

Medical Facilities Corporation

AGM

May 10, 2019

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CORPORATE PARTICIPANTS

Marilynne Day-Linton

Medical Facilities Corporation — Chair of the Board of Directors

Robert O. Horrar

Medical Facilities Corporation — President and Chief Executive Officer

Tyler C. Murphy

Medical Facilities Corporation — Chief Financial Officer

PRESENTATION

Marilynne Day-Linton — Chair of the Board of Directors, Medical Facilities Corporation

Thank you very much. It's now 10 am, and I ask that the Annual General Meeting of shareholders come to order.

Ladies and gentlemen, my name is Marilynne Day-Linton, and as Chair I'd like to welcome you to our 2019 Annual General Meeting of shareholders of Medical Facilities Corporation.

At the outset, let me introduce the others sitting at our head table. Mr. Robert Horrar is our Company's President and Chief Executive Officer, and Tyler Murphy is the Company's Chief Financial Officer.

I will act as Chair of the meeting; I will ask Tyler Murphy to act as Secretary; and Shirley Tom of Computershare Investor Services Inc. to act as Scrutineer.

In view of the need to attend to a number of formal matters, certain shareholders or their proxies have volunteered to move and second resolutions where required. While this procedure will facilitate the handling of the formal matters, any shareholder or proxy holder may speak on a matter when that matter is before the meeting. When I recognize you, please give your name and state whether you are a shareholder or a proxy holder.

The minutes of the last Annual General Meeting of shareholders, held on May 10, 2018, are here and available for inspection, at the table there. I'm also tabling a copy of the 2018 audited financial statements; these are publicly available, as are the proxy materials, and additional copies are available here today.

Please note that, upon completion of the meeting, our CEO and CFO will be making a presentation, and they will entertain questions that you might have. Accordingly, during the formal portion of the meeting, I ask that you limit your questions and discussion to the matters directly relating to the specific matters being considered.

Shareholders have been provided with notice and proxy materials for this meeting, in accordance with applicable laws, and additional copies are available here. I have been advised by the Scrutineer that, prior to the meeting, proxies were received from the holders of 10,792,113 shares or approximately 34.75 percent of all shares entitled to be voted. As a result we have quorum for this meeting, and the meeting is properly constituted for the transaction of business.

I propose to conduct a vote on all resolutions put forward to this meeting on a show of hands.

Before we proceed with the formal part of the agenda, I would like to acknowledge Senator Irving Gerstein, who is with us here today. Senator Gerstein is retiring from the Board and is not standing for re-election. He has been an independent director of Medical Facilities Corporation since its IPO in March of 2004, and has served on its Audit Committee, Corporate Governance, Nominating and Compensation Committee, and chaired the Business Development and Acquisition Committee.

Senator Gerstein has been an outstanding contributor on this Board. He is direct, always polite and respectful, but is never shy to ask the hard questions or drill into the issue at hand. As Chair, I'm very appreciative of him openly sharing his perspective, wise counsel, and sage advice.

On behalf of the Board and Management, I would like to thank Senator Gerstein for his service and for sharing his extensive business, finance, governance, knowledge and expertise with our Board and Medical Facilities. Thank you Irving.

We will now proceed with the formal part of our agenda.

The first item of business for which this meeting has been called is the election of eight Directors to hold office until the next Annual Meeting of shareholders of the Company, or until their successors are duly elected or appointed. The Management information circular states that there are eight candidates proposed by management; the Secretary will now read their names.

Tyler C. Murphy — Chief Financial Officer, Medical Facilities Corporation; Secretary of the Meeting

The names of the nominees are: David R. Bellaire, Marilynne Day-Linton, Stephen Dineley, Erin S. Enright, Robert O. Horrар, Dale Lawr, Jeffrey C. Lozon, and Reza Shahim.

Marilynne Day-Linton — Chair of the Board of Directors, Medical Facilities Corporation

Thank you. Is there a motion concerning the election of Directors?

Unidentified Speaker

Madam Chair, I nominate each of the persons whose names have been read to this meeting by the Secretary for election as Director of the Company, to serve until the Annual Meeting of shareholders to be held in 2020, or until his or her successor is duly elected or appointed or he or she otherwise ceases to hold office.

Unidentified Speaker

I hereby second the nomination.

Marilynne Day-Linton — Chair of the Board of Directors, Medical Facilities Corporation

Thank you. Since no further nominations have been received in the required timelines, I declare the nominations closed. Eight persons have been nominated as Directors and there are eight Directors to be elected.

The Board of Directors of Medical Facilities Corporation has adopted what is commonly referred to as a majority voting policy. Under that policy, a Director is required to tender his or her

resignation if he or she receives more Withhold votes than votes cast for his or her election. Based on the proxies received for the election of Directors, if elected, none of the nominees would have to tender their resignation under Medical Facilities Corporation's majority voting policy.

The meeting will now vote on the motion. Will those in favour of the motion please signify by raising your hands?

Those opposed, if any?

I therefore declare that each of the eight nominees, whose names has been read by the Secretary, has been elected a Director of the Company, to hold office until the close of the next Annual Meeting of shareholders, or until his or her successor is duly elected, or he or she otherwise ceases to hold office.

Our next item of business for which this meeting has been called is to consider, and if thought appropriate to approve, a resolution reappointing KPMG LLP as auditors of the Company, and authorizing the Board of Directors to fix the remuneration of the auditors. In order to be approved, this resolution must be passed by a majority of the votes cast thereon. May I have a motion for the approval of this resolution?

Unidentified Speaker

Madam Chair, I hereby move that KPMG LLP be reappointed auditors of the Company, at a remuneration to be fixed by the Board of Directors of the Company.

Unidentified Speaker

Madam Chair, I second the motion.

Marilynne Day-Linton — Chair of the Board of Directors, Medical Facilities Corporation

Thank you. Is there any discussion?

The meeting will now vote on the motion. Will those in favour of the motion please signify by raising your hands.

Those opposed?

The motion is carried. I declare that KPMG LLP has been reappointed as the auditor of the Company in accordance with the motion.

Is there any other business to come before this meeting?

If there is no further business, may I ask for a motion to terminate the meeting.

Unidentified Speaker

Madam Chair, I move that the meeting be terminated.

Unidentified Speaker

Madam Chair, I second the motion.

Marilynne Day-Linton — Chair of the Board of Directors, Medical Facilities Corporation

All those in favour please so signify.

Thank you.

I declare that this meeting is now terminated.

I would like to take this opportunity to thank the Board and the Management team for their dedication and hard work over the last year. I have had the honour of serving as Chair of this Board for the last three years. This will be my last meeting as Chair of the Board, as I will be stepping down as Chair after this meeting. I am pleased to advise you that Jeff Lozon will take over as the Company's Chair of the Board subsequent to this meeting. I look forward to working with Jeff on an orderly transition and continuing to work with my colleagues on behalf of all stakeholders.

I would now like to ask Robert Horrar and Tyler Murphy, the Company's CEO and CFO, to make a presentation and answer your questions.

Robert O. Horrar — Chief Executive Officer, Medical Facilities Corporation

Thank you Marilynne and good morning everyone. I'm pleased to be here today to provide an overview of 2018 and update our plans for the future of MFC.

First, I would like to direct your attention to this forward-looking statement, and state that this presentation should be viewed in the context of this disclaimer.

Twenty-eighteen saw a significant evolution of our business operations, highlighted by substantial expansion of our geographic footprint, diversification of our service line, and growth of our revenue base. These developments strengthened our operations and better positioned us to capitalize on market opportunities when they arise, both through organic initiatives and accretive acquisitions within the growing U.S. health care market.

At the center of our transformation last year was the establishment of our joint venture with NueHealth LLC. We call the partnership MFC Nueterra, and through that partnership in early 2018 we acquired controlling interest in seven ambulatory surgery centres. These ASCs specialize in outpatient surgical procedures, in other words procedures that do not require a hospital admission, including orthopaedic surgery, neurosurgery, and pain management. These facilities have already delivered positive change for the Company, including expanding our footprint, growing our revenue base, and creating value for our patients.

In 2018, we also expanded by organic means, opening two urgent care facilities, one in Sherwood Arkansas and the other in Gillette Wyoming. The continued build-out of our urgent care clinics is part of our strategic objective to expand our existing facility portfolio to reach into surrounding

communities. For instance, the new clinic in Sherwood expands the reach of Arkansas Surgical Hospital, and the one in Gillette expands the reach of Black Hills Surgical Hospital.

To date, we've been pleased with this outreach strategy, and look forward to its continued growth and evolution.

As you can see in this map, our overall footprint and capacity expanded significantly in 2018 compared to 2017. Again, much of this was the result of the MFC Nueterra partnership, which more than doubled the number of states in which we operate, from 5 to 11. Within the seven new ASCs, our total facilities count increased from 6 to 13, and also had year-over-year growth in total operating rooms, procedure rooms, as well as new urgent care clinics I mentioned previously.

I'll now ask Tyler Murphy, our CFO, to provide an overview of our financials.

Tyler C. Murphy — Chief Financial Officer, Medical Facilities Corporation

Thank you Rob, and thank you for everybody joining us today.

With our larger footprint, we recorded record revenue in 2018 of \$431.6 million, a 12 percent increase over 2017 and a 27 percent increase over 2016. A significant portion of the year-over-year growth can be attributed to the MFC Nueterra partnership, as Rob just discussed. The seven additional ASCs added 13,000 outpatient cases to our case volume for the year, contributing \$34.1 million to the revenue line in 2018. Year-over-year growth in same facility revenue accounted for the remaining \$12.2 million in the increase.

EBITDA for 2018 was \$99 million; that was up \$4.4 million or 4.6 percent over 2017 on an adjusted basis, with the adjustment being to compare results after negating the impact of a goodwill impairment charge that we took of \$8.4 million in 2017. MFC Nueterra's ASCs contributed \$6 million to

the EBITDA line in 2018. Contributions from Unity and Oklahoma Spine were also up year over year, but were partly offset by some decreases in some of our other facilities.

Two thousand nineteen, we released our earnings this morning, had our earnings call. Basically the effects were some payer mix and some case mix dampening our revenue growth from prior year. While we experienced a slight increase in revenue, income from operations saw a decrease from \$14.1 million in Q1 of 2018 to \$10.2 million in Q1 of 2019. Our EBITDA was down 4 percent to \$19.3 million for the quarter.

I would like to call out that our Q1 results include the impact of IFRS 16, a substantial change to the lease accounting standards, which came into effect January 1st of this year. Note that our comparative information was not restated. As a result, when comparing 2019 EBITDA to prior periods, the impact of IFRS 16 should be considered.

While we continue to experience some changes in our payer mix from period to period, we continue to be pleased with its general composition, particularly when compared to the overall U.S. health care system. This slide shows our payer mix for 2018 and provides some insight into the strength of our operations. Most important is our proportion of revenue from private insurance, representing 53 percent of revenue, compared to the overall U.S. health care system which is about 34 percent. This is a strong position for us when considering the higher reimbursement rates from private insurance over Medicare and Medicaid.

Overall, we are pleased with our financial position. At the end of the first quarter of 2019, we had cash and cash equivalents of about \$46.5 million, and about \$81.2 million available on our credit facility.

Our current ratio improved to 1.3 times from 0.9 times at the end of Q1 2018.

When looking at some of our peers in the space, we have very low leverage compared to other U.S. health care companies. In short, we are well positioned to take advantage of future growth opportunities as they arise.

I would now like to turn it back over to Rob to discuss some of these opportunities.

Robert O. Horrar — Chief Executive Officer, Medical Facilities Corporation

Thanks Tyler.

Much like here in Canada, the United States has an aging population. This chart highlights the trending numbers in a key demographic: those aged 65 and older. As you can see, there are roughly 53 million seniors in the United States. That is expected to grow to 63.5 million in 2025, and to over 71 million by 2030. The growing seniors population is driving increased demand for health care, as they require more services including surgical procedures.

Due in large part to technological advancement, many of these surgical procedures are being completed in minimally invasive techniques and technology housed in outpatient facilities.

Also due to the lower cost of procedures in outpatient facilities, we believe the number of ASCs in the United States market will increase significantly in the next 10 years. Some estimates have that doubling.

We are pleased with our position in this space today, and the efforts we have undertaken to expand moving forward.

When it comes to organic growth, we have two distinct strategies: the expansion of existing facilities and the diversification of our service offerings.

With respect to the capacity of our existing facilities, we include the recruitment of new physicians as well as the addition of operating and procedure rooms where possible.

Opportunities also exist to continue to diversify our revenue base through the addition of ancillary services, such as with our new urgent care clinics in 2018.

Again, our urgent care strategy is designed to expand the reach of our existing facilities. The urgent care market is also growing and its population of users expands across patient demographics, looking for convenient access to specialize in immediate medical care.

We also look to leverage our MFC Nueterra partnership.

We believe there are opportunities to help our facility partners enhance efficiencies with meaningful value-add services, including group purchasing and exchange of best practices. The objective is supported by the inclusion of MFC Nueterra ASCs under the new health corporate procurement program. This arrangement leverages the 50-plus facilities under NueHealth management to achieve cost savings benefitting existing MFC operations as well as future facility acquisitions.

We're committed to increasing our national presence and have a strong pipeline of acquisition opportunities. Despite a highly competitive buyer landscape, at least in the ASC market, we maintain a strict acquisition criteria, a criteria that includes high-quality facilities with a track record of delivering optimum clinical outcome for patients, appealing demographics, and further opportunities for operational enhancements.

Finally, I would like to take a moment to thank a number of individuals who have contributed to making 2018 a success for the organization. I would like to thank all of our physician partners, nurses, facility leaders and other medical professionals, and all of our staff for continuing to deliver unmatched care for our patients. Our market reputation rests on their tremendous commitment. Finally I would like to thank you our shareholders for your ongoing support of this great Company.

This is an exciting time for MFC. We are better positioned for growth. We look forward to executing on a plan to deliver a strong 2019 and beyond.

We will now be happy to take any questions. Yes sir.

Unidentified Speaker

(Inaudible)

Robert O. Horrar — Chief Executive Officer, Medical Facilities Corporation

So, the question is how the political environment's impacted operate—today the—it hasn't had any direct, other than political rhetoric, that's impacted share prices of U.S. health care companies around continuing Obamacare, and Medicare For All policies. But we've not seen direct issues related to that affect our operations. In fact, as I've mentioned, our pipeline remains strong, we've got a lot of opportunities, and so we haven't seen anything impactful on that yet.

Well, you never know. You never know. It's not—look, I think it's not helpful that there's less insurance coverage in the United States, but I think there is enough political leverage out there that is—I would be surprised to see anything happen this year. It doesn't mean it won't, but—we're one Tweet away.

So, with the question being—you want to pick that up?

Tyler C. Murphy — Chief Financial Officer, Medical Facilities Corporation

Yes, I mean I think, you know, you know our current policy on the dividend is to keep it where it is; we expect to try to grow this Company, we think we have a good ASC platform now to add to earnings going forward, and so I wouldn't expect any change in our current policy as far as the actual dollar amount of the dividend as we expect to use some of our funds as we try to continue to grow and add higher-earnings facilities to our portfolio.

Marilynne Day-Linton — Chair of the Board of Directors, Medical Facilities Corporation

Thank you. Thanks Rob and Tyler. Thank you for your questions.

I'd like to thank all of you for attending today, and we look forward to an exciting year for MFC in the upcoming year. Thanks very much for attending, have a great day.