

Third Quarter 2018 Results

Financial Community Supplement

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Third Quarter & YTD 2018 Net Revenue and Adjusted EBITDA^[a]

Third Quarter 2018

- ✓ Net revenue grew 1.9% due to positive contributions from both business segments: Patient Care and Products & Services
- ✓ Adjusted EBITDA grew 5.1% due to margin growth from higher revenue flow-through in the Patient Care segment
- ✓ Adjusted diluted earnings per share growth driven by a decline in interest expense compared to the third quarter of 2017. YTD net revenue and Adjusted EBITDA are generally consistent with the prior year period

	Third Quarter		YTD September	
	2018	2017	2018	2017
Net Revenue (mm)	\$262.9	\$258.0	\$763.9	\$755.0
Adjusted EBITDA (mm) ^[a]	\$31.1	\$29.6	\$81.0	\$80.8
Adjusted EPS ^[a]	\$0.22	\$0.06	\$0.38	\$0.10

Note: [a] Amounts reflect non-GAAP measures. Please refer to "Reconciliations for Non-GAAP Amounts" on slides 7 and 8 of this presentation.

Third Quarter 2018 Summary

- **Net revenue** increased 1.9% over third quarter 2017, reflecting 1.6% growth in Patient Care segment net revenue and 3.2% in the Products & Services segment.
- **Adjusted EBITDA^[a]** grew \$1.5 mm, or 5.1% due to margin improvement. General and administrative expenses increased by \$2.9 mm, relating primarily to investments in growth and other corporate initiatives.
- **Adjusted Net Income** increased to \$8.3 mm from \$2.1 mm and Adjusted Diluted EPS increased to \$0.22 from \$0.06 due to a reduction in interest expense of \$6.2 mm following the Company's March 2018 refinancing.
- **Operating Cash Flow** of \$20.3 mm during the quarter as compared with \$5.3 mm in the third quarter of 2017. Total liquidity increased to \$155.1 mm, including cash of \$61.0 mm.

Note: [a] Amounts reflect non-GAAP measures. Please refer to "Reconciliations for Non-GAAP Amounts" on slides 7 and 8 of this presentation.

Third Quarter 2018 Segment Analysis

- **Patient Care** segment net revenue growth of 1.6% and GAAP income from operations and Adjusted EBITDA growth of 13.9% and 9.0%, respectively:
 - Same clinic revenue grew 2.1% in the quarter, or 0.5% on a day adjusted basis, driven primarily by solid prosthetic growth of 3.1%.
 - Consistent with prior 2018 periods, revenue growth in the Patient Care segment was affected by the new revenue accounting standard, ASC 606. Net revenue was reduced \$0.7 mm in the third quarter due to the reclassification of patient non-payments as a net reduction in revenue as opposed to the previous classification as bad debt expense.
 - Earnings flow-through from segment revenue growth was driven by lower personnel and other operating expense during the third quarter of 2018.

- **Products & Services** segment revenue increased 3.2% due to strong O&P distribution sales:
 - O&P distribution revenue grew by \$2.2 mm or 6.9% over the third quarter of 2017, more than offsetting decreased revenue from therapeutic solutions.
 - Income from operations and Adjusted EBITDA both declined by \$0.3 mm compared with the third quarter of 2017, due to the decline in therapeutic solutions revenue and lower relative margins on new distribution revenue.

- **Corporate and other** activities (overhead, unallocated expenses) increased by \$1.4 mm to a \$16.7 mm in costs on an Adjusted EBITDA basis during the quarter.

Note: Amounts reflect non-GAAP measures. Please refer to "Reconciliations for Non-GAAP Amounts" on slides 7 and 8 of this presentation.

2018 View (Subject to Material Change)

- **Reiterating 2018 outlook** as published on May 14, 2018
 - Full Year 2018 Revenue and Adjusted EBITDA currently anticipated to be generally consistent with 2017.

Note: Amounts reflect non-GAAP measures. Please refer to "Reconciliations for Non-GAAP Amounts" on slides 7 and 8 of his presentation.

Reconciliations for Non-GAAP Amounts:

Adjusted EPS *(Unaudited - dollars in thousands, except share and per share amounts)*

Earnings Per Share (or "EPS") is defined as net income divided by our diluted common shares during the applicable period. Adjusted EPS is defined as EPS adjusted for impairments of intangible assets, third-party professional fees in excess of normal amounts incurred in connection with our financial statement remediation, debt extinguishment costs, severance expenses and certain other charges.

We utilize Adjusted EPS to assess our operating and financial performance. We believe that this measure enhances a user's understanding of normal operating results excluding certain charges.

Adjusted EPS is not a measure of financial performance computed in accordance with GAAP and should not be considered in isolation nor as a substitute for operating income, net income, cash flows from operations, or other statement of operations or cash flow data prepared in conformity with GAAP, or as a measure of profitability or liquidity. In addition, the calculation of Adjusted EPS is susceptible to varying interpretations and calculations, and the amounts presented may not be comparable to similarly titled measures of other companies. Adjusted EPS may not be indicative of historical operating results, and we do not intend these measures to be predictive of future results of operations.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income (loss) - as reported (GAAP)	\$ 4,369	\$ (4,161)	\$ (5,321)	\$ (20,258)
Adjustments:				
Amortization expense	1,497	2,343	5,264	7,220
Third-party professional fees	2,230	6,839	8,870	25,943
Loss on extinguishment of debt	—	—	16,998	—
Disaster recovery / unclaimed property settlement	—	—	(3,729)	—
Severance expenses	366	—	366	64
Adjustments prior to tax effect	\$ 4,093	\$ 9,182	\$ 27,769	\$ 33,227
Tax effect of specified adjustments (a)	(176)	(2,888)	(8,312)	(9,286)
Adjustments after taxes	3,917	6,294	19,457	23,941
Adjusted net income (Non-GAAP)	<u>\$ 8,286</u>	<u>\$ 2,133</u>	<u>\$ 14,136</u>	<u>\$ 3,683</u>
Basic earnings (loss) per share - as reported (GAAP)	\$ 0.12	\$ (0.11)	\$ (0.14)	\$ (0.56)
Effect of above listed specified adjustments	0.10	0.17	0.53	0.66
Adjusted basic earnings per share - as reported (Non-GAAP)	<u>\$ 0.22</u>	<u>\$ 0.06</u>	<u>\$ 0.39</u>	<u>\$ 0.10</u>
Diluted earnings (loss) per share - as reported (GAAP)	\$ 0.12	\$ (0.11)	\$ (0.14)	\$ (0.56)
Effect of above listed specified adjustments	0.10	0.17	0.52	0.66
Adjusted diluted earnings per share - as reported (Non-GAAP)	<u>\$ 0.22</u>	<u>\$ 0.06</u>	<u>\$ 0.38</u>	<u>\$ 0.10</u>
Shares used to compute basic earnings (loss) per share	36,856,881	36,340,089	36,716,568	36,238,816
Shares used to compute diluted earnings (loss) per share	37,556,594	36,564,752	37,397,012	36,533,905

(a) "Tax effect of specified adjustments" reflects the difference between the Company's effective provision for taxes and the application of a combined federal and state statutory tax rate of 24% and 38% respectively for the 2018 and 2017 periods to the Company's earnings from continuing operations before taxes, after the incorporation of the identified above adjustments.

Reconciliations for Non-GAAP Amounts: EBITDA and Adjusted EBITDA *(Unaudited - dollars in thousands)*

EBITDA is defined as operating income before depreciation and amortization. Adjusted EBITDA is defined as operating income before certain charges, impairments of intangible assets, third-party professional fees in excess of normal amounts incurred in connection with our financial statement remediation, debt extinguishment costs, expenses associated with equity-based compensation, severance expenses and expenses incurred in connection with our acquisitions.

We use EBITDA and Adjusted EBITDA as measures to assess the relative level of our indebtedness and our compliance with certain debt covenants which are based on these measures. Additionally, we utilize these measures to assess our operating and financial performance. We believe that these measures enhance a user's understanding of normal operating income excluding certain charges, depreciation and amortization.

Neither EBITDA or Adjusted EBITDA are measures of financial performance computed in accordance with Generally Accepted Accounting Principles ("GAAP") and should not be considered in isolation nor as a substitute for operating income, net income, cash flows from operations, or other statement of operations or cash flow data prepared in conformity with GAAP, or as a measure of profitability or liquidity. In addition, the calculation of EBITDA and Adjusted EBITDA is susceptible to varying interpretations and calculations, and the amounts presented may not be comparable to similarly titled measures of other companies. EBITDA and Adjusted EBITDA may not be indicative of historical operating results, and we do not intend these measures to be predictive of future results of operations.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	2017	2018	2017
<u>Patient Care</u>				
Income from operations - as reported (GAAP)	\$ 32,502	\$ 28,546	\$ 84,615	\$ 78,243
Depreciation & amortization	4,651	5,324	14,547	16,123
EBITDA (Non-GAAP)	37,153	33,870	99,162	94,366
Further adjustments to calculate Adjusted EBITDA:				
Equity-based compensation	1,023	1,159	3,262	2,891
Severance expenses	—	—	—	88
Further adjustments - EBITDA to Adjusted EBITDA	1,023	1,159	3,262	2,979
Adjusted EBITDA (Non-GAAP)	38,176	35,029	102,424	97,345
<u>Products & Services</u>				
Income from operations - as reported (GAAP)	6,839	7,145	20,171	20,389
Depreciation & amortization	2,564	2,429	7,569	7,691
EBITDA (Non-GAAP)	9,403	9,574	27,740	28,080
Further adjustments to calculate Adjusted EBITDA:				
Equity-based compensation	238	344	343	931
Severance expenses	—	—	—	(24)
Further adjustments - EBITDA to Adjusted EBITDA	238	344	343	907
Adjusted EBITDA (Non-GAAP)	9,641	9,918	28,083	28,987
<u>Corporate & Other</u>				
Loss from operations - as reported (GAAP)	(23,417)	(26,151)	(67,910)	(82,169)
Depreciation & amortization	1,735	1,879	5,436	5,780
EBITDA (Non-GAAP)	(21,682)	(24,272)	(62,474)	(76,389)
Further adjustments to calculate Adjusted EBITDA:				
Third-party professional fees	2,230	6,839	8,870	25,943
Equity-based compensation	2,406	2,110	5,968	4,871
Disaster recovery / unclaimed property settlement	—	—	(2,221)	—
Severance expenses	366	—	366	—
Further adjustments - EBITDA to Adjusted EBITDA	5,002	8,949	12,983	30,814
Adjusted EBITDA (Non-GAAP)	(16,680)	(15,323)	(49,491)	(45,575)
Total Adjusted EBITDA (Non-GAAP)	\$ 31,137	\$ 29,624	\$ 81,016	\$ 80,757