prairie States Surgical Centre, is an outpatient surgery facility that offers services for orthopaedic procedures.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



Upon acquisition it was integrated into a department of the Sioux Falls surgical hospital. Prairie States Surgical Centre is located two miles away from Sioux Falls surgical hospital and brings additional orthopaedic surgeons to these facilities. We are excited about the operational synergies that can be gained between the two operations.

With the addition of this new surgery component, we experienced increased service demand, and we have identified operating efficiencies for both facilities.

These transactions demonstrate two different approaches we have for generating growth: one, by adding facilities in our new geographies and markets, and two, by making tuck-in acquisitions that complement our current market presence.

To enhance our ability to evaluate and accelerate these growth initiatives, we have added a Chief Development Officer, Jim Rolfe, to our team this quarter. Jim brings significant experience to MFC and the health care industry, and more specifically, on acquisitions and development.

I've worked closely with Jim for over a decade, and I'm pleased to have him and his skill set to identify, evaluate, acquire, integrate assets of all types, including physician joint ventures in hospitals and outpatient facilities.

But he also brings established extensive industry network with help to build our pipeline for accretive opportunities. Jim was familiar with MFC prior to joining us. In fact, as a consultant he drove the recent acquisition of Unity from the identification, the assessment, the evaluation, and is now spearheading the integration.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



Turning to our performance in the third quarter of 2016, we experienced some volume and revenue. We had a 4.6 percent increase in cases in the quarter, resulting in a very solid 7.8 percent increase in revenue to \$78.8 million compared to \$73.1 million in Q3 of 2015.

This program was due to an increase in volume across our facilities and particularly strong growth in our Arkansas, Black Hills Surgical Hospitals. We also had contributions for a partial period from Unity previously described.

Operating expenses increased 10.6 percent year over year to \$64.6 million from \$58.4 million in Q3 of 2015. As a proportion of revenue, operating expenses were 82 percent compared to 80 percent in the prior year.

This increase in operating expenses and a modest decrease in margin was primarily affected by payor mix. Government payors, namely Medicare and Medicaid, increased approximately 16 percent overall in the third quarter of 2015. Quarter-to-quarter variability in payor mix is a normal part of our business.

While we were primarily pleased with the growing volumes at our facilities, delivering care efficiently is something we remain keenly focused on enhancing. Within our centres our physician partners, their teams have been working on initiatives to improve operating efficiency.

Given that a large portion of our procedures provide orthopaedic services there are opportunities to realize cost improvements through streamlined procurement of implants and related supplies.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



For the third quarter, consolidated income from operations was \$14.2 million compared to \$14.7 million in the third quarter of 2015. On a trailing-12 basis, our consolidated income from operations grew and was \$70.6 million, a 2.3 percent increase over the \$69 million realized 12 months ended September 30, 2015.

I will now ask Michael to provide more detail and insight on our financial performance for the third quarter, and then Jim will provide some insight on our growth plans. Thereafter, I would like to forward all the questions.

Michael?

Michael Salter — Chief Financial Officer, Medical Facilities Corporation

Thanks, Britt, and good morning, everyone. Before I begin, please note that all of the dollar amounts expressed in today's call are in US dollars, unless otherwise stated.

As Britt mentioned, in Q3 2016 we experienced very respectable revenue growth from \$73.1 million a year ago to 78.8 million this year, a 7.8 percent increase.

Let's now take a look at the centres specifically. Arkansas Surgical Hospital continued its strong growth trends in the quarter, with a 10.8 percent growth in revenue as a result of an improved case mix and increased capacity.

At Black Hills Surgical Hospital, increased surgical volume and improved case mix resulted in a very solid 8.9 percent growth in revenue. At the end of the third quarter, Black Hills opened a new urgent care facility in a secondary market in Spearfish, South Dakota.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



Initial start-up volumes exceeded our expectations, and as capacity grows we expect that this new facility will be a solid source of incremental revenue, generating positive operating margin and providing options for services at Black Hills Surgical Hospital.

At Oklahoma Spine Hospital, revenue increased by 4.2 percent in the quarter due to a higher case volume; however, OSH also experienced a less favourable payor mix.

Sioux Falls surgical hospital has experienced an increased case volume and a favourable case mix, including increases in its MRI and pain clinic services; however, they did experience a 1 percent drop in revenue compared Q3 2015, primarily as a result of a higher government patient base.

In the past quarter, our ambulatory surgery centre in Newport, California had a decrease in case load related to complex orthopaedic cases. This resulted in revenue being 4.6 percent lower than Q3 2015.

We are pleased that several of our initiatives, though, to expand services and physicians is coming to closure, and should be seen in the start of 2017. The centre did experience an improved payor mix with increased cases from Blue Cross and Blue Shield.

Cash available for distribution increased by 7.3 percent to \$10.5 million compared to 9.8 million in third quarter of 2015. This increase was due to lower cash flows from our respective centres, which were more than offset by lower realized losses on foreign exchange forward contracts.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



On a per share basis, our cash available for distribution was C\$0.34 per common share, or 9.7 percent higher than \$0.31 recorded in Q3 2015. This resulted in an 83.1 percent payout ratio for the third quarter of 2016, comparing very favourably to the 89.8 percent in Q3 2015.

On a trailing 12-month basis, our payout ratio was 76.9 percent for the 12 months ended September 30, 2016, as compared to 77.4 percent for the same period ended September 30, 2015.

As of September 30, 2016, cash, cash equivalents, and short-term investments were even with the previous year at \$70.9 million.

Despite some of the fluctuations we've just discussed, we are confident that resources are in place to execute on our growth initiatives. And we anticipate further positive contributions from our existing operations.

I would now like to call on Jim to discuss our revolving growth focus. Jim?

Jim Rolfe — Chief Development Officer, Medical Facilities Corporation

Thanks, Michael. In the past quarter, we have seen MFC take the first steps on our path to growth.

Since joining MFC, I am really excited about the attractive opportunities for acquisitions. We currently have multiple targets under consideration that could a right fit for us.

In our previous relationships, Britt and I have worked and continue to work together to identify creative opportunities in attractive markets. Our primary focus is on identifying appropriately priced, strategically positioned, high-quality opportunities.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



We are tracking those that add value and that are near-term accretive. A core criteria will also be those that provide an attractive payor mix. As Michael has noted, we have the resources dedicated to pursue these opportunities.

Continuing to increase revenue and improve margins at the facility level is a very important part of our growth strategy. As Britt mentioned, the leadership teams at our centres already have initiatives in place to improve operating efficiencies. Since coming aboard, I have been focused on adding resources and value to our existing portfolios.

Another part of our concentration on organic growth is by adding to and enhancing the services provided at our current centres. This will include identifying and collaborating with our current and also new potential physician partners.

Our focus remains on providing an environment where these physicians can dedicate their patient care efforts with efficient facilities, thus enabling high-quality services and outcomes, which is MFC's trademark.

Starting at the end of last quarter and continuing for the rest of the year, we have been refining and transforming the long-term strategy for Medical Facilities Corporation. For the balance of 2016, we will be memorializing that strategy in concert with our Board of Directors, our local leaders, and our physician partners.

With that, we would now like to open up the line for questions.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



Q&A

Operator

Thank you. If you would like to ask a question at this time, simply press *, then the number 1 on your telephone keypad. To withdraw your question, press the # key. We'll pause for a moment to compile the Q&A roster.

Your first question come from the line of Neil Maruoka from Canaccord. Your line is open.

Neil Maruoka — Canaccord Genuity

Hi. Good morning, guys, and thanks for taking the question.

Michael Salter

Hi. Good morning, Neil.

Britt Reynolds

Absolutely. Good morning, Neil.

Neil Maruoka

First one just on Sioux Falls, I think if we look back over the past few quarters you can see a deterioration in a quarter—or year-over-year deterioration in the operating margins there. Are there any structural reasons for that, whether it be macroeconomic or operational? And how do you expect that you can turn that around?

Britt Reynolds

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



Yes. Neil, thanks. It's Britt. Obviously you noted and you're correct, we've seen some deterioration there. We don't see that as being something that's systemic or long term, and I'll explain.

The opportunities to continue to refine on our purchasing initiatives, on our cost-saving initiatives, are well underway. We have an active engagement with our physicians on co-management there at the facility. So they're actively engaged in not only delivering the care, but also managing the cost. And part of what you're seeing is really the beginning since I got here of amping up some of the development efforts that we have there.

And embedded in here—and we wanted to be brief in our notes, but use this time to explain—we experienced some onetime hits actually literally within a couple of months of the quarter—not even in the full quarter of this period—where we made some investments in the longer term, as we mentioned, on the ambulatory surgery acquisition.

That took a lot of cost and to integrating, educating. The operations of a surgery centre, ambulatory, largely outpatient, is very different than an inpatient. And so there was a lot of efforts to make sure that we came out of the gate strong. We could have delayed that a little bit in terms of being more systematic and methodical. But because these were in close proximity, and because we felt like that we could get out of the gate strong and really have a clear path starting 2017, we decided to go ahead and take those.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



I think absent that you would have seen a better performance out of Sioux Falls than you've seen in the prior two quarters when we've talked on these earnings calls.

Neil Maruoka

Okay. Great. Thank you for the detail there. And maybe that leads into my second question. Britt, you've been CEO here for a few months now. What's your view on the urgent care and how that fits in with the surgical hospitals that you operate?

Britt Reynolds

We see obviously our core business is the surgical component at our centres, a secondary core business, both inter-same market on the ambulatory surgical side that gives a little different platform on growth of the types of services we can provide. So it gives us a real nice diversification play in our organic markets.

Then the second tumblers really on urgent care and in other areas of ambulatory diagnostics really starts to round out the continuum. So those services are not going to be nearly as high margin as the surgical side of the component, but they are the relationship builders for the patients and the physicians in the markets that really start to tether them to our facilities.

And oftentimes the urgent care arena caters to an orthopaedic population, a neurosurgical population, an injury, job-injury kind of population, and we see those as being natural connection points to the core business we operate. And then obviously if you have an efficient model in place

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



we're able to expand other services that might not absolutely require immediate services, but part of what we're really focused on doing is continuing to build a relationship with our community.

And Jim mentioned it earlier—and I want to make sure that that's not lost on us—in the most recent reporting of our satisfaction measures and the reporting on our outcomes, the vast majority of our facilities were five star out of five star. So part of our goal is continuing to develop that high-quality reputation. They may not need services immediately, but we believe they'll need services ultimately. And that's a corollary function to have these services developed for us.

Neil Maruoka

Okay. Great. And finally, my last question. I think a few years ago I probably hadn't noted a lot of synergies between the hospitals. You come from a much larger organization—and you've been here for a few months now—and you step back where do you see the opportunity for cross synergies, cost synergies between the hospitals?

Britt Reynolds

I think it's appropriately described for you. I think that we've functioned for a fair amount of time as efficient, focused, individual operations that have had a large large measure of success over MFC's 12-plus years.

One of the things that I was challenged with and one of the things that is clearly present is the ability to network these hospitals stronger together, sharing best practices and sharing demonstrated results. And without getting into the details and being succinct here for others to ask

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



questions, each one of our centres actually has different dimensions that they perform rather well on.

And so part of the entire management team is to daylight the successful initiatives that are being accomplished, and really using that as much more of a templated approach and best-practice sharing.

What I'm really encouraged about are maybe for the first time, but surely in a much more robust manner, these facility executives are literally visiting each other, sharing the information, and then working with us as management together to look at how do we identify those opportunities, and they're showing tangible results. Probably, and I'll call it out, one of our most efficient operators is our ASH facility in Arkansas. And I'm just really pleased at how the other chief executive officers have looked to that organization to emulate some of the successes that they have there.

Neil Maruoka

Great. Thank you very much.

Operator

Again, to ask a question, press *, then the number 1 on your telephone keypad.

Your next question comes from the line of Lennox Gibbs from TD Securities. Your line is open.

Lennox Gibbs — TD Securities

Good morning. Thank you.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

**Britt Reynolds**

Good morning, Lennox.

Lennox Gibbs

The strategic planning process, what are the key points of focus—what have the key points of focus been in that process? That's the first question. And then secondly, how and when do you see sharing that plan with the market?

Britt Reynolds

Yes, sir. Thanks. Good morning, Lennox.

Lennox Gibbs

Good morning, Britt.

Britt Reynolds

The process is—and it's why, as Jim mentioned in his opening comments—it's no secret I tapped Jim with me. We've worked both together and we've worked in separate organizations, but collaboratively, and so I know where his focus is and where we're directed.

We are concluding, as he alluded in his opening comments, our Board's strategic planning process that will consummate in the very earliest weeks of the new year. And we've memorialized a lot of the thoughts that I brought to the organization, that Jim brought, that Michael has had over the years, and I feel really good about where that is.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



It would be premature to absolutely get into the details, but we absolutely will get into the details going forward in January next year.

So our criteria is really looking on facilities that don't really need an absolute turnaround process because the time framing on that is a little bit protracted. And sometimes the effort is a little bit harder to sustain without more immediate results. And on the top side, we wouldn't be looking for opportunities that are at the top of their game because we want obviously some accretion opportunities.

So there is a middle bandwidth that makes absolute sense to us that is very, very open. And I'd like to turn to Jim and both his experiences since working with me again over the last month and a half, and then more recently in the last six or seven that we've worked closely together, on what he sees as opportunity.

Jim?

Jim Rolfe

Yeah. Yeah. Britt, thanks. Yeah. The two large components of that we are looking in and we are getting on paper for January's meeting is organic growth, and as Britt mentioned, acquisitive growth.

The organic growth is a big piece of our growth initiatives from things from physician development, continuing our efforts on making each hospital operate very efficiently. And as Britt

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



alluded to, our acquisitions that we're going to target and look at are going to be adjacent to our core business model currently. So we're not going to go out of the fairway on what our core business is.

And also as Britt mentioned, what we'd like to look for and an asset that we do pursue are good target hospitals, or I guess others that have strong quality, a strong management team, consistent revenue and earnings, but also the capacity to grow. So, again, we're not going to deviate tremendously from what our core business is now.

Lennox Gibbs

Okay. And then a second sort of line of question—this is perhaps a little bit off the beaten track—but there's obviously a surgeon interest in repealing the Patient Protection and Affordable Care Act, and that act obviously included several restrictive provisions with respect to specialty hospitals. Can you comment on those developments as best you can just in terms of risk and opportunity to Medical Facilities?

Britt Reynolds

Sure. Lennox, you didn't think we'd think that we'd get that question today, did you? No, we're actually glad to answer it because, I think, unless we did take this opportunity to answer, it might be misinterpreted particularly with our current portfolio. And then more to your question on what does the future look like irrespective of whatever direction it could take, which no one knows at this point, obviously.

Lennox Gibbs

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



Right.

Britt Reynolds

Our current portfolio—and so I'll speak to that first—has not been in states that have been particularly affected by the expansion from the ACA. So we have not had historical uptick, necessarily, for the last several years by the advent of that. So we haven't benefitted; therefore, I don't think we're vulnerable if there's a repeal or a significant modification.

That being said, if the repeal were to allow for an expansion or a re-visitation of the ability to expand this business model, one might view that as we've lost some competitive advantage by a scarce commodity. I'm not choosing to view it that way, Lennox. I'm choosing to view it as we would have always welcomed the opportunity to continue to deliver this model because it's much more efficient; it's much more predictable; the bad debts associated with this type of business are marginally, marginally lower than a general acute care hospital.

For example, we do not offer 24 hours a day 7 days a week year-round emergency service curvages, which are typically not reimbursed like a surgical hospital.

Lennox Gibbs

Right.

Britt Reynolds

So yeah, on the core book of business if there isn't a change materially we keep executing on our plans. If there is a change materially, I view that as opportunity.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

**Lennox Gibbs**

Okay. Good. Thanks for your insight. Thank you.

Operator

And there are no further questions at this time. Mr. Reynolds, I turn the call back over to you.

Britt Reynolds

All right. Well, thank you, guys, for participating on our call today. As we discussed, we are extremely excited as a leadership team to be making progress. I couldn't be prouder of our local hospital leaders and the quick assembly that they have of coming together and focused on delivering on our execution going forward.

And as I mentioned before, I appreciate the patience and tolerance of those that have asked questions on previous calls, as well as individual interactions with us about share the vision, share the future. We are literally a month away from being able to do that, and we look forward to doing that on our next interaction and as we visit with you in the ensuing months.

We thank you for your time on the call today, and we appreciate your interest in Medical Facilities.

Operator

And this concludes today's conference call. You may now disconnect.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »