



## **NEWS RELEASE**

### **Contact:**

**Robert M. Thornton, Jr.**  
**Chief Executive Officer**  
**(770) 933-7004**

## **SUNLINK HEALTH SYSTEMS, INC. ANNOUNCES FISCAL 2023 THIRD QUARTER RESULTS**

**ATLANTA, Georgia (May 10, 2023)** – SunLink Health Systems, Inc. (NYSE American: SSY) today announced a loss from continuing operations of \$727,000 (or a loss of \$0.10 per fully diluted share) for its third fiscal quarter ended March 31, 2023 compared to a loss from continuing operations of \$934,000 (or a loss of \$0.13 per fully diluted share) for the third fiscal quarter ended March 31, 2022. Net loss for the quarter ended March 31, 2023 was \$762,000 (or a loss of \$0.11 per fully diluted share) compared to a net loss of \$990,000 (or a loss of \$0.14 per fully diluted share) for the quarter ended March 31, 2022. The fiscal quarter ended March 31, 2022 included Provider Relief Funds (“PRF”) of \$106,000 (pre-tax).

Consolidated net revenues for the quarters ended March 31, 2023 and 2022 were \$11,533,000 and \$10,527,000, respectively, an increase of 9.6% in the current year’s quarter above those in the comparable quarter of the prior fiscal year. Pharmacy Segment net revenues increased 18.0% above those of the comparable fiscal quarter of the prior fiscal year due to increased retail, institutional pharmacy and Durable Medical Equipment (“DME”) sales in the fiscal quarter ended March 31, 2023, but Healthcare Services Segment net revenues decreased 5.8% below those of the comparable fiscal quarter of the prior year due to decreased hospital admissions.

SunLink reported an operating loss for the quarter ended March 31, 2023 of \$774,000 compared to an operating loss for the quarter ended March 31, 2022 of \$1,064,000. The decrease in operating loss from last year’s comparable quarter was due primarily to the increased Pharmacy Segment net revenues this fiscal year, notwithstanding increased costs in all reported expense categories except salaries, wages and benefits which declined slightly.

Loss from discontinued operations was \$35,000 (or a loss of \$0.00 per fully diluted share) for the quarter ended March 31, 2023 compared to a loss from discontinued operations of \$56,000 (or \$0.01 per fully diluted share) for the quarter ended March 31, 2022.

Loss from continuing operations for the nine months ended March 31, 2023 was \$219,000 (or a loss of \$0.03 per fully diluted share) compared to earnings from continuing operations for the nine months ended March 31, 2022 of \$595,000 (\$0.08 per fully diluted share). Net loss for the nine months ended March 31, 2023 was \$369,000 (or a loss of \$0.05 per fully diluted share) compared to net earnings of \$356,000 (\$0.05 per fully diluted share) for the nine months ended March 31, 2022.

The nine months ended March 31, 2023, included recognition of (i) net revenues of \$2,615,000 from the reversal of reserves for certain sales taxes previously accrued by the Pharmacy Segment as the company determined during the second fiscal quarter that, based upon discussions

with and correspondence from taxing authorities and consultation with external legal counsel, it was more likely than not that such accrued sales taxes will not be payable, and (ii) PRF of \$61,000 (pre-tax) was recognized in the first quarter of fiscal 2023 period. The nine months ended March 31, 2022 included forgiveness of Paycheck Protection Plan (“PPP”) loans of \$3,010,000 (pre-tax) and PRF of \$720,000 (pre-tax).

Consolidated net revenues for the nine months ended March 31, 2023 and 2022 were \$36,962,000 and \$31,463,000, respectively, an increase of 17.5% in the current year’s nine months above such revenues in the comparable nine months of the prior fiscal year. Healthcare Services Segment net revenues increased 6.4% above those of the comparable period of the prior fiscal year due to increased nursing home days this year, and the Pharmacy Segment net revenues increased 23.1% above those of the comparable period of the prior fiscal year due to the recognition of income from reversal of reserves for certain sales taxes previously accrued, as well as increased retail, institutional pharmacy and DME sales this fiscal year.

SunLink reported an operating loss for the nine months ended March 31, 2023 of \$347,000 compared to an operating loss for the nine months ended March 31, 2022 of \$3,129,000. The decreased operating loss for the current nine months of this fiscal year was due primarily to the previously mentioned recognition of income from the reversal of reserves for certain sales taxes previously accrued of \$2,615,000 in this year’s second fiscal quarter.

Loss from discontinued operations was \$150,000 (or a loss of \$0.02 per fully diluted share) for the nine months ended March 31, 2023 compared to a loss from discontinued operations of \$239,000 (or \$0.03 per fully diluted share) for the nine months ended March 31, 2022.

The company’s cash and cash equivalents on March 31, 2023 was \$5,382,000, a decline of \$1,412,000 from June 30, 2022, due to the nine month’s operating loss and capital expenditures by both the Healthcare Service and Pharmacy Segments.

### **COVID-19 Pandemic**

The Company continued to experience adverse after-effects of the COVID-19 pandemic in the quarter ended March 31, 2023 and believes such effects will likely continue to affect its assets and operations in the foreseeable future. Our ability to make estimates of any such continuing effects of evolving strains of COVID-19 on future revenues, expenses or changes in accounting judgments that have had or are reasonably likely to have a material effect on our financial statements is very limited, depending as they do on the severity and length thereof as well as any further government actions and/or regulatory changes to address such effects.

SunLink Health Systems, Inc. is the parent company of subsidiaries that own and operate healthcare properties and businesses in the Southeast. Each of the Company’s businesses is operated locally with a strategy of linking patients’ needs with healthcare professionals. For additional information on SunLink Health Systems, Inc., please visit the Company’s website.

This press release contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 including, without limitation, statements regarding the company’s business strategy. These forward-looking statements are subject to

certain risks, uncertainties, and other factors, which could cause actual results, performance, and achievements to differ materially from those anticipated. Certain of those risks, uncertainties and other factors are disclosed in more detail in the company's Annual Report on Form 10-K for the year ended June 30, 2022 and other filings with the Securities and Exchange Commission which can be located at [www.sec.gov](http://www.sec.gov).

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**SUNLINK HEALTH SYSTEMS, INC. ANNOUNCES**
**FISCAL 2023 THIRD QUARTER RESULTS**

Amounts in 000's, except per share

**CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)**

	Three Months Ended March 31,				Nine Months Ended March 31,			
	2023		2022		2023		2022	
	Amount	% of Net Revenues	Amount	% of Net Revenues	Amount	% of Net Revenues	Amount	% of Net Revenues
Net Revenues	\$ 11,533	100.0%	\$ 10,527	100.0%	\$ 36,962	100.0%	\$ 31,463	100.0%
Costs and Expenses:								
Cost of goods sold	4,755	41.2%	4,079	38.7%	13,642	36.9%	12,168	38.7%
Salaries, wages and benefits	4,519	39.2%	4,736	45.0%	14,516	39.3%	14,223	45.2%
Supplies	276	2.4%	271	2.6%	1,014	2.7%	879	2.8%
Purchased services	1,035	9.0%	965	9.2%	3,069	8.3%	2,610	8.3%
Other operating expenses	1,171	10.2%	1,027	9.8%	3,518	9.5%	3,210	10.2%
Rents and leases	137	1.2%	129	1.2%	381	1.0%	419	1.3%
Depreciation and amortization	414	3.6%	384	3.6%	1,169	3.2%	1,083	3.4%
Operating profit (loss)	(774)	-6.7%	(1,064)	-10.1%	(347)	-0.9%	(3,129)	-9.9%
Interest Income (expense) - net	41	0.4%	(1)	0.0%	46	0.1%	(18)	-0.1%
Forgiveness of PPP loans and accrued interest	0	0.0%	0	0.0%	0	0.0%	3,010	9.6%
Federal pandemic stimulus- provider relief funds	0	0.0%	106	1.0%	61	0.2%	720	2.3%
Gain on sale of assets	0	0.0%	0	0.0%	14	0.0%	12	0.0%
Earnings (Loss) from Continuing Operations before Income Taxes	(733)	-6.4%	(959)	-9.1%	(226)	-0.6%	595	1.9%
Income Tax (benefit) expense	(6)	-0.1%	(25)	-0.2%	(7)	0.0%	0	0.0%
Earnings (Loss) from Continuing Operations	(727)	-6.3%	(934)	-8.9%	(219)	-0.6%	595	1.9%
Loss from Discontinued Operations, net of tax	(35)	-0.3%	(56)	-0.5%	(150)	-0.4%	(239)	-0.8%
Net Earnings (Loss)	<u>\$ (762)</u>	<u>-6.6%</u>	<u>\$ (990)</u>	<u>-9.4%</u>	<u>\$ (369)</u>	<u>-1.0%</u>	<u>\$ 356</u>	<u>1.1%</u>
Earnings (Loss) Per Share from Continuing Operations:								
Basic	<u>\$ (0.10)</u>		<u>\$ (0.13)</u>		<u>\$ (0.03)</u>		<u>\$ 0.09</u>	
Diluted	<u>\$ (0.10)</u>		<u>\$ (0.13)</u>		<u>\$ (0.03)</u>		<u>\$ 0.08</u>	
Earnings (Loss) Per Share from Discontinued Operations:								
Basic	<u>\$ (0.00)</u>		<u>\$ (0.01)</u>		<u>\$ (0.02)</u>		<u>\$ (0.03)</u>	
Diluted	<u>\$ (0.00)</u>		<u>\$ (0.01)</u>		<u>\$ (0.02)</u>		<u>\$ (0.03)</u>	
Net Earnings (Loss) Per Share:								
Basic	<u>\$ (0.11)</u>		<u>\$ (0.14)</u>		<u>\$ (0.05)</u>		<u>\$ 0.05</u>	
Diluted	<u>\$ (0.11)</u>		<u>\$ (0.14)</u>		<u>\$ (0.05)</u>		<u>\$ 0.05</u>	
Weighted Average Common Shares Outstanding:								
Basic	<u>7,032</u>		<u>6,954</u>		<u>7,015</u>		<u>6,942</u>	
Diluted	<u>7,032</u>		<u>6,954</u>		<u>7,015</u>		<u>7,063</u>	

**SUMMARY BALANCE SHEETS**

	March 31, 2023	June 30, 2022
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 5,382	\$ 6,794
Receivable - net	4,394	4,624
Other Current Assets	3,528	5,397
Property Plant and Equipment, net	8,394	8,217
Long-term Assets	2,732	2,911
	<u>\$ 24,430</u>	<u>\$ 27,943</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities	\$ 4,677	\$ 7,691
Long-term Debt and Other Noncurrent Liabilities	954	1,132
Shareholders' Equity	18,799	19,120
	<u>\$ 24,430</u>	<u>\$ 27,943</u>