



Dialogue Health Technologies Reports First Quarter 2023 Results

Balance of robust growth, gross margin expansion, and good cost discipline bring Dialogue one step closer to breakeven objective

Montreal, Quebec, May 9, 2023 – Dialogue Health Technologies Inc. (TSX: CARE) (“Dialogue” or the “Company”), Canada’s premier health and wellness virtual healthcare platform, announced today its financial and operational results for the three months ended March 31, 2023. Financial references are in Canadian dollars unless otherwise indicated. Please visit Dialogue’s investor relations [website](#) to view management’s commentary and related presentation on first quarter results.

“We started 2023 on a high note with year-over-year growth for ARR and revenue of 36% and 43% respectively in our core digital business. We added more than 100,000 net new members to our platform in the first quarter and saw solid traction across our direct and partner channels, and across a broad spectrum of customers from small businesses to large enterprises,” said Cherif Habib, Chief Executive Officer of Dialogue. *“Importantly, all our services are contributing to the robust growth. Our Mental Health service and EAP have both surpassed the \$15 million ARR milestone, demonstrating the important diversification that we have achieved in our operations. Our customers see great value in our virtual programs and the ability of Dialogue to help them realize positive physical and mental health outcomes, especially as we all navigate a more challenging economic climate. While Primary Care remains the largest contributor to our growth, we have successfully scaled two additional services since launching our Integrated Health Platform™ in early 2021, allowing it to quickly become indispensable in a well-rounded employee health benefits package.”*

Navaid Mansuri, Chief Financial Officer, added: *“We delivered against our financial plan once again by striking a good balance between our pursuit of growth opportunities and our desire to drive efficient and profitable operations. We took another step towards our goal to reach adjusted EBITDA breakeven by the end of 2023, and reduced our adjusted EBITDA loss to 8% of revenue in the first quarter, compared to 28% at the same time last year. I am proud of the work our teams, across all functions, have accomplished to become an even more effective organization. With a strong balance sheet and limited capital required to reach cash flow generation, we will have more flexibility to make incremental investments to supplement our growth and to strengthen our platform with new services and M&A, with the ultimate goal of providing more value to our customers and members.”*

Q1 2023 Financial Highlights

(All capitalized terms not defined herein, shall have the meaning and usefulness ascribed to them in the Management’s Discussion and Analysis (“MD&A”) for the three months ended March 31, 2023. Comparison periods in each case are the three months ended March 31, 2022, unless otherwise stated.)

Results presented below for the comparable period in 2022 reflect continuing operations only and exclude the Occupational Health and Safety (“OHS”) segment in Germany which was divested on December 31, 2022.

- Annual Recurring and Reoccurring Revenue (“ARR”) from continuing operations in the first quarter of 2023 grew 23.8% year-over-year to \$106.0 million, driven by new Customer wins, by existing Customer and Partner expansions, by price increases, by the addition of Tictrac, and offset in part by

churn at Optima, as disclosed in September 2022. Dialogue's core digital business in Canada, which represents 85% of total ARR, increased 35.9% year-over-year.

- New customer wins in the period included a large public school board, a global HR platform, a leading Canadian seniors' living organization, and a provincial pension fund manager. We also saw the addition of new services by several existing Customers, including a national agri-food company, a leading Canadian tour operator, and an international professional services firm.
- Revenue from continuing operations in the first quarter of 2023 increased by 25.6% year-over-year to \$24.5 million, driven mainly by organic growth in Members, by an increase in the Attach Rate as existing Customers added more services, by price increases, and by the acquisition of Tictrac.
- Members grew to nearly 2.8 million in the first quarter of 2023, an increase of approximately 735,000 or 35.9%, year-over-year. Excluding the contribution from Tictrac, Members grew 22.7% year-over-year to more than 2.5 million.
- Attach Rate grew to 1.55 in the first quarter of 2023 from 1.51 in the same period last year.
- Member-Service Units ("MSUs"), which we define as total Members multiplied by the Attach Rate, rose 39.5% to 4.3 million in the first quarter of 2023 from approximately 3.1 million in the same period last year. Excluding the contribution from Tictrac, MSUs grew 30.8% year-over-year to more than 4.0 million. This increase demonstrates the success of Dialogue's land & expand strategy, as both existing and new Customers continue to leverage our integrated services.
- 65% of new direct Customers signed up for two services or more in the first quarter of 2023. Combined with current Customer expansions, the cumulative number of direct Members with two or more services was 33% at the end of the first quarter of 2023, compared to 22% at the same time last year.
- Average Monthly Net Retention Rate ("NRR") was 101.3% for the first quarter of 2023, marking another consecutive quarter of NRR greater than 100%. Churn within our direct mid-market and enterprise Customer segments was 22,000 Members, almost entirely related to the non-renewal by a single-service enterprise customer. This customer did not migrate to a competing offering and we maintain a constructive dialogue with key decision-makers.
- Gross Margin from continuing operations increased to 57.4% in the first quarter of 2023, compared to 41.0% in the same period last year, as we realized efficiencies in our operations, implemented price increases, continued to scale our Mental Health service and Employee Assistance Program ("EAP"), and integrated Tictrac's higher margin Wellness service.
- Adjusted EBITDA¹ loss from continuing operations was \$1.8 million in the first quarter of 2023 compared to a loss of \$5.4 million in the same period last year. The smaller loss was due to higher gross profit and strong cost control, partially offset by annual wage increases across the business and a loss at Tictrac.
- Net loss from continuing operations was \$2.7 million in the first quarter of 2023, compared to \$6.7 million in the same period last year. The smaller loss was primarily due to higher gross profit and net financing income, offset in part by higher operating expenses compared to the first quarter of 2022.
- During the quarter, we purchased \$25.0 million in short-term guaranteed investment certificates. Cash and cash equivalents and short-term investments were \$56.4 million as of March 31, 2023, compared to \$62.7 million as of December 31, 2022. The decrease in the quarter was mainly due to cash used in operations and for working capital purposes.

¹ Adjusted EBITDA is a Non-IFRS financial measure. Refer to the reconciliation contained in the Non-IFRS Financial Measures section, beginning on page 4 of this earnings release.

Q1 2023 Key Business Developments and Subsequent Events

- On March 1, 2023, we were awarded a Bronze Medal by EcoVadis, a highly trusted global provider of business sustainability ratings. This result places Dialogue among the top 50% of companies assessed by EcoVadis and represents an important step on our sustainability journey.
- On March 8, 2023, we launched a “Pregnancy & New Parents” content category within our Wellness service, in partnership with Koble, the leading Canadian content provider in this space.
- On March 27, 2023, we launched a “Weekly Active Minutes” feature within our Wellness service that enables members to reach 150 minutes of weekly physical activity as recommended by Health Canada and the World Health Organization.
- On March 31, 2023, we rolled out the Dialogue platform to all customers in the United Kingdom and other international markets, making available our complete Wellness service and our internet-based cognitive behavioural therapy (“iCBT”).
- On March 31, 2023, we launched “Substance Use and Workplace Referrals”, two new added-value services within our Employee Assistance Program (“EAP”).
- Advancing on our objective to build a diverse and inclusive team, we increased the representation of non-males in leadership roles to 44%, bringing Dialogue closer to our goal of 50% by the end of 2026.
- Subsequent to quarter end, on May 1, 2023, we appointed Darryl Campbell as Chief Information Security Officer (“CISO”). Mr. Campbell, who previously worked at the National Bank of Canada and in the Government of Canada’s Canadian Centre for Cyber Security, will report directly to Alexis Smirnov, Chief Technology Officer. He will play a crucial role in ensuring the highest level of security and data protection for our clients and partners. As our CISO, Mr. Campbell will oversee and manage all aspects of the cybersecurity program within Dialogue. His extensive experience will be invaluable in safeguarding the sensitive information of our members and ensuring the continued growth and innovation of our Integrated Health Platform™.

Financial Outlook

Dialogue is providing an outlook based on current market conditions and expectations. For the second quarter of 2023, we expect:

- Revenue to be in the range of \$25.5 million to \$26.2 million.
- Gross profit margin to be in the range of 55.0% to 56.5%.
- Adjusted EBITDA to be in the range of (\$1.7) million to (\$1.3) million.

Upcoming Events

- Canaccord Genuity Quebec Growth Conference in Toronto on May 16, 2023.
- CIBC Technology and Innovation Conference 11.0 in Toronto on May 24, 2023.
- Scotiabank Wellness Conference in Toronto on May 31, 2023.

Notice of Conference Call

We are maintaining the changes to our format that was introduced last quarter. Management's prepared remarks on the Company's quarterly performance and accompanying slides have been published concurrently with this press release and are available [here](#). This allows more time during our conference call with analysts and investors to answer questions and discuss the state of our business. Cherif Habib, CEO, and Navaid Mansuri, CFO, will host the live video webinar on Wednesday, May 10, 2023, at 8:30 a.m. ET. All interested parties can join the event at the following [link](#), which is also available in the [Events and Presentations](#) section of Dialogue's website. Please connect at least 15 minutes prior to the event to ensure adequate time for any software download of Zoom that may be required to attend the event. Listeners that prefer to dial in by phone may do so by accessing the same web link and the dial in details will be provided by email upon registration.

Non-IFRS ("International Financial Reporting Standards") Financial Measures

This press release makes reference to certain non-IFRS measures, such as "EBIT" (which stands for net profit or loss before net profit or loss from discontinued operations, net financing (income) expenses and income taxes), "EBITDA" (which stands for net profit or loss before net loss from discontinued operations, net financing (income) expenses, income taxes, depreciation of property and equipment, amortization of intangible assets and amortization of right-of-use assets) and "**Adjusted EBITDA**" (which stands for net profit or loss before net loss from discontinued operations, net financing (income) expenses, income taxes, depreciation of property and equipment, amortization of intangible assets, amortization of right-of-use assets, disposal costs, acquisition costs, restructuring costs, transaction costs, share-based payments expense, change in contingent consideration, asset write-off and impairment and foreign exchange gain or loss). This earnings release also makes reference to Annual Recurring and Reoccurring Revenue ("ARR"), Net Retention Rate ("NRR"), Member-Service Units ("MSUs"), Attach Rate and Members, which are key performance indicators. The key performance indicators used by the Company may be calculated in a manner different than similar key performance indicators used by other companies. These measures and key performance indicators are not recognized under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information as reported under IFRS. We also believe that other users, such as securities analysts, investors and other interested parties, frequently use non-IFRS measures, particularly in the evaluation of issuers.

Management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation. Where applicable, we provide a clear quantitative reconciliation from the non-IFRS financial measures to the most directly comparable measure calculated in accordance with IFRS.

The following table reconciles net loss to Adjusted EBITDA loss for the three months ended March 31, 2023 and 2022:

DIALOGUE HEALTH TECHNOLOGIES INC.
ADJUSTED EBITDA
FOR THE THREE MONTHS ENDED MARCH 31, 2023 and 2022

(in thousands of CAD)	Three months ended	
	March 31,	
	2023	2022
	\$	\$
Net loss	(2,655)	(7,068)
Net loss from discontinued operations	—	389
Net financing income	(502)	(25)
Current income tax expense	6	23
Deferred income tax recovery	—	(85)
EBIT	(3,151)	(6,766)
Depreciation of property and equipment	158	137
Amortization of intangible assets	488	369
Amortization of right-of-use assets	107	107
EBITDA	(2,398)	(6,153)
Share-based payments expense	860	568
Acquisition costs	—	94
Change in contingent consideration	(446)	91
Restructuring costs	95	—
Disposal costs	4	—
Transaction costs	123	—
Foreign exchange loss (gain)	(81)	—
Adjusted EBITDA	(1,843)	(5,400)

About Dialogue

Incorporated in 2016, Dialogue is Canada's premier virtual healthcare and wellness platform, providing affordable, on-demand access to quality care. Through our team of health professionals, we serve employers and organizations who have an interest in the health and well-being of their employees, members and their families. Our Integrated Health Platform™ is a one-stop healthcare hub that centralizes all of our programs in a single, user-friendly application, providing access to services 24 hours per day, 365 days per year from the convenience of a smartphone, computer or tablet. Dialogue is the first virtual care provider to receive the Accreditation Canada Primer award, a third-party validation of safety and high-level quality of care.

Forward-Looking Information

This release includes “forward-looking information” and “forward-looking statements” (collectively, “forward-looking statements”) within the meaning of applicable securities laws. Forward-looking information may relate to our financial outlook (including revenues and Adjusted EBITDA), and anticipated events or results and may include information regarding our financial position, business strategy, growth strategies, addressable markets, budgets, operations, financial results, taxes, dividend policy, plans and objectives.

In some cases, but not necessarily in all cases, forward-looking statements can be identified by the use of forward-looking terminology such as “plans” “targets”, “expects” or “does not expect”, “is expected”, “an opportunity exists”, “is positioned”, “estimates”, “intends”, “assumes”, “anticipates” or “does not anticipate” or “believes”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might”, “will” or “will be taken”, “occur” or “be achieved”. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances contain forward-looking statements. Forward-looking statements are not historical facts, nor guarantees or assurances of future performance but instead represent management's current beliefs, expectations, estimates and projections regarding future events and operating performance.

Forward-looking statements are necessarily based on a number of opinions, assumptions and estimates that, while considered reasonable by Dialogue as of the date of this release, are subject to inherent uncertainties, risks and changes in circumstances that may differ materially from those contemplated by the forward-looking statements. Important factors that could cause actual results to differ, possibly materially, from those indicated by the forward-looking statements include, but are not limited to, the risk factors identified under “Risk Factors” in the Company's latest annual information form, and in other periodic filings that the Company has made and may make in the future with the securities commissions or similar regulatory authorities in Canada, all of which are available under the Company's SEDAR profile at www.sedar.com. These factors are not intended to represent a complete list of the factors that could affect Dialogue. However, such risk factors should be considered carefully. There can be no assurance that such estimates and assumptions will prove to be correct. You should not place undue reliance on forward-looking statements, which speak only as of the date of this release. Dialogue undertakes no obligation to publicly update any forward-looking statement, except as required by applicable securities laws.

Although we have attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other risk factors not currently known to us or that we currently believe are not material that could also cause actual results or

future events to differ materially from those expressed in such forward-looking information. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, you should not place undue reliance on forward-looking information. The forward-looking information represents our expectations as of the date of this earnings release (or as the date it is otherwise stated to be made) and is subject to change after such date. However, we disclaim any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable Canadian securities laws. All of the forward-looking information contained in this earnings release is expressly qualified by the foregoing cautionary statements.

For further information, please contact:

Investor relations

Jean Marc Ayas

Senior Director, Investor Relations

investors@dialogue.co

Media Relations

Jean-Christophe de Le Rue

Senior Director, Public and Government Relations

press@dialogue.co / (613) 806-0671

DIALOGUE HEALTH TECHNOLOGIES INC.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF NET LOSS AND OTHER
COMPREHENSIVE LOSS**

FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022

(in thousands of CAD except share and per share data)	Three months ended	
	March 31,	
	2023	2022
	\$	\$
Continuing operations		
Revenue	24,532	19,537
Cost of services	10,456	11,524
Gross profit	14,076	8,013
Operating expenses		
General and administrative	8,803	8,173
Sales and marketing	4,406	3,363
Product and development	3,158	2,675
Share-based payments expense	860	568
	17,227	14,779
Operating loss from continuing operations	(3,151)	(6,766)
Other expenses		
Net financing income	(502)	(25)
	(502)	(25)
Net loss before income taxes from continuing operations	(2,649)	(6,741)
Current income tax expense	6	23
Deferred income tax recovery	—	(85)
Net loss from continuing operations	(2,655)	(6,679)
Net loss from discontinued operations	—	(389)
Net loss	(2,655)	(7,068)
Other comprehensive loss from continuing operations		
Items that may be reclassified subsequently to net loss from continuing operations		
Foreign currency translation gain	(628)	(51)
Item that will not be reclassified subsequently to net loss from continuing operations		
Changes in fair value of investments recorded at fair value through other comprehensive income	1,004	—
Comprehensive loss from continuing operations	(3,031)	(6,628)
Other comprehensive loss from discontinued operations		
Foreign currency translation gain	—	(309)
Comprehensive loss from discontinued operations	—	(80)
Total comprehensive loss	(3,031)	(6,708)
Loss from continuing operations per share - basic and diluted	(0.04)	(0.10)
Loss from discontinued operations per share - basic and diluted	—	(0.01)
Loss per share - basic and diluted	(0.04)	(0.11)

DIALOGUE HEALTH TECHNOLOGIES INC.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2023 AND DECEMBER 31, 2022**

(in thousands of CAD)

	March 31, 2023	December 31, 2022
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	31,360	62,697
Short term investments	25,000	—
Trade and other receivables	17,325	17,190
Prepaid expenses	2,268	2,443
	<u>75,953</u>	<u>82,330</u>
Investment	—	1,004
Property and equipment	849	936
Right-of-use assets	677	784
Intangible assets	5,839	6,237
Goodwill	24,980	24,586
Deferred income tax asset	3,615	3,511
	<u>111,913</u>	<u>119,388</u>
Liabilities		
Current liabilities		
Trade payable and accrued liabilities	12,593	16,724
Unearned revenue	537	912
Current portion of contingent consideration payable	839	1,425
Current portion of long-term debt	400	400
Current portion of lease liabilities	403	404
	<u>14,772</u>	<u>19,865</u>
Non-current portion of lease liabilities	227	343
Non-current portion of long-term debt	574	707
Non-current portion of contingent consideration payable	661	664
Deferred income tax liability	458	458
	<u>16,692</u>	<u>22,037</u>
Shareholders' equity		
Share capital	461,146	459,962
Equity reserve	5,829	6,112
Changes in fair value of investments recorded at fair value through other comprehensive income	(1,004)	—
Cumulative translation adjustment	740	112
Deficit	(371,490)	(368,835)
	<u>95,221</u>	<u>97,351</u>
	<u>111,913</u>	<u>119,388</u>

DIALOGUE HEALTH TECHNOLOGIES INC.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022**

(in thousands of CAD)	2023	2022
	\$	\$
Operating activities		
Net loss	(2,655)	(7,068)
Items not affecting cash		
Increase (decrease) of contingent consideration	(446)	91
Unrealized foreign exchange gain	(81)	—
Deferred income tax recovery	—	(85)
Depreciation of property and equipment	158	148
Amortization of right-of-use assets	107	150
Net financing income	(502)	(25)
Amortization of intangible assets	488	402
Share-based payments	860	568
	(2,071)	(5,819)
Net changes in non-cash operating working capital items		
Trade and other receivables	90	(1,804)
Prepaid expenses	175	128
Trade and other payables	(4,131)	(133)
Unearned revenue	(375)	516
Interest paid	(37)	(30)
Interest income received	323	68
	(6,026)	(7,074)
Investing activities		
Purchase of property and equipment	(70)	(268)
Short term investments	(25,000)	—
Investment	—	(1,004)
Payment of Tictrac Ltd. contingent consideration	(136)	—
	(25,206)	(1,272)
Financing activities		
Options exercised	62	20
Repayment of long-term debt	(133)	(100)
Repayment of lease liabilities	(99)	(213)
	(170)	(293)
Effect of foreign currency translation	65	360
Net decrease in cash and cash equivalents	(31,337)	(8,279)
Cash and cash equivalents, beginning of the period	62,697	104,296
Cash and cash equivalents, end of the period	31,360	96,017