



Skylight Health Group Reports Record Second Quarter 2021 Financial Results

Revenue Growth of 184% Year over Year and 103% Growth Compared to the Previous Quarter

TORONTO, ON – August 16, 2021 – Skylight Health Group Inc. (NASDAQ:SLHG; TSXV:SLHG) (“Skylight Health” or the “Company”), a multi-state primary care management group in the United States, today announced its financial results for the second quarter ended June 30, 2021.

Second Quarter Highlights:

- Revenue increased 184% to \$10.5 million, driven by acquisitions and organic growth, compared to \$3.7 million for the same period last year, and up 103% from \$5.2 million for the first quarter of 2021;
- Organic growth from existing Primary Care clinics of approximately 13% during the quarter;
- Adjusted EBITDA was a loss of \$1.5 million, driven by investments into people, technology and professional fees tied to acquisitions;
- On April 5, 2021, the Company completed the acquisition of Rocky Mountain in Denver, CO and on June 23, 2021, Doctors Center in Denver, CO;
- The Company acquired ACO Partners LLC, a new Accountable Care Organization (“ACO”) that will begin participating in the Medicare Shared Savings Program offered by the Centers for Medicare and Medicaid Services (“CMS”) effective January 1, 2022;
- Executed clinical trial contracts expected to generate revenue with strong margin potential;
- Net loss from operations was \$3.5 million, with approximately \$0.9 million in one-time expenses tied to the Nasdaq up list, professional fees and the large Rocky Mountain acquisition and \$1.1 million in non-cash items; and
- Cash balance of \$11.8 million as of June 30, 2021.

“We are excited that we achieved our largest revenue quarter in the history of the Company. The second quarter continued the transformative growth that started in the first quarter of this year,” said Prad Sekar, CEO of Skylight Health. “We’ve identified two key growth areas that will remain a focus for the last half of the year and onwards: the growth through strategic acquisitions and the participation of value-based care under the Medicare Shared Savings program for our traditional Medicare patients beginning in 2022.

Revenue increased 184% from the same period last year due to additional revenue being contributed by the clinics acquired during the fiscal year ended December 31, 2020, and the six months ended June 30, 2021. The third quarter of 2021 will be the first period that includes a full three months of contribution by Rocky Mountain and Doctors Center Inc. The Company remains committed to a strong growth by acquisition model fueled by a strengthened balance sheet and robust pipeline. The Company also saw organic growth of approximately 13% from prior acquisitions driven by improved revenue cycle management, provider access and patient flow post acquisition, compared to the first quarter of 2021.

The Company ended the quarter with the addition of new clinics, providers and patient panels. As of the end of the second quarter, the Company had approximately 88,000 lives vs 21,000 lives compared to the previous quarter. Eligible managed care lives represented over 15% of that population. Traditional Medicare patients will begin participation in the CMS MSSP program starting January 2022. This platform will help validate Skylight's business model of shifting fee for service practices into value-based care arrangements.

Net loss was driven by approximately \$0.9 million in one-time expenses that were tied to the efforts to see through the Nasdaq up list. These included professional fees and other marketing efforts. Other one-time



expenses including professional fees attached to the closing of Rocky Mountain which the Company recognized as its largest acquisition to date. While the Company is focused on acquisitions of all sizes, it is focused on smaller independent practices. Net loss also consisted of approximately \$1.1 million in non-cash items.

Adjusted EBITDA loss of \$1.5 million was a result of investments made primarily in human capital, technology and infrastructure. While the Company is focused on managing EBITDA, it expects that investments needed to be successful in a full risk and total cost of care reimbursement model will be offset by improved patient economics driven by higher margin payor contracts as validated by its peers. As a result, the Company expects to continue to make investments in this growth opportunity and believes that it has sufficient capital on hand to see this investment through to realize increased margin contribution.

Outlook

Skylight Health remains focused on growth, both organically, and through acquisition, as it rapidly captures market share within the US healthcare network. The Company continues to prioritize the integration of health technology solutions to help small and independent practices shift from a traditional fee-for-service (FFS) model to value-based care (VBC) through proprietary technology, data analytics and infrastructure. This organic growth through an increase in insurable services represents a predominant portion of revenue and is where the Company expects to see its strongest growth in future periods. The Company expects that by year end, the large majority of investments made at the start of the year will result in both a higher growth of revenue driven organically and by acquisition and will also result in stronger EBITDA recognition. The Company is focused on revenue growth which it believes is how its peers are measured and expects to continue to compete aggressively for market share growth in three areas: acquisition of primary care practice groups, development of its single system of operation and clinical leadership, and conversion from fee-for-service to value-based-care. With the growing demand for accessible and affordable medical services in the US, Skylight Health is well positioned to meet this growing opportunity while creating significant shareholder value.

Operational Highlights for Second Quarter 2021

- Acquired 100% of the Colorado based Primary Care Clinic Group, Rocky Mountain on April 5 for total cash consideration of \$13.8 million. The clinic group has 7 locations and reported \$20.0 million in revenue and \$3.0 million EBITDA in 2020.
- Executed one new clinical research trial agreement in Massachusetts through partnership with ClinEdge.
- The Company received approval from The Nasdaq Stock Market LLC to list its issued and outstanding common shares under the symbol "SLHG" effective June 7. In addition, effective June 7, 2021, the Company's shares on the TSX-V began trading under the new symbol "SLHG".
- Closed a bought deal offering with a syndicate of underwriters led by Raymond James Ltd. with full exercise of the Underwriters' 15% over-allotment option, 1,970,360 common shares of the Company at a price of \$7.00 per common share for gross proceeds of \$13.8 million.
- Acquired 100% of Florida based primary care group Doctors Center Inc on June 23. The clinic group has 4 locations and reported \$3.2 million in revenue and expected EBITDA margin of 10%.

Key Subsequent Events of the three months ended June 30, 2021

- On July 7, the Company appointed Dr. Kit Brekhus as Chief Medical Officer ("CMO"). Dr. Brekhus brings a wealth of experience to Skylight Health, a passion for improving patient care, and building large value-based care networks.
- Acquired 100% of the interest of ACO Partners LLC, a new Accountable Care Organization ("ACO") that will begin participating in the Medicare Shared Savings Program offered by the Centers for



Medicare and Medicaid Services (“CMS”) effective January 1, 2022. The Company expects to see the ACO benefit all current and future Skylight primary care practices for traditional Medicare patients at the start of the 2022 contribution year.

Q2 2021 Financial Highlights

(in 000s of dollars)	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
Revenue	10,514	3,701	15,687	6,632
Cost of sales	3,770	1,088	5,390	2,118
Gross profit	6,744	2,613	10,297	4,514
Total operating expenses	10,240	2,633	16,463	5,524
Operating loss	(3,496)	(20)	(6,166)	(1,010)
Adjusted EBITDA*	(1,517)	381	(2,094)	(222)

*Adjusted EBITDA is defined as earnings before interest, tax, depreciation, and amortization, adjusted by significant nonrecurring, nonoperational expenses and partially offset by the cash impact of certain accounting treatments during the period. Please see the Company’s Management Discussion & Analysis for a detailed reconciliation to operating loss.

Conference Call

The Company will host a conference call at 8:30am EST on the morning of August 17, 2021 to discuss the financial results. If you would like to participate in the call, details can be found [here](#). Please dial in approximately 10 minutes prior to the start of the call. An audio replay of the conference call will be available on www.skylighthealthgroup.com within 24 hours after the live call has ended.

ABOUT SKYLIGHT HEALTH GROUP INC.

Skylight Health Group (NASDAQ:SLHG; TSXV:SLHG) is a healthcare services and technology company, working to positively impact patient health outcomes. The Company operates a US multi-state primary care health network comprised of physical practices providing a range of services from primary care, sub-specialty, allied health, and laboratory/diagnostic testing. The Company is focused on helping small and independent practices shift from a traditional fee-for-service (FFS) model to value-based care (VBC) through tools including proprietary technology, data analytics and infrastructure. In a FFS model, payors (commercial and government insurers) reimburse on an encounter-based approach. This puts a focus on volume of patients per day. In a VBC model, payors reimburse typically on a capitation (fixed fee per member per month) basis. This places an emphasis on quality over volume. VBC will lead to improved patient outcomes, reduced cost of delivery and drive stronger financial performance from existing practices.



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Currency Usage, Cautionary and Forward-Looking Statements

All currency contained in this Press Release represent Canadian Dollars unless otherwise stated.

Statements in this news release that are forward-looking statements are subject to various risks and uncertainties concerning the specific factors disclosed here and elsewhere in Skylight Health's filings with Canadian and United States securities regulators. When used in this news release, words such as "will, could, plan, estimate, expect, intend, may, potential, believe, should," and similar expressions, are forward-looking statements.

Although Skylight Health has attempted to identify important factors that could cause actual results, performance or achievements to differ materially from those contained in the forward-looking statements, there can be other factors that cause results, performance or achievements not to be as anticipated, estimated or intended, including, but not limited to: the ability of Skylight Health to execute on its business strategy, continued revenue growth in accordance with management's expectations, operating expenses continuing in accordance with management expectations, dependence on obtaining regulatory approvals; Skylight Health being able to find, complete and effectively integrate target acquisitions; change in laws relating to health care regulation; reliance on management; requirements for additional financing; competition; hindering market growth or other factors that may not currently be known by the Company.

There can be no assurance that such information will prove to be accurate or that management's expectations or estimates of future developments, circumstances or results will materialize. As a result of these risks and uncertainties, the results or events predicted in these forward-looking statements may differ materially from actual results or events.

Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements in this news release are made as of the date of this release. Skylight Health disclaims any intention or obligation to update or revise such information, except as required by applicable law, and Skylight Health does not assume any liability for disclosure relating to any other company mentioned herein.

Non-GAAP Financial Measures

This Press Release contains references to EBITDA and Adjusted EBITDA. These financial measures are not measures that have any standardized meaning prescribed by IFRS and are therefore referred to as non GAAP measures. The non-GAAP measures used by the corporation may not be comparable to similar measures used by other companies. EBITDA is defined as "income (loss) before interest expenses, taxes, expenses related to listing on the Canadian Securities Exchange, depreciation, foreign exchange and financial expenses.



Adjusted EBITDA excludes the effect of share-based compensation expenses and related payroll taxes as well as removes substantial one-time costs for unusual business activities. Additional discussion on this can be found in the Skylight Health Management Discussion and Analysis filed on SEDAR.

The Company uses these non-GAAP measures because they provide additional information on the performance of its commercial operations. Such tools are frequently used in the business world to analyze and compare the performance of businesses; however, the Company's definition of these metrics may differ from those of other businesses. Skylight Health will, at times, use certain non-GAAP financial measures to provide readers with additional information in order to assist investors in understanding our financial and operating performance. Skylight Health believes that these non-GAAP measures provide readers with useful information about the Company's operating results, enhance the overall understanding of past financial performance and future prospects, and allow for greater transparency with respect to key metrics used by management in its financial and operational decision making.

Such non-GAAP financial measures should be considered as a supplement to, and not as a substitute for, the corresponding measures calculated in accordance with IFRS. See the Company's audited Financial Statements for a reconciliation of the non-GAAP measures.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.