

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2021

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-12111

**Mednax, Inc.**

(Exact name of registrant as specified in its charter)

**Florida**

(State or other jurisdiction of  
Incorporation or organization)

**1301 Concord Terrace  
Sunrise, Florida**

(Address of principal executive offices)

**26-3667538**

(I.R.S. Employer  
Identification No.)

**33323**

(Zip Code)

(954) 384-0175

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value \$.01 per share	MD	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

On October 22, 2021, the registrant had outstanding 86,452,465 shares of Common Stock, par value \$.01 per share.

INDEX

	<u>Page</u>
<b>PART I - FINANCIAL INFORMATION</b>	
<a href="#"><u>Item 1. Financial Statements</u></a>	3
<a href="#"><u>Consolidated Balance Sheets as of September 30, 2021 and December 31, 2020 (Unaudited)</u></a>	3
<a href="#"><u>Consolidated Statements of Income for the Three and Six Months Ended September 30, 2021 and 2020 (Unaudited)</u></a>	4
<a href="#"><u>Consolidated Statements of Equity for the Three and Six Months Ended September 30, 2021 and 2020 (Unaudited)</u></a>	5
<a href="#"><u>Consolidated Statements of Cash Flows for the Six Months Ended September 30, 2021 and 2020 (Unaudited)</u></a>	6
<a href="#"><u>Notes to Consolidated Financial Statements (Unaudited)</u></a>	7
<a href="#"><u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u></a>	13
<a href="#"><u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u></a>	22
<a href="#"><u>Item 4. Controls and Procedures</u></a>	22
<b><u>PART II - OTHER INFORMATION</u></b>	
<a href="#"><u>Item 1. Legal Proceedings</u></a>	23
<a href="#"><u>Item 1A. Risk Factors</u></a>	23
<a href="#"><u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u></a>	23
<a href="#"><u>Item 6. Exhibits</u></a>	24
<b><u>SIGNATURES</u></b>	25

**Mednax, Inc.**  
**Consolidated Balance Sheets**  
(in thousands)  
(Unaudited)

	September 30, 2021	December 31, 2020
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 357,914	\$ 1,123,843
Short-term investments	98,510	104,870
Accounts receivable, net	261,972	241,931
Prepaid expenses	12,645	16,898
Income taxes receivable	17,281	—
Other current assets	39,707	61,806
Total current assets	788,029	1,549,348
Property and equipment, net	72,552	76,191
Goodwill	1,496,751	1,477,968
Intangible assets, net	21,617	26,642
Operating and finance lease right-of-use assets	65,145	55,972
Deferred income tax assets	71,915	54,472
Other assets	130,095	107,355
Total assets	\$ 2,646,104	\$ 3,347,948
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 375,839	\$ 423,183
Current portion of finance lease liabilities	2,557	2,219
Current portion of operating lease liabilities	19,168	18,933
Total current liabilities	397,564	444,335
Long-term debt and finance lease liabilities, net	1,002,510	1,742,586
Long-term operating lease liabilities	41,076	40,970
Long-term professional liabilities	266,425	265,274
Deferred income tax liabilities	50,742	61,746
Other liabilities	42,110	45,320
Total liabilities	1,800,427	2,600,231
Commitments and contingencies		
Shareholders' equity:		
Preferred stock; \$.01 par value; 1,000 shares authorized; none issued	—	—
Common stock; \$.01 par value; 200,000 shares authorized; 86,402 and 85,593 shares issued and outstanding, respectively	864	856
Additional paid-in capital	1,045,285	1,029,453
Accumulated other comprehensive income	2,223	3,530
Retained deficit	(202,906)	(286,354)
Total Mednax, Inc. shareholders' equity	845,466	747,485
Noncontrolling interest	211	232
Total equity	845,677	747,717
Total liabilities and equity	\$ 2,646,104	\$ 3,347,948

*The accompanying notes are an integral part of these Consolidated Financial Statements.*

**Mednax, Inc.**  
**Consolidated Statements of Income**  
(in thousands, except per share data)  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net revenue	\$ 492,949	\$ 460,635	\$ 1,412,661	\$ 1,317,321
Operating expenses:				
Practice salaries and benefits	328,759	309,904	964,806	909,168
Practice supplies and other operating expenses	26,122	22,440	72,516	66,455
General and administrative expenses	66,892	66,346	204,376	194,276
Gain on sale of building	—	—	(7,280)	—
Depreciation and amortization	8,151	7,195	24,288	20,749
Transformational and restructuring related expenses	4,232	34,291	19,042	60,846
Total operating expenses	434,156	440,176	1,277,748	1,251,494
Income from operations	58,793	20,459	134,913	65,827
Investment and other income	1,686	10,534	11,829	13,064
Interest expense	(17,595)	(27,250)	(52,119)	(83,180)
Loss on early extinguishment of debt	—	—	(14,532)	—
Equity in earnings of unconsolidated affiliate	550	282	1,622	1,081
Total non-operating expenses	(15,359)	(16,434)	(53,200)	(69,035)
Income (loss) from continuing operations before income taxes	43,434	4,025	81,713	(3,208)
Income tax provision	(11,594)	(6,677)	(14,002)	(10,859)
Income (loss) from continuing operations	31,840	(2,652)	67,711	(14,067)
(Loss) income from discontinued operations, net of tax	(1,052)	(38,392)	15,716	(718,125)
Net income (loss)	30,788	(41,044)	83,427	(732,192)
Net loss attributable to noncontrolling interest	7	—	21	—
Net income (loss) attributable to Mednax, Inc.	\$ 30,795	\$ (41,044)	\$ 83,448	\$ (732,192)
Per common and common equivalent share data:				
Income (loss) from continuing operations:				
Basic	\$ 0.37	\$ (0.03)	\$ 0.80	\$ (0.17)
Diluted	\$ 0.37	\$ (0.03)	\$ 0.79	\$ (0.17)
(Loss) income from discontinued operations:				
Basic	\$ (0.01)	\$ (0.46)	\$ 0.18	\$ (8.62)
Diluted	\$ (0.01)	\$ (0.46)	\$ 0.18	\$ (8.62)
Net income (loss) attributable to Mednax, Inc.:				
Basic	\$ 0.36	\$ (0.49)	\$ 0.98	\$ (8.79)
Diluted	\$ 0.36	\$ (0.49)	\$ 0.97	\$ (8.79)
Weighted average common shares:				
Basic	85,065	83,862	84,754	83,260
Diluted	86,096	83,862	85,759	83,260

*The accompanying notes are an integral part of these Consolidated Financial Statements.*

**Mednax, Inc.**  
**Consolidated Statements of Equity**  
(in thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Deficit <sup>1</sup>	Total Equity
	Number of Shares	Amount				
<b>2021</b>						
Balance at January 1, 2021	85,593	\$ 856	\$ 1,029,453	\$ 3,530	\$ (286,122)	\$ 747,717
Net income	—	—	—	—	17,642	17,642
Net loss attributable to noncontrolling interest <sup>(1)</sup>	—	—	—	—	(8)	(8)
Unrealized holding loss on investments, net of tax	—	—	—	(1,133)	—	(1,133)
Common stock issued under employee stock option, employee stock purchase plan and stock purchase plan	52	—	1,042	—	—	1,042
Issuance of restricted stock	660	7	(7)	—	—	—
Forfeitures of restricted stock	(13)	—	—	—	—	—
Stock-based compensation expense	—	—	3,717	—	—	3,717
Repurchased common stock	(82)	(1)	(1,993)	—	—	(1,994)
Balance at March 31, 2021	86,210	\$ 862	\$ 1,032,212	\$ 2,397	\$ (268,488)	\$ 766,983
Net income	—	—	—	—	35,011	35,011
Net loss attributable to noncontrolling interest <sup>(1)</sup>	—	—	—	—	(6)	(6)
Unrealized holding gain on investments, net of tax	—	—	—	116	—	116
Common stock issued under employee stock option, employee stock purchase plan and stock purchase plan	71	1	1,535	—	—	1,536
Issuance of restricted stock	69	1	(1)	—	—	—
Forfeitures of restricted stock	(5)	(1)	1	—	—	—
Stock-based compensation expense	—	—	5,735	—	—	5,735
Repurchased common stock	(8)	—	(251)	—	—	(251)
Balance at June 30, 2021	86,337	\$ 863	\$ 1,039,231	\$ 2,513	\$ (233,483)	\$ 809,124
Net income	—	—	—	—	30,795	30,795
Net loss attributable to noncontrolling interest <sup>(1)</sup>	—	—	—	—	(7)	(7)
Unrealized holding loss on investments, net of tax	—	—	—	(290)	—	(290)
Common stock issued under employee stock option, employee stock purchase plan and stock purchase plan	148	2	3,032	—	—	3,034
Stock-based compensation expense	—	—	5,495	—	—	5,495
Repurchased common stock	(83)	(1)	(2,473)	—	—	(2,474)
Balance at September 30, 2021	86,402	\$ 864	\$ 1,045,285	\$ 2,223	\$ (202,695)	\$ 845,677
<b>2020</b>						
Balance at January 1, 2020	84,248	\$ 842	\$ 987,942	\$ 78	\$ 510,134	\$ 1,498,996
Net loss	—	—	—	—	(18,712)	(18,712)
Unrealized holding loss on investments, net of tax	—	—	—	(213)	—	(213)
Common stock issued under employee stock option, employee stock purchase plan and stock purchase plan	78	1	1,831	—	—	1,832
Issuance of restricted stock	968	10	(10)	—	—	—
Forfeitures of restricted stock	(19)	—	—	—	—	—
Stock-based compensation expense	—	—	8,035	—	—	8,035
Repurchased common stock	(125)	(1)	(2,541)	—	—	(2,542)
Balance at March 31, 2020	85,150	\$ 852	\$ 995,257	\$ (135)	\$ 491,422	\$ 1,487,396
Net loss	—	—	—	—	(672,436)	(672,436)
Unrealized holding gain on investments, net of tax	—	—	—	2,078	—	2,078
Common stock issued under employee stock option, employee stock purchase plan and stock purchase plan	277	3	2,541	—	—	2,544
Issuance of restricted stock	200	2	(2)	—	—	—
Forfeitures of restricted stock	(57)	(1)	1	—	—	—
Stock-based compensation expense	—	—	7,489	—	—	7,489
Repurchased common stock	(34)	(1)	(500)	—	—	(501)
Balance at June 30, 2020	85,536	\$ 855	\$ 1,004,786	\$ 1,943	\$ (181,014)	\$ 826,570
Net loss	—	—	—	—	(41,044)	(41,044)
Contribution from noncontrolling interest <sup>(1)</sup>	—	—	—	—	245	245
Unrealized holding gain on investments, net of tax	—	—	—	47	—	47
Common stock issued under employee stock option, employee stock purchase plan and stock purchase plan	89	1	1,323	—	—	1,324
Issuance of restricted stock	282	3	(3)	—	—	—
Forfeitures of restricted stock	(92)	(1)	1	—	—	—
Stock-based compensation expense	—	—	23,316	—	—	23,316
Repurchased common stock	(311)	(3)	(5,449)	—	—	(5,452)
Balance at September 30, 2020	85,504	\$ 855	\$ 1,023,974	\$ 1,990	\$ (221,813)	\$ 805,006

(1) Presented within retained earnings on the consolidated balance sheet as the balance is immaterial.

*The accompanying notes are an integral part of these Consolidated Financial Statements.*

**Mednax, Inc.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)  
(Unaudited)

	<b>Nine Months Ended September 30,</b>	
	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ 83,448	\$ (732,192)
(Income) loss from discontinued operations	(15,716)	718,125
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Depreciation and amortization	24,288	20,749
Amortization of premiums, discounts and issuance costs	3,520	4,076
Loss on early extinguishment of debt	14,532	—
Stock-based compensation expense	14,947	36,120
Deferred income taxes	(30,191)	30,214
Other	(1,639)	(30)
Gain on sale of building	(7,280)	—
Changes in assets and liabilities:		
Accounts receivable	(42,027)	30,006
Prepaid expenses and other current assets	26,391	(1,716)
Other long-term assets	9,412	7,703
Accounts payable and accrued expenses	(5,316)	(36,433)
Income taxes receivable	(16,391)	(28,837)
Long-term professional liabilities	557	15,703
Other liabilities	(19,817)	8,157
Net cash provided by operating activities – continuing operations	38,718	71,645
Net cash (used in) provided by operating activities - discontinued operations	(6,217)	144,841
Net cash provided by operating activities	32,501	216,486
<b>Cash flows from investing activities:</b>		
Acquisition payments, net of cash acquired	(19,550)	(2,225)
Purchases of investments	(11,431)	(36,090)
Proceeds from maturities or sales of investments	15,495	30,865
Purchases of property and equipment	(29,081)	(21,809)
Proceeds from sale of building	24,728	—
Strategic investments	(20,000)	—
Other	—	1,080
Net cash used in investing activities – continuing operations	(39,839)	(28,179)
Net cash provided by investing activities - discontinued operations	2,350	3,079
Net cash used in investing activities	(37,489)	(25,100)
<b>Cash flows from financing activities:</b>		
Borrowings on credit agreement	—	527,500
Payments on credit agreement	—	(527,500)
Redemption of senior notes, including call premium	(759,848)	—
Payments for credit facility amendment	—	(510)
Payments of contingent consideration liabilities	(189)	—
Payments on finance lease obligations	(1,796)	(433)
Proceeds from issuance of common stock	5,611	5,697
Repurchases of common stock	(4,719)	(8,495)
Contribution from noncontrolling interest	—	245
Net cash used in from financing activities – continuing operations	(760,941)	(3,496)
Net cash used in financing activities - discontinued operations	—	(1,248)
Net cash used in financing activities	(760,941)	(4,744)
Net (decrease) increase in cash and cash equivalents	(765,929)	186,642
Cash and cash equivalents at beginning of period	1,123,843	107,870
Cash and cash equivalents at end of period	\$ 357,914	\$ 294,512

*The accompanying notes are an integral part of these Consolidated Financial Statements.*

**Mednax, Inc.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2021**  
**(Unaudited)**

**1. Basis of Presentation and New Accounting Pronouncements:**

The accompanying unaudited Consolidated Financial Statements of the Company and the notes thereto presented in this Form 10-Q have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC") applicable to interim financial statements, and do not include all disclosures required by accounting principles generally accepted in the United States of America ("GAAP") for complete financial statements. In the opinion of management, these financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results of interim periods. The financial statements include all the accounts of Mednax, Inc. and its consolidated subsidiaries (collectively, "MDX") together with the accounts of MDX's affiliated business corporations or professional associations, professional corporations, limited liability companies and partnerships (the "affiliated professional contractors"). Certain subsidiaries of MDX have contractual management arrangements with its affiliated professional contractors, which are separate legal entities that provide physician services in certain states and Puerto Rico. The terms "Mednax" and the "Company" refer collectively to Mednax Inc., its subsidiaries and the affiliated professional contractors.

During the three months ended September 30, 2021, the Company made a \$20 million investment in a pediatric primary, urgent care and telehealth company with which it plans to develop new, innovative pediatric primary urgent care clinics throughout the United States with the goal of significantly enhancing the provision of pediatric care. The Company's investment is recorded as a cost method investment because the Company does not exercise significant influence over the entity in which it invested.

The Company is a party to a joint venture in which it owns a 37.5% economic interest. The Company accounts for this joint venture under the equity method of accounting because the Company exercises significant influence over, but does not control, this entity. The Company is also a party to a joint venture in which it owns a 51% economic interest and for which it is deemed the primary beneficiary. The equity interest of the outside investor in the equity of this consolidated entity is accounted for and presented as noncontrolling interest on the Company's Consolidated Balance Sheets. The results from operations attributable to the noncontrolling interest are presented separately on the Company's Consolidated Statements of Income.

The Company divested its anesthesiology services and radiology services medical groups in May 2020 and December 2020, respectively. The operating results of these medical groups are reported as discontinued operations in the Company's Consolidated Statements of Income for the three and nine months ended September 30, 2020 as relevant.

The consolidated results of operations for the interim periods presented are not necessarily indicative of the results to be experienced for the entire fiscal year. In addition, the accompanying unaudited Consolidated Financial Statements and the notes thereto should be read in conjunction with the Consolidated Financial Statements and the notes thereto included in the Company's most recent Annual Report on Form 10-K (the "Form 10-K").

**New Accounting Pronouncements**

In December 2019, accounting guidance related to income taxes was issued with the goal of enhancing and simplifying various aspects of the income tax accounting guidance, including requirements related to hybrid tax regimes, deferred taxes on step-up in tax basis of goodwill obtained in a transaction that is not a business combination, separate financial statements of entities not subject to tax, the intraperiod tax allocation exception to the incremental approach, deferred tax liabilities on outside basis differences, and interim-period accounting for enacted changes in tax law and certain year-to-date loss limitations. The guidance became effective for us on January 1, 2021. The adoption of this guidance did not have a material impact on our consolidated financial statements and related disclosures.

**2. Coronavirus Pandemic ("COVID-19"):**

COVID-19 has had an impact on the demand for medical services provided by the Company's affiliated clinicians. Beginning in mid-March 2020, the Company's affiliated office-based practices, which specialize in maternal-fetal medicine, pediatric cardiology, and numerous pediatric subspecialties, experienced a significant elevation of appointment cancellations compared to historical normal levels. The Company believes COVID-19, either directly or indirectly, also had an impact on its neonatology intensive care unit ("NICU") patient volumes, and there is no assurance that impacts from COVID-19 will not further adversely affect its NICU patient volumes or otherwise adversely affect its NICU and related neonatology business. Further, in late 2020, the Company saw a shift in the mix of patients reimbursed under government-sponsored healthcare programs, but that shift materially reversed during the nine months ended September 30, 2021. Overall, the Company's operating results were significantly impacted by COVID-19 beginning in mid-March 2020, but volumes began to normalize in mid-2020 and substantially recovered throughout 2020 and 2021.

During 2020, the Company implemented a number of actions to preserve financial flexibility and partially mitigate the significant anticipated impact of COVID-19. These steps included a suspension of most activities related to the Company's transformational and restructuring programs, limiting these expenditures to those that provide essential support for the Company's response to COVID-19. In addition, (i) the Company temporarily reduced executive and key management base salaries, including

50% reductions in salaries for its named executive officers during the second quarter of 2020; (ii) the Board of Directors agreed to forego their annual cash retainer and cash meeting payments, also during the second quarter of 2020; (iii) the Company enacted a combination of salary reductions and furloughs for non-clinical employees; (iv) the Company enacted significant operational and practice-specific expense reduction plans across its clinical operations; and (v) amended and restated its Credit Agreement.

Due to the continued uncertainties surrounding the timeline of and impacts from COVID-19, the Company is unable to predict the ultimate impact on its business, financial condition, results of operations and cash flows. The Company, however, believes it will be able to generate sufficient liquidity to satisfy its obligations for the next twelve months.

#### **CARES Act**

In March 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was signed into law. The CARES Act is a relief package intended to assist many aspects of the American economy, including providing up to \$100 billion in aid to the healthcare industry to reimburse healthcare providers for lost revenue and expenses attributable to COVID-19. The remaining \$70 billion in aid is intended to focus on providers in areas particularly impacted by COVID-19, rural providers, providers of services with lower shares of Medicare reimbursement or who predominantly serve the Medicaid population, and providers requesting reimbursement for the treatment of uninsured Americans. It is unknown what, if any, portion of the remaining healthcare industry funding of the CARES Act the Company and its affiliated physician practices will qualify for and receive. The Department of Health and Human Services ("HHS") is administering this program and began disbursing funds in April 2020, of which the Company's affiliated physician practices within continuing operations received an aggregate of \$22.0 million during the year ended December 31, 2020 and \$7.7 million during the nine months ended September 30, 2021. The Company has applications pending for certain affiliated physician practices for incremental relief beyond what has been received.

In addition, the CARES Act also provided for deferred payment of the employer portion of social security taxes through the end of 2020, and while the Company utilized this deferral option throughout 2020, it repaid almost all of the deferred amounts during the second quarter of 2021 with an immaterial amount due on each of December 31, 2021 and 2022.

Under current tax law, net operating losses can be carried forward indefinitely. The CARES Act enacted rules allowing net operating losses arising in 2020 to be carried back five taxable years. The Company generated a net operating loss for the 2020 tax year which has been carried back to the 2015 tax year under these provisions to obtain a refund of income tax at the prior 35% corporate tax rate.

### **3. Cash Equivalents and Investments:**

As of September 30, 2021 and December 31, 2020, the Company's cash equivalents consisted entirely of money market funds totaling \$4.4 million and \$1.0 million, respectively.

Investments held, all of which are classified as current assets, at September 30, 2021 and December 31, 2020 are summarized as follows (in thousands):

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Corporate securities	\$ 72,532	\$ 71,095
Municipal debt securities	12,307	18,707
U.S. Treasury securities	5,267	1,060
Certificates of deposit	4,436	5,991
Federal home loan securities	3,968	8,017
	<u>\$ 98,510</u>	<u>\$ 104,870</u>

### **4. Fair Value Measurements:**

The accounting guidance establishes a fair value hierarchy that prioritizes valuation inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of three levels:

Level 1 – inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.

Level 2 – inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The following table presents information about the Company's financial instruments that are accounted for at fair value on a recurring basis at September 30, 2021 and December 31, 2020 (in thousands):



	Fair Value Category	Fair Value	
		September 30, 2021	December 31, 2020
<b>Assets:</b>			
Money market funds	Level 1	\$ 4,378	\$ 1,010
Short-term investments	Level 2	98,510	104,870
Mutual Funds	Level 1	17,313	15,841

The following table presents information about the Company's financial instruments that are not carried at fair value at September 30, 2021 and December 31, 2020 (in thousands):

	September 30, 2021		December 31, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Liabilities:</b>				
2023 Notes	—	—	750,000	756,225
2027 Notes	1,000,000	1,048,700	1,000,000	1,070,000

The Company redeemed the full principal balance of its 5.25% senior unsecured notes due 2023 (the "2023 Notes") in January 2021.

The carrying amounts of cash equivalents, accounts receivable and accounts payable and accrued expenses approximate fair value due to the short maturities of the respective instruments.

#### 5. Accounts Receivable and Net Revenue:

Accounts receivable, net consists of the following (in thousands):

	September 30, 2021		December 31, 2020	
Gross accounts receivable	\$	1,215,086	\$	1,106,394
Allowance for contractual adjustments and uncollectibles		(953,114)		(864,463)
	\$	261,972	\$	241,931

Patient service revenue is recognized at the time services are provided by the Company's affiliated physicians. The Company's performance obligations related to the delivery of services to patients are satisfied at the time of service. Accordingly, there are no performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period with respect to patient service revenue. Almost all of the Company's patient service revenue is reimbursed by government-sponsored healthcare programs ("GHC Programs") and third-party insurance payors. Payments for services rendered to the Company's patients are generally less than billed charges. The Company monitors its revenue and receivables from these sources and records an estimated contractual allowance to properly account for the anticipated differences between billed and reimbursed amounts.

Accordingly, patient service revenue is presented net of an estimated provision for contractual adjustments and uncollectibles. The Company estimates allowances for contractual adjustments and uncollectibles on accounts receivable based upon historical experience and other factors, including days sales outstanding ("DSO") for accounts receivable, evaluation of expected adjustments and delinquency rates, past adjustments and collection experience in relation to amounts billed, an aging of accounts receivable, current contract and reimbursement terms, changes in payor mix and other relevant information. Contractual adjustments result from the difference between the physician rates for services performed and the reimbursements by GHC Programs and third-party insurance payors for such services.

Collection of patient service revenue the Company expects to receive is normally a function of providing complete and correct billing information to the GHC Programs and third-party insurance payors within the various filing deadlines and typically occurs within 30 to 60 days of billing.

Some of the Company's hospital agreements require hospitals to pay the Company administrative fees. Some agreements provide for fees if the hospital does not generate sufficient patient volume in order to guarantee that the Company receives a specified minimum revenue level. The Company also receives fees from hospitals for administrative services performed by its affiliated physicians providing medical director or other services at the hospital.

The following table summarizes the Company's net revenue by category (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net patient service revenue	\$ 432,854	\$ 388,843	\$ 1,226,866	\$ 1,128,042
Hospital contract administrative fees	59,491	55,279	175,462	160,112
Other revenue	604	16,513	10,333	29,167
	<u>\$ 492,949</u>	<u>\$ 460,635</u>	<u>\$ 1,412,661</u>	<u>\$ 1,317,321</u>

The approximate percentage of net patient service revenue by type of payor was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Contracted managed care	69 %	68 %	69 %	69 %
Government	26	26	25	26
Other third-parties	3	5	4	4
Private-pay patients	2	1	2	1
	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

## 6. Business Combinations and Discontinued Operations:

### *Business Combinations*

During the nine months ended September 30, 2021, the Company completed the acquisition of one pediatric orthopedic practice, one multi-location pediatric urgent care practice, one pediatric cardiology practice, one pediatric neurology practice and one maternal-fetal medicine practice for total consideration of \$24.6 million, of which \$19.6 was paid in cash at closing and \$5.0 million is recorded as current and long-term liabilities for amounts payable in future periods. These acquisitions expanded the Company's national network of physician practices across women's and children's services. In connection with these acquisitions, the Company recorded tax deductible goodwill of \$19.3 million, fixed assets of \$3.5 million and other intangible assets consisting primarily of physician and hospital agreements of \$1.8 million.

### *Discontinued Operations – Anesthesiology Services Medical Group*

The Company divested its anesthesiology services medical group in May 2020. During the nine months ended September 30, 2021, the Company recorded a net decrease to the loss on sale of \$19.0 million, primarily related to an adjustment to the sales proceeds and book values of net assets sold resulting from a mutual agreement between the buyer and seller reached during the three months ended March 31, 2021 to treat a portion of the divestiture as an asset sale for tax purposes, the disposal of the single anesthesia practice that remained after the divestiture of the anesthesiology medical group in May 2020 and the completion of the valuation for the contingent economic consideration component of the transaction. The net decrease to the loss on sale is reflected as a component of discontinued operations, net of income taxes, in the Company's Consolidated Statements of Income for the three and nine months ended September 30, 2021. The operating results of the anesthesiology services medical group were reported as a component of discontinued operations, net of income taxes, in the Company's Consolidated Statements of Income for the three and nine months ended September 30, 2020 as relevant.

The Company's continuing operations financial statements for the nine months ended September 30, 2021 reflect the Company's best estimate of the income tax effects associated with the asset sale change. These estimates include an increase in income tax receivable of \$24 million, of which \$9 million is related to loss carryback provisions enacted under the CARES Act, an increase in deferred tax assets of \$17 million and a reduction to capital loss carryforwards and offsetting valuation allowance of \$37 million. The Company will adjust these income tax effects as necessary during subsequent periods in 2021 as additional information becomes available.

### *Discontinued Operations – Radiology Services Medical Group*

The Company divested its radiology services medical group in December 2020. During the nine months ended September 30, 2021, the Company recorded a net increase to the loss on sale of \$3.3 million, primarily related to the adjustment of certain transaction related accounting. A final working capital true up is pending and is expected to be completed during 2021 and may result in an incremental change to the loss on sale. The operating results of the radiology services medical group were reported as a component of discontinued operations, net of income taxes, in the Company's Consolidated Statements of Income for the three and nine months ended September 30, 2020.

## 7. Accounts Payable and Accrued Expenses:

Accounts payable and accrued expenses consist of the following (in thousands):

	September 30, 2021	December 31, 2020
Accounts payable	\$34,361	\$59,771
Accrued salaries and incentive compensation	181,043	184,849
Accrued payroll taxes and benefits	39,399	43,945
Accrued professional liabilities	40,190	50,607
Accrued interest	13,562	32,721
Other accrued expenses	67,284	51,290
	<u>\$375,839</u>	<u>\$423,183</u>

## 8. Common and Common Equivalent Shares:

Basic net income per common share is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted net income per common share is calculated by dividing net income by the weighted average number of common and potential common shares outstanding during the period. Potential common shares consist of outstanding restricted stock and stock options and is calculated using the treasury stock method.

The calculation of shares used in the basic and diluted net income per common share calculation for the three and nine months ended September 30, 2021 and 2020 is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Weighted average number of common shares outstanding	85,065	83,862	84,754	83,260
Weighted average number of dilutive common share equivalents (a)	1,031	—	1,005	—
Weighted average number of common and common equivalent shares outstanding	<u>86,096</u>	<u>83,862</u>	<u>85,759</u>	<u>83,260</u>
Antidilutive securities not included in the diluted net income per common share calculation	<u>1</u>	<u>829</u>	<u>10</u>	<u>1,004</u>

(a) Due to a loss from continuing operations for the three and nine months ended September 30, 2020, no incremental shares are included because the effect would be antidilutive.

## 9. Stock Incentive Plans and Stock Purchase Plans:

On May 12, 2021, the Company's shareholders approved the Company's Amended and Restated 2008 Incentive Compensation Plan (the "Amended and Restated 2008 Incentive Plan"). The amendments, among other things, increased the number of shares of common stock reserved for delivery under the Amended and Restated 2008 Incentive Plan from 27,775,000 shares to 34,975,000 shares, as well as extended the expiration date to 10 years from the effective date of approval. The Amended and Restated 2008 Incentive Plan provides for grants of stock options, stock appreciation rights, restricted stock, deferred stock, and other stock-related awards and performance awards that may be settled in cash, stock or other property.

Under the Amended and Restated 2008 Incentive Plan, options to purchase shares of common stock may be granted at a price not less than the fair market value of the shares on the date of grant. The options must be exercised within 10 years from the date of grant and generally become exercisable on a pro rata basis over a three-year period from the date of grant. The Company issues new shares of its common stock upon exercise of its stock options. Restricted stock awards generally vest over periods of three years upon the fulfillment of specified service-based conditions and in certain instances performance-based conditions. Deferred stock awards generally vest upon the satisfaction of specified performance-based conditions and service-based conditions. The Company recognizes compensation expense related to its restricted stock and deferred stock awards ratably over the corresponding vesting periods. During the nine months ended September 30, 2021, the Company granted 0.7 million shares of restricted stock to its employees and non-employee directors under the Amended and Restated 2008 Incentive Plan. At September 30, 2021, the Company had 10.8 million shares available for future grants and awards under the Amended and Restated 2008 Incentive Plan.

On May 12, 2021, the Company's shareholders approved the Company's Amended and Restated 1996 Non-Qualified Employee Stock Purchase Plan (the "ESPP") to increase the number of shares issuable under the ESPP to 9.9 million shares. Under the ESPP, employees are permitted to purchase the Company's common stock at 85% of market value on January 1st, April 1st, July 1st and October 1st of each year. Under the Company's 2015 Non-Qualified Stock Purchase Plan (the "SPP"), certain eligible non-employee service providers are permitted to purchase the Company's common stock at 90% of market value on January 1st, April 1st, July 1st and October 1st of each year.

The Company recognizes stock-based compensation expense for the discount received by participating employees and non-employee service providers. During the nine months ended September 30, 2021, approximately 0.2 million shares were issued under the ESPP. At September 30, 2021, the Company had approximately 2.8 million shares reserved for issuance under the ESPP. The SPP provides for the issuance of up to 100,000 shares of the Company's common stock. At September 30, 2021, the Company had approximately 61,000 shares in the aggregate reserved for issuance under the SPP. No shares have been issued under the SPP in 2021.

During the three and nine months ended September 30, 2021 and 2020, the Company recognized stock-based compensation expense of \$5.5 million and \$15.0 million, and \$4.5 million and \$18.2 million, respectively.

**10. Common Stock Repurchase Programs:**

In July 2013, the Company's Board of Directors authorized the repurchase of shares of the Company's common stock up to an amount sufficient to offset the dilutive impact from the issuance of shares under the Company's equity compensation programs. The share repurchase program allows the Company to make open market purchases from time-to-time based on general economic and market conditions and trading restrictions. The repurchase program also allows for the repurchase of shares of the Company's common stock to offset the dilutive impact from the issuance of shares, if any, related to the Company's acquisition program. No shares were purchased under this program during the nine months ended September 30, 2021.

In August 2018, the Company announced that its Board of Directors had authorized the repurchase of up to \$500.0 million of the Company's common stock in addition to its existing share repurchase program, of which \$98.7 million remained available for repurchase as of December 31, 2020. Under this share repurchase program, during the nine months ended September 30, 2021, the Company withheld approximately 0.2 million shares of its common stock to satisfy minimum statutory withholding obligations of \$4.7 million in connection with the vesting of restricted stock.

The Company intends to utilize various methods to effect any future share repurchases, including, among others, open market purchases and accelerated share repurchase programs. The amount and timing of repurchases will depend upon several factors, including general economic and market conditions and trading restrictions.

**11. Commitments and Contingencies:**

The Company expects that audits, inquiries and investigations from government authorities and agencies will occur in the ordinary course of business. Such audits, inquiries and investigations and their ultimate resolutions, individually or in the aggregate, could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows and the trading price of its securities. The Company has not included an accrual for these matters as of September 30, 2021 in its Consolidated Financial Statements, as the variables affecting any potential eventual liability depend on the currently unknown facts and circumstances that arise out of, and are specific to, any particular future audit, inquiry and investigation and cannot be reasonably estimated at this time.

In the ordinary course of business, the Company becomes involved in pending and threatened legal actions and proceedings, most of which involve claims of medical malpractice related to medical services provided by the Company's affiliated physicians. The Company's contracts with hospitals generally require the Company to indemnify them and their affiliates for losses resulting from the negligence of the Company's affiliated physicians. The Company may also become subject to other lawsuits which could involve large claims and significant costs. The Company believes, based upon a review of pending actions and proceedings, that the outcome of such legal actions and proceedings will not have a material adverse effect on its business, financial condition, results of operations, cash flows and the trading price of its securities. The outcome of such actions and proceedings, however, cannot be predicted with certainty and an unfavorable resolution of one or more of them could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows and the trading price of its securities.

Although the Company currently maintains liability insurance coverage intended to cover professional liability and certain other claims, the Company cannot assure that its insurance coverage will be adequate to cover liabilities arising out of claims asserted against it in the future where the outcomes of such claims are unfavorable. With respect to professional liability risk, the Company generally self-insures a portion of this risk through its wholly owned captive insurance subsidiary. Liabilities in excess of the Company's insurance coverage, including coverage for professional liability and certain other claims, could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows and the trading price of its securities.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion highlights the principal factors that have affected our financial condition and results of operations, as well as our liquidity and capital resources, for the periods described. This discussion should be read in conjunction with the unaudited Consolidated Financial Statements and the notes thereto included in this Quarterly Report. In addition, reference is made to our audited consolidated financial statements and notes thereto and related Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, filed with the Securities and Exchange Commission on February 18, 2021 (the "2020 Form 10-K"). As used in this Quarterly Report, the terms "Mednax", the "Company", "we", "us" and "our" refer to the parent company, Mednax, Inc., a Florida corporation, and the consolidated subsidiaries through which its businesses are actually conducted (collectively, "MDX"), together with MDX's affiliated business corporations or professional associations, professional corporations, limited liability companies and partnerships ("affiliated professional contractors"). Certain subsidiaries of MDX have contracts with our affiliated professional contractors, which are separate legal entities that provide physician services in certain states and Puerto Rico. The following discussion contains forward-looking statements. Please see the Company's 2020 Form 10-K, including Item 1A, Risk Factors, for a discussion of the uncertainties, risks and assumptions associated with these forward-looking statements. In addition, please see "Caution Concerning Forward-Looking Statements" below.

### Overview

Mednax is a leading provider of physician services including newborn, maternal-fetal, pediatric cardiology and other pediatric subspecialty care. Our national network is comprised of affiliated physicians who provide clinical care in 39 states and Puerto Rico. Our affiliated physicians provide neonatal clinical care, primarily within hospital-based neonatal intensive care units ("NICUs"), to babies born prematurely or with medical complications; and maternal-fetal and obstetrical medical care to expectant mothers experiencing complicated pregnancies primarily in areas where our affiliated neonatal physicians practice. Our network also includes other pediatric subspecialists, including those who provide pediatric intensive care, pediatric cardiology care, hospital-based pediatric care, pediatric surgical care, pediatric ear, nose and throat, pediatric ophthalmology, pediatric urology services and pediatric urgent care.

### Coronavirus Pandemic (COVID-19)

COVID-19 has had an impact on the demand for medical services provided by our affiliated clinicians. Beginning in mid-March 2020, our affiliated office-based practices, which specialize in maternal-fetal medicine, pediatric cardiology, and numerous pediatric subspecialties, experienced a significant elevation of appointment cancellations compared to historical normal levels. We believe COVID-19, either directly or indirectly, also had an impact on our NICU patient volumes, and there is no assurance that impacts from COVID-19 will not further adversely affect our NICU patient volumes or otherwise adversely affect our NICU and related neonatology business. Further, in late 2020, we saw a shift in the mix of patients reimbursed under government-sponsored healthcare programs, but that shift materially reversed during the nine months ended September 30, 2021. Overall, our operating results were significantly impacted by COVID-19 beginning in mid-March 2020, but volumes began to normalize in mid-2020 and substantially recovered throughout 2020 and 2021.

During 2020, we implemented a number of actions to preserve financial flexibility and partially mitigate the significant anticipated impact of COVID-19. These steps included a suspension of most activities related to our transformational and restructuring programs, limiting these expenditures to those that provide essential support for our response to COVID-19. In addition, (i) we temporarily reduced executive and key management base salaries, including 50% reductions in salaries for our named executive officers during the second quarter of 2020; (ii) the board of directors agreed to forego their annual cash retainer and cash meeting payments, also during the second quarter of 2020; (iii) we enacted a combination of salary reductions and furloughs for non-clinical employees; (iv) we enacted significant operational and practice-specific expense reduction plans across its clinical operations; and (v) amended and restated our credit agreement.

Due to the continued uncertainties surrounding the timeline of and impacts from COVID-19, we are unable to predict the ultimate impact on our business, financial condition, results of operations, cash flows and the trading price of our securities at this time.

### CARES Act

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was signed into law. The CARES Act is a relief package intended to assist many aspects of the American economy, including providing up to \$100 billion in aid to the healthcare industry to reimburse healthcare providers for lost revenue and expenses attributable to COVID-19. The remaining \$70 billion in aid is intended to focus on providers in areas particularly impacted by COVID-19, rural providers, providers of services with lower shares of Medicare reimbursement or who predominantly serve the Medicaid population, and providers requesting reimbursement for the treatment of uninsured Americans. It is unknown what, if any, portion of the remaining healthcare industry funding on the CARES Act our affiliated physician practices will qualify for and receive. The Department of Health and Human Services ("HHS") is administering this program, and our affiliated physician practices within continuing operations received an aggregate of \$22.0 million in relief payments during the year ended December 31, 2020 and \$7.7 million during the nine months ended September 30, 2021. We have applications pending for certain affiliated physician practices for incremental relief beyond what has been received.

In addition, the CARES Act also provides for deferred payment of the employer portion of social security taxes through the end of 2020, and we utilized this deferral option throughout 2020. We repaid almost all of these deferred social security taxes during the second quarter of 2021 with an immaterial amount due on each of December 31, 2021 and 2022.

Under current tax law, net operating losses can be carried forward indefinitely. The CARES Act enacted rules allowing net operating losses arising in 2020 to be carried back five taxable years. We generated a net operating loss for the 2020 tax year which has been carried back to the 2015 tax year under these provisions to obtain a refund of income tax at the prior 35% corporate tax rate.

### **General Economic Conditions and Other Factors**

Our operations and performance depend significantly on economic conditions. Economic conditions in the United States (“U.S.”) deteriorated as a result of COVID-19, which impacted patient volumes, although patient volumes substantially recovered as of September 30, 2021. During the three months ended September 30, 2021, the percentage of our patient service revenue being reimbursed under government-sponsored healthcare programs (“GHC Programs”) decreased as compared to the three months ended September 30, 2020. We could, however, experience shifts toward GHC Programs if changes occur in economic behaviors or population demographics within geographic locations in which we provide services, including an increase in unemployment and underemployment as well as losses of commercial health insurance. For example, during the three months ended December 31, 2020, we experienced significant shifts to GHC programs. Payments received from GHC Programs are substantially less for equivalent services than payments received from commercial insurance payors. In addition, due to the rising costs of managed care premiums and patient responsibility amounts, we may experience lower net revenue resulting from increased bad debt due to patients’ inability to pay for certain services.

### **Healthcare Reform**

The Patient Protection and Affordable Care Act (the “ACA”) contains a number of provisions that have affected us and, absent amendment or repeal, may continue to affect us over the next several years. These provisions include the establishment of health insurance exchanges to facilitate the purchase of qualified health plans, expanded Medicaid eligibility, subsidized insurance premiums and additional requirements and incentives for businesses to provide healthcare benefits. Other provisions have expanded the scope and reach of the Federal Civil False Claims Act and other healthcare fraud and abuse laws. Moreover, we could be affected by potential changes to various aspects of the ACA, including changes to subsidies, healthcare insurance marketplaces and Medicaid expansion.

Despite the ACA going into effect over a decade ago, continuous legal and Congressional challenges to the law’s provisions and persisting uncertainty with respect to the scope and effect of certain provisions have made compliance costly. In 2017, Congress unsuccessfully sought to replace substantial parts of the ACA with different mechanisms for facilitating insurance coverage in the commercial and Medicaid markets. Congress may again attempt to enact substantial or target changes to the ACA in the future. Additionally, Centers for Medicare & Medicaid Services (“CMS”) has administratively revised a number of provisions and may seek to advance additional significant changes through regulation, guidance and enforcement in the future.

At the end of 2017, Congress repealed the part of the ACA that required most individuals to purchase and maintain health insurance or face a tax penalty, known as the individual mandate. In light of these changes, in December 2018, a federal district court in Texas declared that key portions of the ACA were inconsistent with the U.S. Constitution and that the entire ACA is invalid as a result. Several states appealed this decision, and in December 2019, a federal court of appeals upheld the district court’s conclusion that part of the ACA is unconstitutional but remanded for further evaluation whether in light of this defect the entire ACA must be invalidated. Democratic attorneys general and the House appealed the Fifth Circuit’s decision to the Supreme Court. On March 2, 2020, the Supreme Court agreed to hear the case, styled *California v. Texas*, during the 2020-21 term. Oral arguments took place on November 2, 2020 and on June 17, 2021, the Court held that the plaintiffs lacked standing to challenge the ACA. Notwithstanding the Supreme Court’s ruling, we cannot say for certain whether there will be future challenges to the ACA or what impact, if any, such challenges may have on our business. Changes resulting from these proceedings could have a material impact on our business.

In late 2020 and early 2021, the results of the federal and state elections changed which persons and parties occupy the Office of the President of the United States and the U.S. Senate and many states’ governors and legislatures. The current Administration may propose sweeping changes to the U.S. healthcare system, including expanding government-funded health insurance options, additional Medicaid expansion or replacing current healthcare financing mechanisms with systems that would be entirely administered by the federal government. Any legislative or administrative change to the current healthcare financing system could have a material adverse effect on our financial condition, results of operations, cash flows and the trading price of our securities.

In addition to the potential impacts to the ACA, there could be changes to other GHC Programs, such as a change to the structure of Medicaid or Medicaid payment rates set forth under state law. Historically, Congress and the Administration have sought to convert Medicaid into a block grant or to institute per capita spending caps, among other things. These changes, if implemented, could eliminate the guarantee that everyone who is eligible and applies for benefits would receive them and could potentially give states new authority to restrict eligibility, cut benefits and make it more difficult for people to enroll. Additionally, several states are considering and pursuing changes to their Medicaid programs, such as requiring recipients to engage in employment or education activities as a condition of eligibility for most adults, disenrolling recipients for failure to pay a premium, or adjusting premium amounts based on income. Many states have recently shifted a majority or all of their Medicaid program beneficiaries into Managed Medicaid Plans. Managed Medicaid Plans have some flexibility to set rates for providers, but many states require minimum provider rates in their contracts with such plans. In July of each year, CMS releases the annual Medicaid Managed Care Rate Development Guide which provides federal baseline rules for setting reimbursement rates in managed care plans. We could be affected by lower reimbursement rates in some of all of the Managed Medicaid Plans with which we participate. We could also be materially impacted if we are dropped from the provider network in one or more of the Managed Medicaid Plans with which we currently participate.

We cannot predict with any assurance the ultimate effect of these laws and resulting changes to payments under GHC Programs, nor can we provide any assurance that they will not have a material adverse effect on our business, financial condition, results of operations, cash

flows and the trading price of our securities. Further, any fiscal tightening impacting GHC Programs or changes to the structure of any GHC Programs could have a material adverse effect on our financial condition, results of operations, cash flows and the trading price of our securities.

### ***Medicaid Expansion***

The ACA also allows states to expand their Medicaid programs through federal payments that fund most of the cost of increasing the Medicaid eligibility income limit from a state's historic eligibility levels to 133% of the federal poverty level. To date, 38 states and the District of Columbia have expanded Medicaid eligibility to cover this additional low-income patient population, and other states are considering expansion. All of the states in which we operate, however, already cover children in the first year of life and pregnant women if their household income is at or below 133% of the federal poverty level. As noted above, Congress is currently considering altering the terms and state remuneration for Medicaid expansion pursuant to the ACA. Should these changes take effect, we cannot predict with any assurance the ultimate effect to reimbursements for our services.

### ***"Surprise" Billing Legislation***

In late 2020, Congress enacted legislation intended to protect patients from "surprise" medical bills when services are furnished by providers who are not subject to contractual arrangements and payment limitations with the patient's insurer. Effective January 1, 2022, patients will be protected from unexpected or "surprise" medical bills that could arise from out-of-network emergency care provided at an out-of-network facility or at in-network facilities by out-of-network providers and out-of-network nonemergency care provided at in-network facilities without the patient's informed consent. Many states have passed similar legislation, but the federal government has been working to enact a ban on surprise billing for quite some time that pertains to ERISA health insurance plans that are not addressed under state legislation.

Under the "No Surprises Act," patients are only required to pay the in-network cost-sharing amount, which has been determined through an established regulatory formula and will count toward the patient's health plan deductible and out-of-pocket cost-sharing limits. Providers will generally not be permitted to balance bill patients beyond this cost-sharing amount. An out-of-network provider will only be permitted to bill a patient more than the in-network cost-sharing amount for care if the provider gives the patient notice of the provider's network status and delivers to the patient or their health plan an estimate of charges within certain specified timeframes, and obtains the patient's written consent prior to the delivery of care. Providers that violate these surprise billing prohibitions may be subject to state enforcement action or federal civil monetary penalties. Out of network providers will undergo an independent dispute resolution ("IDR") process to determine their payment amounts for out of network services. These IDR results will bind both the provider and payor for a 90-day period. We cannot predict how these IDR results will compare to the rates that our affiliated physicians customarily receive for their services.

These measures could limit the amount we can charge and recover for services we furnish where we have not contracted with the patient's insurer, and therefore could have a material adverse effect on our business, financial condition, results of operations, cash flows and the trading price of our securities. Moreover, these measures could affect our ability to contract with certain payors and under historically similar terms and may cause, and the prospect of these changes may have caused, payors to terminate their contracts with us and our affiliated practices, further affecting our business, financial condition, results of operations, cash flows and the trading price of our securities.

### ***Non-GAAP Measures***

In our analysis of our results of operations, we use certain non-GAAP financial measures. We report adjusted earnings before interest, taxes and depreciation and amortization from continuing operations, which is defined as income (loss) from continuing operations before interest, income taxes, depreciation and amortization, and transformational and restructuring related expenses. We also report adjusted earnings per share ("Adjusted EPS") from continuing operations which consists of diluted income (loss) from continuing operations per common and common equivalent share adjusted for amortization expense, stock-based compensation expense, transformational and restructuring related expenses and any impacts from discrete tax events. For the three and nine months ended September 30, 2021 as relevant, both Adjusted EBITDA and Adjusted EPS are being further adjusted to exclude the impacts from the gain on sale of building and loss on the early extinguishment of debt.

We believe these measures, in addition to income (loss) from continuing operations, net income (loss) and diluted net income (loss) from continuing operations per common and common equivalent share, provide investors with useful supplemental information to compare and understand our underlying business trends and performance across reporting periods on a consistent basis. These measures should be considered a supplement to, and not a substitute for, financial performance measures determined in accordance with GAAP. In addition, since these non-GAAP measures are not determined in accordance with GAAP, they are susceptible to varying calculations and may not be comparable to other similarly titled measures of other companies.

For a reconciliation of each of Adjusted EBITDA from continuing operations and Adjusted EPS from continuing operations to the most directly comparable GAAP measures for the three and nine months ended September 30, 2021 and 2020, refer to the tables below (in thousands, except per share data).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Income (loss) from continuing operations attributable to Mednax, Inc.	\$ 31,847	\$ (2,652)	\$ 67,732	\$ (14,067)
Interest expense	17,595	27,250	52,119	83,180
Gain on sale of building	—	—	(7,280)	—
Loss on early extinguishment of debt	—	—	14,532	—
Income tax provision	11,594	6,677	14,002	10,859
Depreciation and amortization expense	8,151	7,195	24,288	20,749
Transformational and restructuring related expenses	4,232	34,291	19,042	60,846
Adjusted EBITDA from continuing operations attributable to Mednax, Inc.	\$ 73,419	\$ 72,761	\$ 184,435	\$ 161,567

	Three Months Ended September 30,			
	2021		2020	
Weighted average diluted shares outstanding	86,096		83,862	
Income (loss) from continuing operations and diluted income from continuing operations per share attributable to Mednax, Inc.	\$ 31,847	\$ 0.37	\$ (2,652)	\$ (0.03)
Adjustments <sup>(1)</sup> :				
Amortization (net of tax of \$583 and \$601)	1,749	0.02	1,802	0.02
Stock-based compensation (net of tax of \$1,374 and \$1,132)	4,121	0.05	3,398	0.04
Transformational and restructuring expenses (net of tax of \$1,058 and \$8,573)	3,174	0.03	25,718	0.31
Net impact from discrete tax events	(901)	(0.01)	2,905	0.03
Adjusted income and diluted EPS from continuing operations attributable to Mednax, Inc.	\$ 39,990	\$ 0.46	\$ 31,171	\$ 0.37

(1) Our blended statutory tax rate of 25% was used to calculate the tax effects of the adjustments for the three months ended September 30, 2021 and 2020.

	Nine Months Ended September 30,			
	2021		2020	
Weighted average diluted shares outstanding	85,759		83,260	
Income (loss) from continuing operations and diluted income from continuing operations per share attributable to Mednax, Inc.	\$ 67,732	\$ 0.79	\$ (14,067)	\$ (0.17)
Adjustments <sup>(1)</sup> :				
Amortization (net of tax of \$2,049 and \$1,632)	6,149	0.07	4,896	0.06
Stock-based compensation (net of tax of \$3,737 and \$4,550)	11,210	0.13	13,652	0.16
Transformational and restructuring expenses (net of tax of \$4,760 and \$15,211)	14,282	0.16	45,635	0.55
Gain on sale of building (net of tax of \$1,820)	(5,460)	(0.06)	—	—
Loss on early extinguishment of debt (net of tax of \$3,633)	10,899	0.13	—	—
Net impact from discrete tax events	(9,484)	(0.11)	7,849	0.10
Adjusted income and diluted EPS from continuing operations attributable to Mednax, Inc.	\$ 95,328	\$ 1.11	\$ 57,965	\$ 0.70

(1) Our blended statutory tax rate of 25% was used to calculate the tax effects of the adjustments for the nine months ended September 30, 2021 and 2020.

## Results of Operations

### Three Months Ended September 30, 2021 as Compared to Three Months Ended September 30, 2020

Our net revenue attributable to continuing operations was \$492.9 million for the three months ended September 30, 2021, as compared to \$460.6 million for the same period in 2020. The increase in revenue of \$32.3 million, or 7.0%, was primarily attributable to an increase in same-unit revenue. Same units are those units at which we provided services for the entire current period and the entire comparable period. Same-unit net revenue increased by \$26.7 million, or 5.9%. The increase in same-unit net revenue was comprised of an increase of \$29.5 million, or 6.5%, related to patient service volumes, partially offset by a decrease of \$2.8 million, or 0.6%, from net reimbursement-related factors. The increase in revenue from patient service volumes was related to increases across almost all of our hospital-based and office-based women's and children's services. Prior year volumes were unfavorably impacted by COVID-19. The net decrease in revenue related to net reimbursement-related factors was primarily due to decreases in CARES Act relief as no relief was recorded during the third quarter of 2021, as compared to \$14.2 million recorded during the third quarter of 2020, partially offset by an increase in revenue resulting from a decrease in the percentage of our patients being enrolled in GHC Programs, increases in administrative fees from our hospital partners and modest improvements in managed care contracting.



Practice salaries and benefits attributable to continuing operations increased \$18.9 million, or 6.1%, to \$328.8 million for the three months ended September 30, 2021, as compared to \$309.9 million for the same period in 2020. Of the \$18.9 million increase, \$14.4 million was related to salaries which primarily reflected increases in clinician compensation expense driven by the comparison to reduced salaries expense during 2020 resulting from COVID-19 mitigation efforts. The remaining \$4.5 million increase was related to benefits and incentive compensation, with the increase primarily related to incentive compensation driven by improved results.

Practice supplies and other operating expenses attributable to continuing operations increased \$3.7 million, or 16.4%, to \$26.1 million for the three months ended September 30, 2021, as compared to \$22.4 million for the same period in 2020. The increase was primarily attributable to practice supply, rent and other costs related to our existing units for which the activity across many expense categories such as travel, office and professional services expenses in 2020 had decreased as a result of COVID-19 as well as increases in the current year for information technology expenses from efforts directly supporting the physician practices.

General and administrative expenses attributable to continuing operations primarily include all billing and collection functions and all other salaries, benefits, supplies and operating expenses not specifically identifiable to the day-to-day operations of our physician practices and services. General and administrative expenses were \$66.9 million for the three months ended September 30, 2021, as compared to \$66.3 million for the same period in 2020. The net increase of \$0.6 million is primarily related to a net increase in compensation expense when comparing to the prior year that included decreases in compensation expense from COVID-19 mitigation efforts such as furloughs and net staffing reductions and increases in various information technology related expenses including systems fees, professional licenses and data center enhancements, partially offset by a net savings in revenue cycle management expenses and other professional fees. General and administrative expenses as a percentage of net revenue was 13.6% for the three months ended September 30, 2021, as compared to 14.4% for the same period in 2020, with the decrease of 83 basis points driven by the net expense decreases, partially offset by the increases in salaries and information technology expense in 2021.

Transformational and restructuring related expenses attributable to continuing operations were \$4.2 million for the three months ended September 30, 2021, as compared to \$34.3 million for the same period in 2020. The decrease of \$30.1 million reflects the reduction in the scope of activities limiting them to initiatives critical to the transformation of our business operations with the expenses during the third quarter of 2021 primarily related to contract termination costs resulting from the transition of our revenue cycle management activities to a third party with the remaining expenses related to external consulting costs for other initiatives.

Depreciation and amortization expense attributable to continuing operations was \$8.2 million for the three months ended September 30, 2021, as compared to \$7.2 million for the same period in 2020. The increase of \$1.0 million was primarily related to an increase in depreciation expense related to information technology equipment.

Income from operations attributable to continuing operations increased \$38.3 million, or 187.4%, to \$58.8 million for the three months ended September 30, 2021, as compared to \$20.5 million for the same period in 2020. Our operating margin was 11.9% for the three months ended September 30, 2021, as compared to 4.4% for the same period in 2020. The increase in our operating margin was primarily due to higher revenue growth and decreases in transformational and restructuring related expenses, partially offset by net increases in overall operating expenses as compared to the third quarter of 2020, some of which was driven by COVID-19 cost mitigation initiatives that took place in 2020. Excluding transformation and restructuring related expenses, our income from operations attributable to continuing operations was \$63.0 million and \$54.8 million, and our operating margin was 12.8% and 11.9% for the three months ended September 30, 2021 and 2020, respectively. We believe excluding the impacts from the transformational and restructuring related activity provides a more comparable view of our operating income and operating margin from continuing operations.

Total non-operating expenses attributable to continuing operations were \$15.4 million for the three months ended September 30, 2021, as compared to \$16.4 million for the same period in 2020. The net decrease in non-operating expenses was primarily related to the decrease in interest expense resulting from the redemption of our 5.25% senior unsecured notes due 2023 (the "2023 Notes") in January 2021, partially offset by a decrease in other income related to the transition services provided to the buyers of our divested medical groups. Interest expense for the three months ended September 30, 2021 also includes approximately \$0.8 million of deferred debt costs written off as a result of the permanent reduction in the size of our revolving credit facility.

Our effective income tax rate attributable to continuing operations ("tax rate") was 26.7% for the three months ended September 30, 2021 and our tax rate for the three months ended September 30, 2020 was not meaningful due to the decreased level of pre-tax income generated. Income taxes for the third quarter of 2020 were calculated by applying the actual year-to-date tax rate to our pre-tax income. After excluding discrete tax impacts, during the three months ended September 30, 2021, our tax rate was 28.8%. We believe excluding discrete tax impacts provides a more comparable view of our tax rate.

Income from continuing operations attributable to Mednax, Inc. was \$31.8 million for the three months ended September 30, 2021, as compared to a loss of \$2.7 million for the same period in 2020. Adjusted EBITDA from continuing operations attributable to Mednax, Inc. was \$73.4 million for the three months ended September 30, 2021, as compared to \$72.8 million for the same period in 2020.

Diluted earnings from continuing operations per common and common equivalent share attributable to Mednax, Inc. was \$0.37 on weighted average shares outstanding of 86.1 million for the three months ended September 30, 2021, as compared to a diluted loss per share of \$0.03 on weighted average shares outstanding of 83.9 million for the same period in 2020. Adjusted EPS from continuing operations was \$0.46 for the three months ended September 30, 2021, as compared to \$0.37 for the same period in 2020. The increase of 2.2 million in our weighted average shares outstanding is primarily due to the impact of shares issued in 2020 and 2021 through various equity programs.

Loss from discontinued operations, net of tax, was \$1.1 million for the three months ended September 30, 2021, as compared to \$38.4 million for the same period in 2020. Diluted loss from discontinued operations per common and common equivalent share was \$0.01 for the three months ended September 30, 2021, as compared to \$0.46 three months ended September 30, 2020.

Net income attributable to Mednax, Inc. was \$30.8 million for the three months ended September 30, 2021, as compared to a loss of \$41.0 million for the same period in 2020. Diluted net income per common and common equivalent share attributable to Mednax, Inc. was \$0.36 for the three months ended September 30, 2021, as compared to a diluted loss per share of \$0.49 for the same period in 2020.

#### *Nine Months Ended September 30, 2021 as Compared to Nine Months Ended September 30, 2020*

Our net revenue attributable to continuing operations was \$1.41 billion for the nine months ended September 30, 2021, as compared to \$1.32 billion for the same period in 2020. The increase in revenue of \$95.3 million, or 7.2%, was primarily attributable to an increase in same-unit revenue. Same units are those units at which we provided services for the entire current period and the entire comparable period. Same-unit net revenue increased by \$93.3 million, or 7.3%. The increase in same-unit net revenue was comprised of an increase of \$58.7 million, or 4.6%, related to patient service volumes and an increase of \$34.6 million, or 2.7%, from net reimbursement-related factors. The increase in revenue from patient service volumes was related to increases across all our hospital-based and office-based women's and children's services. Prior year volumes were significantly unfavorably impacted by COVID-19. The net increase in revenue related to net reimbursement-related factors was primarily due to an increase in revenue resulting from a decrease in the percentage of our patients being enrolled in GHC Programs, increases in administrative fees from our hospital partners and modest improvements in managed care contracting, partially offset by a decrease in CARES Act relief.

Practice salaries and benefits attributable to continuing operations increased \$55.6 million, or 6.1%, to \$964.8 million for the nine months ended September 30, 2021, as compared to \$909.2 million for the same period in 2020. Of the \$55.6 million increase, \$40.6 million was related to salaries which primarily reflected increases in clinician compensation expense driven by the comparison to reduced salaries expense during 2020 resulting from COVID-19 mitigation efforts. The remaining \$15.0 million was related to benefits and incentive compensation, with the increase to incentive compensation driven by improved results, partially offset by a decrease in malpractice expense.

Practice supplies and other operating expenses attributable to continuing operations increased \$6.0 million, or 9.1%, to \$72.5 million for the nine months ended September 30, 2021, as compared to \$66.5 million for the same period in 2020. The increase was primarily attributable to practice supply, rent and other costs related to our existing units for which the activity across many expense categories such as travel, office and professional services expenses in 2020 had decreased as a result of COVID-19 as well as increases in the current year for information technology expenses from efforts directly supporting the physician practices.

General and administrative expenses attributable to continuing operations primarily include all billing and collection functions and all other salaries, benefits, supplies and operating expenses not specifically identifiable to the day-to-day operations of our physician practices and services. General and administrative expenses were \$204.4 million for the nine months ended September 30, 2021, as compared to \$194.3 million for the same period in 2020. The net increase of \$10.1 million is primarily related to increases in various information technology related expenses including systems fees, professional licenses, data center enhancements, and security as well as a net increase in compensation expense when comparing to the prior year that included decreases in compensation expense from COVID-19 mitigation efforts such as furloughs and net staffing reductions. General and administrative expenses as a percentage of net revenue was 14.5% for the nine months ended September 30, 2021, as compared to 14.7% for the same period in 2020.

Gain on sale of building was \$7.3 million for the nine months ended September 30, 2021 and resulted from the sale of our secondary corporate office building during the second quarter.

Transformational and restructuring related expenses attributable to continuing operations were \$19.0 million for the nine months ended September 30, 2021, as compared to \$60.8 million for the same period in 2020. The decrease of \$41.8 million reflects the reduction in the scope of activities limiting them to initiatives critical to our business operations with the expenses during the nine months ended September 30, 2021 primarily for contract termination and external consulting costs.

Depreciation and amortization expense attributable to continuing operations was \$24.3 million for the nine months ended September 30, 2021, as compared to \$20.7 million for the same period in 2020. The increase of \$3.6 million was primarily related to an increase in depreciation expense related to information technology equipment.

Income from operations attributable to continuing operations increased \$69.1 million, or 105.0%, to \$134.9 million for the nine months ended September 30, 2021, as compared to \$65.8 million for the same period in 2020. Our operating margin was 9.6% for the nine months ended September 30, 2021, as compared to 5.0% for the same period in 2020. The increase in our operating margin was primarily due to higher revenue growth, partially offset by net increases in overall operating expenses as compared to 2020, some of which was driven by COVID-19 cost mitigation initiatives that took place in 2020 as well as increases in incentive compensation expense in 2021 from improved results. Excluding the transformation and restructuring related expenses and gain on sale of building, our income from operations attributable to continuing operations was \$154.0 million and \$126.7 million, and our operating margin was 10.9% and 9.6% for the nine months ended September 30, 2021 and 2020, respectively. We believe excluding the impacts from the transformational and restructuring related activity and gain on sale of building provides a more comparable view of our operating income and operating margin from continuing operations.

Total non-operating expenses attributable to continuing operations were \$53.2 million for the nine months ended September 30, 2021, as compared to \$69.0 million for the same period in 2020. The decrease in non-operating expenses was primarily related to a decrease in interest expense resulting from the redemption of our 2023 Notes in January 2021, partially offset by the loss on the early redemption of our 2023

Notes. The nine months ended September 30, 2020 also included the unfavorable impact from the settlement of a litigation matter within investment and other income.

Our tax rate was 17.1% for the nine months ended September 30, 2021 and our tax rate for the nine months ended September 30, 2020 was not meaningful due to the pre-tax loss generated due to the impacts from COVID-19. The tax rate for the nine months ended September 30, 2021 includes a net discrete tax benefit of \$9.5 million, primarily related to a change in estimate for the 2020 net operating loss carryback as allowed under the CARES Act for refund at the 35% federal tax rate. Income taxes for the nine months ended September 30, 2020 were calculated by applying the actual year-to-date tax rate to our pre-tax loss. After excluding discrete tax impacts, during the nine months ended September 30, 2021, our tax rate was 28.7%. We believe excluding discrete tax impacts on our tax rate provides a more comparable view of our effective income tax rate.

Income from continuing operations attributable to Mednax, Inc. was \$67.7 million for the nine months ended September 30, 2021, as compared to a loss of \$14.1 million for the same period in 2020. Adjusted EBITDA from continuing operations was \$184.4 million for the nine months ended September 30, 2021, as compared to \$161.6 million for the same period in 2020.

Diluted earnings from continuing operations per common and common equivalent share attributable to Mednax, Inc. was \$0.79 on weighted average shares outstanding of 85.8 million for the nine months ended September 30, 2021, as compared to diluted loss per share of \$0.17 on weighted average shares outstanding of 83.3 million for the same period in 2020. Adjusted EPS from continuing operations was \$1.11 for the nine months ended September 30, 2021, as compared to \$0.70 for the same period in 2020. The increase of 2.5 million in our weighted average shares outstanding is primarily due to the impact of shares issued in 2020 and early 2021 through various equity programs.

Income from discontinued operations, net of tax, was \$15.7 million for the nine months ended September 30, 2021, as compared to a loss of \$718.1 million for the same period in 2020. Diluted income from discontinued operations per common and common equivalent share was \$0.18 for the nine months ended September 30, 2021, as compared to diluted loss per share of \$8.62 for the same period in 2020.

Net income attributable to Mednax, Inc. was \$83.4 million for the nine months ended September 30, 2021, as compared to a loss of \$732.2 million for the same period in 2020. Diluted net income per common and common equivalent share was \$0.97 for the nine months ended September 30, 2021, as compared to diluted loss per share of \$8.79 for the same period in 2020.

### Liquidity and Capital Resources

As of September 30, 2021, we had \$357.9 million of cash and cash equivalents attributable to continuing operations as compared to \$1.12 billion at December 31, 2020. Additionally, we had working capital attributable to continuing operations of \$390.5 million at September 30, 2021, a decrease of \$714.5 million from working capital of \$1.1 billion at December 31, 2020. The net decrease in working capital is primarily due to the redemption of the 2023 Notes in January 2021.

### Cash Flows from Continuing Operations

Cash provided by (used in) operating, investing and financing activities from continuing operations is summarized as follows (in thousands):

	Nine Months Ended September 30,	
	2021	2020
Operating activities	\$ 38,718	\$ 71,645
Investing activities	(39,839)	(28,179)
Financing activities	(760,941)	(3,496)

### Operating Activities from Continuing Operations

During the nine months ended September 30, 2021, our net cash provided by operating activities for continuing operations was \$38.7 million, compared to \$71.6 million for the same period in 2020. The net decrease in cash provided of \$32.9 million was primarily due to decreases in cash flow from accounts receivable and deferred income taxes as well as changes in other liabilities, partially offset by an increase in cash flow from higher earnings and changes in accounts payable and accrued expenses, primarily incentive compensation.

During the nine months ended September 30, 2021, cash flow from accounts receivable for continuing operations decreased by \$42.0 million, as compared to an increase of \$30.0 million for the same period in 2020. The decrease in cash flow from accounts receivable for the nine months ended September 30, 2021 was primarily due to net increases in ending accounts receivable balances at existing units due to higher revenue, partially offset by improved timing of cash collections.

Days sales outstanding (“DSO”) is one of the key factors that we use to evaluate the condition of our accounts receivable and the related allowances for contractual adjustments and uncollectibles. DSO reflects the timeliness of cash collections on billed revenue and the level of reserves on outstanding accounts receivable. Our DSO for continuing operations was 49.9 days at September 30, 2021 as compared to 52.3 days at December 31, 2020. The decrease in our DSO primarily related to the timing of cash collections at our existing units.

### ***Investing Activities from Continuing Operations***

During the nine months ended September 30, 2021, our net cash used in investing activities for continuing operations of \$39.8 million consisted of capital expenditures of \$29.1 million, the payment associated with a strategic investment of \$20.0 million and acquisitions payments of \$19.6 million, partially offset by net proceeds from the sale of a building of \$24.7 million and net proceeds from maturities or sale of investments of \$4.1 million.

### ***Financing Activities from Continuing Operations***

During the nine months ended September 30, 2021, our net cash used in financing activities for continuing operations of \$760.9 million primarily consisted of \$759.8 million related to the redemption of the 2023 Notes, including the call premium, and the repurchase of \$4.7 million of our common stock, partially offset by proceeds from the issuance of common stock of \$5.6 million.

### ***Liquidity***

During the three months ended September 30, 2021, we permanently reduced the size of our unsecured revolving credit facility by \$600.0 million to \$600.0 million. The Credit Agreement remains subject to the limitations discussed below, and includes a \$37.5 million sub-facility for the issuance of letters of credit. The Credit Agreement matures on March 28, 2024 and is guaranteed by substantially all of our subsidiaries and affiliated professional contractors. At our option, borrowings under the Credit Agreement will bear interest at (i) the alternate base rate (defined as the higher of (a) the prime rate, (b) the Federal Funds Rate plus 1/2 of 1.00% and (c) LIBOR for an interest period of one month plus 1.00%) plus an applicable margin rate ranging from 0.125% to 0.750% based on our consolidated leverage ratio or (ii) the LIBOR rate plus an applicable margin rate ranging from 1.125% to 1.750% based on our consolidated leverage ratio. The Credit Agreement also calls for other customary fees and charges, including an unused commitment fee ranging from 0.150% to 0.200% of the unused lending commitments, based on our consolidated leverage ratio. The Credit Agreement contains customary covenants and restrictions, including covenants that require us to maintain a minimum interest charge ratio, not to exceed a specified consolidated leverage ratio and to comply with laws, and restrictions on the ability to pay dividends and make certain other distributions, as specified therein. Failure to comply with these covenants would constitute an event of default under the Credit Agreement, notwithstanding the ability of the company to meet its debt service obligations. The Credit Agreement also includes various customary remedies for the lenders following an event of default, including the acceleration of repayment of outstanding amounts under the Credit Agreement.

LIBOR is expected to be discontinued after 2021, with one-month LIBOR being discontinued in 2023. The Credit Agreement provides procedures for determining a replacement or alternative rate in the event that LIBOR is unavailable. We may also continue to make borrowings under the Credit Agreement at the alternate base rate in the event that LIBOR is unavailable regardless of whether a replacement or alternative rate has been determined. The alternate base rate or LIBOR replacement or alternative rate may be more or less favorable to us than LIBOR. Due to these features of the Credit Agreement, we do not believe that the LIBOR transition will have a material impact on our consolidated financial statements.

On March 25, 2020, we amended and restated our Credit Agreement to, among other things, (i) establish a deemed Consolidated EBITDA of \$139.2 million for the second and third quarters of 2020, reflecting average Adjusted EBITDA from continuing operations for the prior eight quarters (calculated for purposes of the Credit Agreement), which will be used in the calculation of rolling four consecutive quarter Consolidated EBITDA under the Credit Agreement, (ii) temporarily increase the maximum consolidated net leverage ratio required to be maintained by us from 4.50:1.00 to 5.00:1.00 for the second and third quarters of 2020 and 4.75:1.00 for the fourth quarter of 2020, before returning to 4.50:1.00 for the first quarter of 2021 and beyond, (iii) require that we maintain minimum availability under the Credit Agreement of \$300.0 million through the third quarter of 2021, (iv) provide for a weekly repayment of borrowings under the Credit Agreement through the second quarter of 2021 using unrestricted cash on hand in excess of \$300.0 million, plus a reserve for certain payables, and (v) temporarily restricted our ability to make restricted payments under the Credit Agreement for the remainder of 2020, subject to certain exceptions.

At September 30, 2021, we had no outstanding principal balance on our Credit Agreement. We had one outstanding letter of credit of \$0.1 million which reduced the amount available on our Credit Agreement to \$299.9 million at September 30, 2021, after giving effect to the temporary reduction of the capacity of our Credit Agreement described above through September 30, 2021.

During the nine months ended September 30, 2021, we redeemed the outstanding principal balance of \$750.0 million on the 2023 Notes. We recognized a loss on debt extinguishment of \$14.5 million, which primarily included cash premiums and accelerated amortization of deferred financing costs. During the three months ended September 30, 2021, in connection with the reduction in our revolving credit facility, we wrote off approximately \$0.8 million of deferred debt costs which is included as a component of interest expense.

At September 30, 2021, we had an outstanding principal balance of \$1.0 billion on our 6.25% senior unsecured notes due 2027 (the "2027 Notes"). Our obligations under the 2027 Notes are guaranteed on an unsecured senior basis by the same subsidiaries and affiliated professional contractors that guarantee our Credit Agreement. Interest on the 2027 Notes accrues at the rate of 6.25% per annum, or \$62.5 million, and is payable semi-annually in arrears on January 15 and July 15.

The indenture under which the 2027 Notes are issued, among other things, limits our ability to (1) incur liens and (2) enter into sale and lease-back transactions, and also limits our ability to merge or dispose of all or substantially all of our assets, in all cases, subject to a number of customary exceptions. Although we are not required to make mandatory redemption or sinking fund payments with respect to the 2027 Notes, upon the occurrence of a change in control of Mednax, we may be required to repurchase the 2027 Notes at a purchase price equal to 101% of the aggregate principal amount of the 2027 Notes repurchased plus accrued and unpaid interest.

At September 30, 2021, we believe we were in compliance, in all material respects, with the financial covenants and other restrictions applicable to us under the Credit Agreement and the 2027 Notes. We believe we will be in compliance with these covenants throughout 2021.

We maintain professional liability insurance policies with third-party insurers, subject to self-insured retention, exclusions and other restrictions. We self-insure our liabilities to pay self-insured retention amounts under our professional liability insurance coverage through a wholly owned captive insurance subsidiary. We record liabilities for self-insured amounts and claims incurred but not reported based on an actuarial valuation using historical loss information, claim emergence patterns and various actuarial assumptions. Our total liability related to professional liability risks at September 30, 2021 was \$306.6 million, of which \$40.2 million is classified as a current liability within accounts payable and accrued expenses in the Consolidated Balance Sheet. In addition, there is a corresponding insurance receivable of \$58.9 million recorded as a component of other assets for certain professional liability claims that are covered by insurance policies.

We anticipate that funds generated from operations, together with our current cash on hand and funds available under our Credit Agreement, will be sufficient to finance our working capital requirements, fund anticipated acquisitions and capital expenditures, fund expenses related to our transformational and restructuring activities, fund our share repurchase programs and meet our contractual obligations for at least the next 12 months from the date of issuance of this Quarterly Report on Form 10-Q.

#### **Caution Concerning Forward-Looking Statements**

Certain information included or incorporated by reference in this Quarterly Report may be deemed to be “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements may include, but are not limited to, statements relating to our objectives, plans and strategies, and all statements, other than statements of historical facts, that address activities, events or developments that we intend, expect, project, believe or anticipate will or may occur in the future are forward-looking statements. These statements are often characterized by terminology such as “believe,” “hope,” “may,” “anticipate,” “should,” “intend,” “plan,” “will,” “expect,” “estimate,” “project,” “positioned,” “strategy” and similar expressions, and are based on assumptions and assessments made by our management in light of their experience and their perception of historical trends, current conditions, expected future developments and other factors they believe to be appropriate. Any forward-looking statements in this Quarterly Report are made as of the date hereof, and we undertake no duty to update or revise any such statements, whether as a result of new information, future events or otherwise. Forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties. Important factors that could cause actual results, developments and business decisions to differ materially from forward-looking statements are described in the 2020 Form 10-K, including the section entitled “Risk Factors.”

**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

We are subject to market risk primarily from exposure to changes in interest rates based on our financing, investing and cash management activities. We intend to manage interest rate risk through the use of a combination of fixed rate and variable rate debt. We borrow under our Credit Agreement at various interest rate options based on the Alternate Base Rate or LIBOR rate depending on certain financial ratios. At September 30, 2021, we had no outstanding principal balance on our Credit Agreement.

**Item 4. Controls and Procedures****Evaluation of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to provide reasonable assurance that information required to be disclosed by the Company in reports it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of September 30, 2021.

**Changes in Internal Controls Over Financial Reporting**

No changes in our internal control over financial reporting occurred during the three months ended September 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings

We expect that audits, inquiries and investigations from government authorities and agencies will occur in the ordinary course of business. Such audits, inquiries and investigations and their ultimate resolutions, individually or in the aggregate, could have a material adverse effect on our business, financial condition, results of operations, cash flows and the trading price of our securities.

In the ordinary course of our business, we become involved in pending and threatened legal actions and proceedings, most of which involve claims of medical malpractice related to medical services provided by our affiliated physicians. Our contracts with hospitals generally require us to indemnify them and their affiliates for losses resulting from the negligence of our affiliated physicians and other clinicians. We may also become subject to other lawsuits, including with payors or other counterparties that could involve large claims and significant defense costs. We believe, based upon a review of pending actions and proceedings, that the outcome of such legal actions and proceedings will not have a material adverse effect on our business, financial condition, results of operations, cash flows or the trading price of our securities. The outcome of such actions and proceedings, however, cannot be predicted with certainty and an unfavorable resolution of one or more of them could have a material adverse effect on our business, financial condition, results of operations, cash flows and the trading price of our securities.

Although we currently maintain liability insurance coverage intended to cover professional liability and certain other claims, we cannot ensure that our insurance coverage will be adequate to cover liabilities arising out of claims asserted against us in the future where the outcomes of such claims are unfavorable to us. With respect to professional liability risk, we self-insure a significant portion of this risk through our wholly owned captive insurance subsidiary. Liabilities in excess of our insurance coverage, including coverage for professional liability and certain other claims, could have a material adverse effect on our business, financial condition, results of operations, cash flows and the trading price of our securities.

### Item 1A. Risk Factors

There have been no material changes to the risk factors previously disclosed in our 2020 Form 10-K.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the three months ended September 30, 2021, we repurchased shares of our common stock that were withheld to satisfy minimum statutory withholding obligations in connection with the vesting of restricted stock.

Period	Total Number of Shares Repurchased <sup>(a)</sup>	Average Price Paid per Share	Total Number of Shares Purchased as part of the Repurchase Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Repurchase Programs <sup>(a)</sup>
July 1 – July 31, 2021	—	\$ —	—	(a)
August 1 – August 31, 2021	—	—	—	(a)
September 1 – September 30, 2021	83,092 (b)	29.77	—	(a)
Total	83,092	\$ 29.77	—	(a)

(a) We have two active repurchase programs. Our July 2013 program allows us to repurchase shares of our common stock up to an amount sufficient to offset the dilutive impact from the issuance of shares under our equity compensation programs, which is estimated to be approximately 1.0 million shares for 2021. Our August 2018 repurchase program allows us to repurchase up to an additional \$500.0 million of shares of our common stock, of which we repurchased \$406.0 million as of September 30, 2021.

(b) Represents shares withheld to satisfy minimum statutory withholding obligations of an aggregate of \$2.5 million in connection with the vesting of restricted stock.

The amount and timing of any future repurchases will depend upon several factors, including general economic and market conditions and trading restrictions.

**Item 6. Exhibits**

<b>Exhibit No.</b>	<b>Description</b>
31.1+	<a href="#"><u>Certification of Chief Executive Officer pursuant to Securities Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
31.2+	<a href="#"><u>Certification of Chief Financial Officer pursuant to Securities Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
32.1*	<a href="#"><u>Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
101.1+	Interactive Data File
101.INS+	XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH+	XBRL Schema Document.
101.CAL+	XBRL Calculation Linkbase Document.
101.DEF+	XBRL Definition Linkbase Document.
101.LAB+	XBRL Label Linkbase Document.
101.PRE+	XBRL Presentation Linkbase Document.
104+	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

+ Filed herewith.

\* Furnished herewith.



## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

### **Mednax, Inc.**

Date: October 28, 2021

By: /s/ Mark S. Ordan  
Mark S. Ordan  
Chief Executive Officer  
(Principal Executive Officer)

Date: October 28, 2021

By: /s/ C. Marc Richards  
C. Marc Richards  
Chief Financial Officer  
(Principal Financial Officer)

Date: October 28, 2021

By: /s/ John C. Pepia  
John C. Pepia  
Chief Accounting Officer  
(Principal Accounting Officer)

## CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Mark S. Ordan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mednax, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 28, 2021

By: /s/ Mark S. Ordan  
Mark S. Ordan  
Chief Executive Officer  
(Principal Executive Officer)

## CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, C. Marc Richards, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mednax, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 28, 2021

By: /s/ C. Marc Richards  
C. Marc Richards  
Chief Financial Officer  
(Principal Financial Officer)

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**Certification Pursuant to 18 U.S.C Section 1350  
(Adopted by Section 906 of the Sarbanes-Oxley Act of 2002)**

In connection with the Quarterly Report of Mednax, Inc. on Form 10-Q for the quarter ended September 30, 2021 (the "Report"), each of the undersigned hereby certifies, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that (i) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Mednax, Inc.

A signed original of this written statement required by Section 906 has been provided to Mednax, Inc. and will be retained by Mednax, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

October 28, 2021

By: /s/ Mark S. Ordan

Mark S. Ordan  
Chief Executive Officer  
(Principal Executive Officer)

By: /s/ C. Marc Richards

C. Marc Richards  
Chief Financial Officer  
(Principal Financial Officer)

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