VieMed

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PRESENTATION

Operator:

Good day, everyone, and welcome to the VieMed Second Quarter 2019 Earnings Conference Call. Today's call is being recorded.

At this time, I'd like to turn the conference over to Todd Zehnder, Chief Operating Officer. Please go ahead.

Todd Zehnder:

All right. Thank you, Vicky. Good morning, everyone.

Please note that remarks in this conference call regarding our expectations, future plans and intentions may constitute forward-looking statements, as such term is defined in the U.S. Federal Securities laws of forward-looking information, as such term is defined in applicable Canadian Securities legislation, which we collectively refer to in this conference call as forward-looking statements. All statements other than statements of historical fact may be forward-looking statements. Such statements reflect the Company's current views and intentions with respect to future events and current information available to the Company and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements that may be expressed or implied by such forward-looking information to vary from those described herein should one or more of the risks or uncertainties materialize.

Examples of such risk factors are discussed or referred to in the Company's disclosure documents filed with the U.S. Securities and Exchange Commission and are available on the SEC's website at www.sec.gov, or filed with the securities regulatory authorities in certain provinces of Canada and that are available at www.sedar.com.

Should any factor affect the Company in an unexpected manner or should assumptions underlying the forward-looking statement prove incorrect, the actual results or events may differ materially from the results or events predicted. Any such forward-looking statements are expressly qualified in their entirety by this cautionary statement. Moreover, the Company does not assume responsibility for the accuracy or completeness of such forward-looking information statements. The forward-looking statements made in this conference call are made as of the date hereof, and the Company undertakes no obligation to publicly update or revise any forward-looking statement other than as required by applicable law. The second quarter financial news results, including the related financial statements, are available on the SEC's website.

Now I'll turn it over to Casey to get things started.

Casey Hoyt:

All right, thanks Todd. Good morning, everyone, and thank you for joining our call today.

Before I begin with an update on the second quarter, I want to take a moment to thank our VieMed team members for their commitment to our business. We've all experienced a lot of evolvement over the past 13 years and our group of dedicated health care professionals have done a fabulous job maintaining our clinical excellence and unique culture in the midst of a fast-paced growth environment. The foundation for our success comes from their dedication to the patients and the families that we serve across our now 29 states. I'll begin my comments for the quarter on the fabulous work that our compliance department has been doing executing on our geographical expansion.

We finished the quarter licensed to do business in 44 states, Medicare approved in 38 states and conducting business in 29 states. We're now doing business in Florida, which was a bear of a regulatory process and a fine example of the quality execution coming out of the compliance department.

We have set a goal to be in the lower 48 over the course of the next year or so. Our sales managers and recruiters have been actively recruiting throughout our existing coverage area and in our newly licensed states. We hired another 10 reps in the second quarter, bringing our year-to-date total to 24 reps.

We've also started a new customer service representative, or inside sales program, to help cultivate more business from our established areas. The new CSRs are being trained to help analyze industry and competitive data to regularly support our seasoned sales reps. They're expected to create more prospecting time for our sales people as some of their daily tasks will include scheduling appointments and in services, processing daily paperwork, reviewing progress, notes and charts, etc. The development of the CSR program, alongside our regular recruiting, hiring and training of new sales reps, remains at the top of our organic growth priorities.

Second on the priority list has been to bring our patients further clinical value to the offering of additional home-based medical products while under our care. Our patients are continuing to benefit from our percussion vest product line, with the vest representing 11% of our new patient growth.

I'm also pleased to announce the move from our 20,000 square-foot facility into our new 77,000 square-foot building that will serve as our corporate headquarters. This new move will allow us to house the back office infrastructure used to support many facets of our expanding business. One example is how we now have the space to house our growing billing and intake department to accommodate our new oxygen business. We were able to move from five beta test markets and release the oxygen business model to the rest of our sales people across the country. Our sales force is extremely pumped about the opportunity to now offer oxygen to our patients, which is expected to ultimately drive more vent orders.

The second quarter has also provided another example of how we continue to pursue growth by finding under-penetrated markets for products that require clinical service. We began beta testing another lymphedema product in five new areas for compression therapy patients, and have experienced a high success rate. Compression therapy is used for patients suffering with chronic swelling and is estimated to have five million patients inside of the U.S. The addressable U.S. market is estimated to be over $4 billion and is less than 20% penetrated.

Our attraction to the business is that a therapist is best used to qualify and treat the patients in the home. Our recently hired network of registered nurses has proven to be a nice bid to conduct the sales process for these patients. The same call points we used for our Home Sleep Delivered business are the call points for lymphedema so the two could be sold at the same time. We're looking forward to growing lymphedema beyond the five areas in the near future.

Our efforts to treat chronic respiratory failure patients inside of the VA are ongoing, and we believe we have just begun to tap it to its potential. The most recent exciting news about the VA is that we've signed an agreement to begin a study with the VA on trading COPD patients with non-invasive ventilation. While this study will take time to complete, we believe this is the best way for the VA to complete the study and show similar results to the KPMG and PRECISION studies, which is expected to eventually lead then to adopting NIV as a standard for all care for veterans struggling with COPD.

Speaking of the PRECISION study, Dr. Frazier has been chosen to present the data at the American College of Chest Physicians, ACCP, annual meeting in New Orleans on October 22. This is the largest pulmonary disease meeting in the world, and the first of many shows where doc will be presenting to the physician community. We have regularly stated that the true competition in our business are the physicians that are not educated on the benefits of NIV. The published PRECISION study will be the tool we plan to use to increase penetration in our industry and finally get the solution to the 95% of patients that struggle to receive our care.

Q2 was a strong quarter for the network development department, with the addition of 39 new plans. Our dedicated experienced team has been participating with 450 payors and plans; 392 of those have been closed in the last 20 months.

Looking ahead, we're excited to grow our market by making our service accessible to an ever-increasing number of payors and members. We will also be reinvesting in new payor mix diversification priorities, such as quarterly meetings, renegotiations, preferred partnerships and value-based contracts.

There has been no change on the regulatory front as far as competitive bidding is concerned. Our Executive staff has been actively analyzing data to help us bid wisely in areas that VieMed will be needed around the country. Bids are due to be submitted in September, and we are ahead of schedule on our preparations to submit.

Todd and I have been busy speaking with many different financial institutions and analysts in preparation for our U.S. listing. After much work, our CFO, Trae Fitzgerald, and his entire accounting team, I'm pleased to announce that today is the first day that we are dually listed on both the Toronto Stock Exchange and now the NASDAQ. This is a big steppingstone and accomplishment for our business.

Todd and I have a busy schedule throughout the back half of the year, speaking at conferences and getting our message out to the many institutions that have been waiting for us to be listed in the U.S. before being able to invest in our Company.

At this point in time, I'll turn the call over to Todd to provide the financial results for the quarter and provide more color on the U.S. listing.

Todd Zehnder:

All right. Thank you, Casey.

In reviewing the financial results, all figures are in U.S. dollars and the full results have been made available on SEC website, as well as SEDAR.

We generated revenue of $22.5 million during the second quarter of 2019 as compared to revenues of $15.5 million in the second quarter of 2018, which equates to a 45% increase.

Our revenues came in right at the midpoint of our previously guided range for second quarter revenues. We, once again, saw rapid growth of our new vent patients as we exited the quarter with 7,130 active vent patients, which is up 12% sequentially. Additionally, our gross margin percentage was slightly higher, increasing to 75% from 73% in the prior year's second quarter. Adjusted EBITDA totaled $4.6 million for the quarter, which is a 20% margin.

We, once again, had slightly lower Adjusted EBITDA margins in the last few quarters as a result of variable compensation tied to our stock as well as our continued investment into future growth plans, such as the U.S. listing, our technology investments as well as our marketing investments.

Additionally, we have invested into our work force to support our expanding programs, including new employees for the VA, our pediatric division as well as our new infrastructure to support our oxygen business and the newly rolled out compression therapy.

Our annual Adjusted EBITDA percentage should remain relatively flat with prior years as we continue to organically grow our top line and are able to absorb some of the infrastructure investments that we have made during the first half of the year. We have, once again, redeployed the Adjusted EBITDA during the current quarter as our medical cap ex totaled $5.2 million for the second quarter of 2019, primarily driven by new vent purchases to support our growing patient base, as well as stocking up on the new products that we have begun to sell in higher quantities.

Additionally, we incurred roughly $5.7 million of cap ex for our new headquarters, of which we used approximately $1 million of cash and used a new term loan for the balance of the purchase price.

Our SG&A totaled approximately $13.2 million as compared to $7.9 million in the prior year. As just mentioned, some of the variable comp is tied to our stock price, and we had a very active quarter in the new investments area related to our NASDAQ listing, technology, marketing and other product lines that I just discussed. We believe in our future growth initiatives that are expected to help with our product and payor diversification efforts, and we expect to continue to be able to fund our organic growth that we have on the horizon. With all that said, we will continue to expect revenue and gross margin to increase at a higher pace than SG&A expenses as these investments begin to normalize.

Our balance sheet remains strong as we ended with approximately $7.7 million in cash at quarter end, $12.8 million of AR and an overall working capital balance of roughly $1 million. Our AR was, once again, higher than year-end as our revenues are increasing dramatically every month, and we are now seven months into our new workflow and billing software implementation.

Cash collections were higher in July than any other month this year, and it appears that our staff has made significant improvement in the new system, which should improve our efficiency as we continue to expand around the country.

Our long-term debt is approximately $5.8 million and being serviced with operating cash flow. The majority of this new balance is due to the aforementioned headquarters purchase, and we will opportunistically use vendor financing from time to time to manage our cash flows for new equipment purchases.

From an ongoing capital perspective, we will continue to use our internally-generated cash flow and capital leases with our major vendors, and we believe that we will be able to fund our future growth using the same financial instruments. With all of that said, we still have a fully undrawn $10 million line of credit that we have available.

Moving on to the third quarter, we have provided revenue guidance in the $23.7 million to $24.5 million range and feel that our Adjusted EBITDA percentages will be slightly higher than the first two quarters, more in line with prior year margins. We, once again, expect all of this growth to be organic, and we are very excited to see multiple product lines contribute to the significant growth that we are experiencing.

As we released last night, we're extremely pleased to say that we are now officially trading on the NASDAQ. I want to thank all of our staff for the hard work that has been put in to accomplish this corporate goal.

We're excited to continue to build our U.S. shareholder base, and Casey and I will spend time marketing to the U.S. investors, sell-side analysts and investment and banking advisors. We are proud to say that in only 20 months after spinning out as a TSX venture company, we are now listed on one of the most prominent exchanges in the world. We feel that our growth and profitability will line up well with many U.S. firms, and we are excited to get out and meet or reunite with them over the coming months.

At this time, I'll turn the call back over to Casey to wrap things up.

Casey Hoyt:

Thanks, Todd. Running this business with these fine people was an absolute blast. VieMed has many incremental growth opportunities on the horizon with very limited headwinds. We're supporting an industry being flooded with patient volumes, driven by an aging population inside of the U.S. We believe VieMed is a solution for CMS and all payors alike to treat patients more efficiently and effectively in the home.

Our government relations department continues to have constructive conversations with the government, and is viewed as a thought leader in our space. We are beginning to see signs of the system shifting to more value-based reimbursement models, which plays to our value proposition. Our investment today into technology, pediatrics, the VAs, oxygen, compression therapy, direct-to-consumer sleep solution have all been made and are expected to present continued upside opportunity for the future.

In closing, I'd like to thank our shareholders for their continued support and trust of our very important mission to generate positive financial results all in the name of improving quality of life. This concludes our prepared remarks. We'll now open the floor up for questions.

Operator:

Thank you. If you would like to ask a question, please press the star key, followed by the digit one on your touchtone phone, and also make sure your mute button is turned off to allow your signal to reach our equipment. Again, that is star, then one if you would like to ask a question

We will take our first question today from Sarah James with Piper Jaffray. Please go ahead.

Sarah James:

Thank you and congrats on the quarter. I wanted to talk a little bit about the expansion plans. I know you guys have been working on Florida for a while so that's very exciting. Can you talk about what the next wave might look like, what states you might be targeting for the next year or two? I know it's not just about getting a new state, but it's also going deeper into existing states. Can you help frame up expansion in those terms, whether it's counties or just adding RTs? Give us a little flavor of how you are planning to get more density in existing states? Thanks.

Todd Zehnder:

Sure. You hit the nail in the head. It really is less about space when you think about our organic expansion and it's more about finding good people 60 miles down the road inside of our coverage area. When you think of the geographical expansion, the reason that's important to us this year, and as it was less important really last year, is we're preparing ourselves to have our coverage area ready for the competitive bidding zones that will hit us in 2021.

That's the rush from our compliance department right there, that's why we're licensed to do business in 44 states and getting our Medicare approvals swiftly to be ready for that. Now, the things that we're focused on to really help drive growth, it's—to drive vent growth we can probably achieve a 20% bump just through the offering of the oxygen business. Competitive bidding also freed up—VieMed is not going to hit us until 2021. It also allowed us to get out there and start offering the oxygen business and to kind of play around to see if we're going to receive that bump. We've already experienced some positive results in our five new beta areas, and really just a few weeks ago we released it to the entire country.

Still a little early to tell what that bump's going to be, but we're hoping that it's going to be similar to the five beta areas, which is about 20% for that.

Casey Hoyt:

The gain for us there is really just hiring and finding more of RTs and RNs with these clinicians, teaching them how to walk and talk the VieMed way, growing 60 miles down the road and trying to get to those 95% of folks who are qualified out there for our therapy that can't get to it.

Sarah James:

That's very helpful. To follow up with that, you guys talked about having one half SG&A headwinds because you are investing in this group. But it also sounds like that's really going to be part of the story for at least the near-term geographic expansion and end-market expansion investing in these staff and technology. Can you help us frame up what part of the one half investments might not repeat, might fall off versus the ones that are going to be part of the business model near term? I don't know if you guys talk about SG&A leverage and any type of framework of fixed versus variable cost or for a certain amount of revenue growth there is a certain amount of SG&A leverage. But anything you can give us to help quantify what that change in the business model might look like as VieMed grows, would be helpful.

Casey Hoyt:

Yes, Sarah, I'll take that one. The easy part that we can say that had more of a one-time impact that will not be repeating is the listing cost to get on the NASDAQ, at least a portion of them, and some of the technology investments that we've made because it's very—at the point of the processes that we're in, we incurred a higher cost in the first half of the year than we will going forward.

With that said, there will be lingering costs related to both of those as well as our marketing as well as our new product rollout. The most important thing is that while we've incurred these costs and begun to incur these costs, the revenue leverage really hasn't hit from any of that. The NASDAQ won't bring us any more revenue, but everything else will - technology, marketing, O2, VA, pediatrics, all these things. We've made the cost investment and really haven't started seeing any significant revenue impact. We know that we're going to grow into that. We're seeing the beginning parts of that. While we're not embarrassed about having a 20% EBITDA margin by any means, we have clearly made a strategic decision not to sit around and just be a onesie, twosie vent company. We're on our way to being the premier healthcare technology business in this country, in our opinion.

On the fixed versus variable, it's tough to say exactly on a quarter-to-quarter basis because it really is driven by new patient growth that has the variable impact because our commission structure is variable. The other piece of variable is our Phantom Plan. We've been pretty clear, up to this point, being only a Canadian listed company. We didn't want to have 375 employees having to trade in Canadian stocks so we erred towards the Phantom, which has a mark-to-market component. Those are the two largest pieces of the variable piece of it.

The exact percentage of our SG&A, I really don't have a good number, I'd be guessing at it, right now. We can follow up later on to see if we could do some work on it. But the lion's share of our G&A would be a fixed component. The most important thing is we do have operating leverage coming to us. We have 100% made a decision to reinvest aggressively for our G&A items and we and as a Board and Management team fully support it because the diversification of the products and the diversification of the payors is the most important thing for the sustainability of this business going forward.

Casey Hoyt:

Thank you very much.

Sarah James:

That's great and congrats on the listing. Thank you.

Operator:

We'll take the next question from Brooks O'Neil with Lake Street Capital Markets.

Brooks O'Neil:

Good morning, guys. Let me just be the first to say, welcome to America. Obviously, we're excited about all the investments you're making in the new areas. I was hoping you could just give us some feel, I'm not asking for specifics, but some feel for sort of the economics around, for example, the oxygen business, the compression business, the pediatrics business, in terms of the margins profile, is really what I'm trying to understand.

Casey Hoyt:

Okay, yes. I'll address them in that order. The oxygen business, I mean, you've probably seen it, it doesn't have to same margin profile that our other products do. I mean, it's probably—it's a rental item and over the lifecycle it's probably a 20% type margin business, plus or minus. As Casey mentioned, the number one reason we're offering O2 around the country right now is to support our vent business.

As you know, almost 100% or probably 100% of our vent patients are on oxygen. To be able to offer the full gamut of products around the country, especially during this timeframe where competitive bidding is off the table, was important to us, and so this was our ability to go ahead and test that by saying hey guys, you can offer O2 along with our vents. We clearly want the O2 business to be a support system for the vent business, it's what we do. The vent business is our bread and butter. That's the main reason we're in it.

The compression therapy business is more of a sale type item. It's not a rental business. We're seeing gross margin there, there's a few different types of pumps. We're seeing gross margins in the 70% range, and once again, it's a one-time purchase. I think Casey touched on it in his prepared remarks, it's just a great product line to complement all the referral sources that we call on from the cardiologist, and we have these nurses who are really good at selling these and we have our therapists around the country that can offer it. As we've discussed in the past, we're not looking to offer every product in the world, we get pitched a lot of things. We want to offer products that are complementary to our referring physicians and complementary to what we do in the home treating our patients.

The other one that we asked about was…

Todd Zehnder:

I was just going to comment that, as far as it dovetails into our technology investment as well, Brooks, we're piloting our remote patient monitoring platform right now and having the ability to measure the O2 saturation is a very important piece of the puzzle as well. As we talk about really moving outcomes—generating positive outcomes for the payor, which is the Phase 2 of this technology push, that's an important piece. A lot of these products, I think it's good clinical sense to take better care of the patient in the home, we're going to latch on to them sooner rather than later so that we can capture that data and generate those positive outcomes through our technology platform.

The other piece that you asked about, specifically, Brooks, would be pediatrics. The pediatric business was originally offered as—we really were to be a vent pediatric company. You've probably heard Casey or I talk about it before. This is a different type of patient. Children are a much different patient for us, but we want to be the premier vent company in this country. The first way was non-invasive, then we started taking caring of invasive, and we need to be a pediatric vent company. We've gotten around—we're going around the country, I think we're operating in five areas. The margin profile of that is very similar to our non-invasive. The difference is, it typically comes with a much more severe patient that has other products necessary and we offer those, whether it's an O2 or the various complementary products that the children need.

The goal of the pediatric business is to: A, become the most recognized vent company in the country; B, to get children and keep them on service for much longer than our 17-month (inaudible) because these children can live for a long period of time. Lastly and most important is, to get our name out there with the networks around the country that we'll take care of any patient you have that needs a vent. Once again, strategic reasons for doing everything along with our corporate mission.

Brooks O'Neil:

That's great. I really appreciate all the color. Let me ask you one or two more quick ones. We've always believed the VA was a huge opportunity and you're clearly making inroads there. Can you just give us a little color about sort of how you see this opportunity unfolding as you look forward? I'm not asking for a prediction, I'm just asking for your general sense for how you think you can penetrate the VA?

Casey Hoyt:

Yes. I mean, we were excited to announce the pilot study. Anytime you have anyone willing to do a study and, frankly, the VA is going to be paying for this study, whereas in the past, we've had to pay for the PRECISION and the KPMG study. That's a positive thing. We'll be funded by those guys, it's is a great way of getting patients along the way while also providing more data for the industry to have and hold and ultimately have the VA adopt it as the standard of care. The way that I see it—and that's more of a long-term thing. I mean, it might take us a couple of years to really execute the final study with the VA. They move a little bit slower than the rest of the country.

But all that being said, it doesn't really stop us from doing our thing, Brooks. We've got our sales people trained to—they're treating all the VA hospitals right now, just like any other facility. We go in there, we know how to walk and talk, we're certified, we got all the certifications that we need to be able to build the product. It is a little bit more of a process than our normal sales process just because we have to navigate through many departments inside of the VA system, but those onesie, twosie types of sales are very important for us to get these many facilities around the country to adopt the standard of care to where, ultimately, they will write a contract to request for a vision (phon) contract, where it's an area that we can service a number of different facilities across two, three, four state orders, depending on how the business is broken up. That's a—and we can experience that before the study is even finished. That's the way I see it unfolding right now.

Brooks O'Neil:

Makes a lot of sense. Let me ask you just one more. I'm excited about the new building and getting everybody under one roof, and expanding in various areas you are. The $4.7 million of debt, is that essentially a mortgage or is it something different? Just help me understand sort of how you think about that?

Casey Hoyt:

It's effectively a mortgage. I mean, it's structured as a term loan that has a low amortization schedule with a balloon at the end. We could have used more cash but we're funding so many other things that we're growing into right now, that we decided only to build a 77,000 square-foot building. That's about as good a debt as you can have. It's a pretty—I think it has a three-year balloon—I mean, it's a five-year balloon. We will have a nominal mortgage payment until then, and then we can pay it all off at that point or we can decide what we want to do with it. Now we have a conference room to host, if you come to visit us.

Brooks O'Neil:

That sounds great. I'll be down soon.

Casey Hoyt:

All right. Thank you.

Operator:

As a reminder, if you do have a question, please press star, one at this time.

We'll take our next question from Doug Cooper with Beacon Securities.

Doug Cooper:

Hey, good morning, guys. Just as we start off on the income statement and financials, Todd, looks like bad debt as a percentage of revenue dropped to 7.7% in the quarter from 10.4% in the first quarter. Is this sort of the lower than what you would have anticipated? Or how should we think about that?

Todd Zehnder:

Yes, it was a little bit lower than historical numbers. We have invested quite a bit of money into our billing and collections team. I mean, that's another back-office cost that we don't necessarily talk about all the time. Bad debt, just like growth, it ebbs and flows, and we have a pretty standard procedure. I'd still say that we're going to be a 9% to 13% bad debt company, and we're going to always strive to be lower than that, but we just seem to find ourselves in that range at least on an annualized basis.

Doug Cooper:

You said in your prepared remarks, if I can find it somewhere in my notes, Adjusted EBITDA in the back half of the year higher than the first two quarters. Is that starting in Q3? When we think about that comment, first quarter was 23.7%, this quarter 20.5%, so for the first six months 22%. When you talk about higher in Q3 and Q4, higher than the 23.7%. Is that how we should be thinking about that?

Todd Zehnder:

Yes. I mean, look, there's a lot of variability within all of the investments and the stock price that are driving it, but we think that going back to more prior year margins in the back half of the year seems more reasonable. Obviously, the stock almost doubled in the first half. We had a big impact on that. If the stock doubles again in the back half, maybe margins are compressed, but I think that'd be a good problem. But last year...

Doug Cooper:

Yes, last year, it was 26% leverage in the back half.

Todd Zehnder:

Yes. We hung in that mid-to-high 20s last year. That's our goal. We want to get back up to that, but it's not just the stock, I want to be very clear about that. It may be an answer to Sarah's question. We've sacrificed a little bit of margin because we have so aggressively invested into these future growth initiatives. I see that normalizing and as we continue to grow revenue organically, 2% to 3% a month like we always say we want to do, those investments aren't going to keep up with the revenue growth, therefore, we should have margin expansion in the back half.

Casey Hoyt:

I would say that the volatility, just launching new products right now, the position that we're in, kind of keeps us conservative. It's hard to tell how fast O2 is going to grow or lymphedema is going to come out of the gate but it will be a conservative (inaudible).

Doug Cooper:

Yes. Just as a point of reference, you mentioned employee cost. What was the difference in employee cost, say, between Q1 and Q2 or year-over-year? Just as a point of reference, the headcount.

Casey Hoyt:

Well, total G&A—oh, the headcount. I believe we ended the quarter at 375 and we started right around 300. We hired about 30% of our workforce in the first six months of this year.

Doug Cooper:

So 375 at end of June, and 300 at the end of December, is that what it was?

Todd Zehnder:

Yes. I don't remember the exact number in December, but it was 375 at the end of June. If you look back to last June, where our quarter-over-quarter comparables are, my guess is we're probably in the 250 to 275 range.

Doug Cooper:

Okay. Moving on, just on the PRECISION study, I would say, I think, important. I think, Casey, from my perspective, you hit it on the head. Educating the physicians who are ultimately driving your patient growth. What's the major difference, say, between the KPMG study and the PRECISION study? The audience that you will see at the CHEST, I guess, conference, how does that compare to the exposure you're getting through the KPMG study?

Casey Hoyt:

The best way to frame it up, Doug, is it's very similar results. We've seen some preliminary data through the KPMG findings, however, doctors, when you're out there educating physicians, they dig deeper than just what numbers show from a big four accounting firm. They dig into other diagnosis codes that are driving cost beyond chronic respiratory failure and COPD, beyond ALS and what else do these patients struggle with that might be driving cost. Did you look at those diagnoses? Dr. Frazier is very versed in what we need to do and has always been pushing for a clinical PRECISION study. I mean this has been about a year ongoing that we've been in this process.

It's the study that we need that will be publishable in the clinical community. When you have a publishable, white paper type of study, that's when you can get on stage and go to the ACCP show, like he's doing, and go to the Thoracic Society and the COPD Foundation and really start beating on your chest a whole lot louder and prouder as a clinician versus just an accountant, if you will, with KPMG. The difference is, you have our Chief Medical Officer standing on stage in front of a collective group of his peers talking about a study. It just has a lot of clout versus any other huge audience versus our one by one salespeople around the country, which is very effective, but this just opens up a huge audience of new potential referral sources.

Doug Cooper:

I guess, I mean, the 45% year-over-year growth is incredibly impressive, and aided, in part, I'm assuming by the KPMG study. This PRECISION study from Dr. Frazier, does that carry more weight within the referral community, could you see actually growth accelerate? Is that possible? I mean…

Todd Zehnder:

Yes, yes. We expect it to.

Doug Cooper:

Well, that'd be stunning. Okay. I think that all my other questions have been answered. Congratulations on a great quarter, guys. Thanks.

Todd Zehnder:

Thanks. Thanks for your support.

Operator:

There are no other questions. Gentlemen, I'll turn it back to you for any additional or closing remarks.

Casey Hoyt:

All right. Well, we want to thank everybody for tuning in today. We're extremely proud of what we've accomplished this quarter and with our NASDAQ listing, I want to echo Casey's comments. Thank you to all of our employees and look forward to meeting a bunch of new shareholders down here, south of the border. That's it.

Operator:

Thank you very much. That does conclude our conference for today. I'd like to thank everyone for your participation, and you may now disconnect.