



NEWS RELEASE

Contact:

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

SUNLINK HEALTH SYSTEMS, INC. ANNOUNCES FISCAL 2021 THIRD QUARTER RESULTS AND COVID-19 UPDATE

ATLANTA, Georgia (May 14, 2021) – SunLink Health Systems, Inc. (NYSE American: SSY) today announced a loss from continuing operations of \$473,000 (a loss of \$0.07 per fully diluted share) for its third fiscal quarter ended March 31, 2021 compared to a loss from continuing operations of \$46,000 (a loss of \$0.01 per fully diluted share) for the quarter ended March 31, 2020. Net loss for the quarter ended March 31, 2021 was \$531,000 (a loss of \$0.08 per fully diluted share) compared to a net loss of \$158,000 (a loss of \$0.02 per fully diluted share) for the quarter ended March 31, 2020. The Company recognized \$11,000 (pre-tax) of Provider Relief Funds (“PRF”) in the quarter ended March 31, 2021.

For the nine months ended March 31, 2021, SunLink reported earnings from continuing operations of \$2,382,000 (\$0.34 per fully diluted share) (resulting primarily from the recognition of \$3,417,000 of Provider Relief Fund distributions in the second quarter ended December 31, 2020) compared to earnings from continuing operations of \$14,000, (\$0.00 per fully diluted share) for the nine months ended March 31, 2020.

Consolidated net revenues for the quarters ended March 31, 2021 and 2020 were \$9,778,000 and \$12,667,000, respectively, a decrease of 22.8% in the current fiscal year’s third quarter compared to the comparable quarter of the prior fiscal year. Net revenues decreased in the current fiscal quarter primarily due to decreased hospital and nursing home net revenues and decreased Pharmacy segment revenues primarily due to the COVID-19 pandemic.

SunLink reported an operating loss for the quarter ended March 31, 2021 of \$540,000, compared to an operating loss for the quarter ended March 31, 2020 of \$38,000.

Loss from discontinued operations was \$58,000 (or a loss of \$0.01 per fully diluted share) for the quarter ended March 31, 2021 compared to a loss from discontinued operations of \$112,000 (or a loss of \$0.02 per fully diluted share) for the quarter ended March 31, 2020.

Our Healthcare and Pharmacy segments have received approximately \$5,070,000 in general and targeted PRF distributions during the period April 1, 2020 through March 31, 2021. The PRF funds were received under the Coronavirus Aid Relief and Economic Security (“CARES”) Act enacted in March 2020 in response to COVID-19 pandemic. The PRF distributions have been accounted for as government grants and a total of \$3,513,000 has been recognized since April 1, 2020 as other income under the gain contingency recognition method.

Net earnings for the nine months ended March 31, 2021 were \$2,203,000 (\$0.32 per fully diluted share) compared to a net loss of \$461,000 (a loss of \$0.07 per fully diluted share) for the nine months ended March 31, 2020.

Consolidated net revenues for the nine months ended March 31, 2021 and 2020 were \$30,350,000 and \$37,124,000, respectively, a decrease of 18.2% in the current fiscal year's nine months compared to the comparable period of the prior fiscal year. SunLink reported an operating loss for the nine months ended March 31, 2021 (before the recognition of PRF income) of \$1,117,000 compared to operating profit for the nine months ended March 31, 2020 of \$23,000.

Loss from discontinued operations was \$179,000 (or a loss of \$0.03 per fully diluted share) for the nine months ended March 31, 2021 compared to a loss from discontinued operations of \$475,000 (or a loss of \$0.07 per fully diluted share) for the nine months ended March 31, 2020.

COVID-19 Pandemic

A novel strain of coronavirus ("COVID-19") was declared a global pandemic by the World Health Organization on March 11, 2020. As previously reported, we have been monitoring the COVID-19 pandemic and its impact on our operations, and we have taken significant steps intended to minimize the risk to our employees and patients and the pandemic's effect on our business. Since the beginning of the pandemic, our Healthcare and Pharmacy segments have experienced reduced admissions and/or negative sales trends in certain areas as well as increased costs and operational inefficiencies due to measures taken to protect our employees and patients and due to access controls and other restrictions implemented in response to the pandemic. We have maintained critical business operations, although at reduced levels of volume and revenues, substantially in accordance with our understanding of applicable government health and safety protocols and guidance issued in response. Nevertheless, as in many healthcare environments, we have experienced COVID-19 illness, including deaths, in our Healthcare Segment and some employees have tested positive and been placed on leave or in quarantine. In late December 2020, we began receiving allotments of COVID-19 vaccine, and we have been vaccinating patients, providers, employees, and staff in accordance with the protocols and guidelines in the states where we operate. Not all such individuals have been vaccinated to date and some individuals have not consented to vaccination.

From the fourth quarter of fiscal 2020 through March 31, 2021, our Healthcare and Pharmacy segments have received approximately \$5,070,000 in general and targeted PRF distributions. During the fourth quarter of fiscal 2020, we also received \$3,234,000 in Paycheck Protection Program ("PPP") loans, administered by the Small Business Administration ("SBA"). Both the PRF and PPP funds are provided for under the CARES Act, and we have received a total of \$8,304,000 of such funding.

The PRF distributions are not subject to repayment provided we are able to attest to and comply with the terms and conditions of the funding. Such funds under the PRF are accounted for as government grants and are recognized on a systematic and rational basis once there is

reasonable assurance that the applicable terms and conditions required to retain the funds have been met. We have reported \$11,000 and \$3,459,000, respectively, of PRF in other income in our consolidated statement of operations for our fiscal quarter and nine months ended March 31, 2021, respectively. If we are unable to attest to or comply with current or future terms and conditions, and there is no assurance we will be able to do so, our ability to retain some or all of the PRF distributions received may be affected. We currently are uncertain if we will be able to utilize all of the PRF funds received under the currently existing interpretations by HHS and may have to return the unutilized portion of these funds, if any, in the future.

Forgiveness of PPP loans may be available if the loans are used to pay wages, rent, utilities, and interest on certain debt during the allowable period following receipt of the loan proceeds, subject to Federally-established terms and conditions. There can be no assurance, however, that any of the PPP loans received will be forgiven, or if forgiven, the amount of such forgiveness. Loan proceeds not forgiven are payable over two years at a 1% annual interest rate. The Company has applied for (but not received) forgiveness of four of its six PPP loans and has recorded no income relating to the PPP loans through March 31, 2021.

Going forward, the Company is unable to determine the extent to which the COVID-19 pandemic will continue to affect its assets and operations. Our ability to make estimates of the effect of the COVID-19 pandemic on revenues, expenses or changes in accounting judgments that have had or are reasonably likely to have a material effect on our financial statements is currently limited. The nature and extent of the effect of the COVID-19 pandemic on our balance sheet and results of operations will depend on: the severity and length of the pandemic; government actions to mitigate the pandemic's effect; regulatory changes in response to the pandemic, especially those that affect our hospital, nursing home and pharmacy operations; existing and potential government assistance that may be provided; our ability to meet the requirements applicable to PRF receipts and PPP loans.

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, 2020 and other filings with the Securities and Exchange Commission which can be located at www.sec.gov.

- more -

**SUNLINK HEALTH SYSTEMS, INC. ANNOUNCES
FISCAL 2021 THIRD QUARTER RESULTS
AND COVID-19 UPDATE**

Amounts in 000's, except per share and volume amounts

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

	Three Months Ended March 31,				Nine Months Ended March 31,			
	2021		2020		2021		2020	
	Amount	% of Net Revenues	Amount	% of Net Revenues	Amount	% of Net Revenues	Amount	% of Net Revenues
Net Revenues	\$ 9,778	100.0%	\$ 12,667	100.0%	\$ 30,350	100.0%	\$ 37,124	100.0%
Costs and Expenses:								
Cost of goods sold	3,682	37.7%	5,370	42.4%	11,670	38.5%	14,811	39.9%
Salaries, wages and benefits	4,203	43.0%	4,893	38.6%	12,814	42.2%	14,651	39.5%
Supplies	237	2.4%	317	2.5%	741	2.4%	970	2.6%
Purchased services	560	5.7%	791	6.2%	1,836	6.0%	2,247	6.1%
Other operating expenses	1,161	11.9%	806	6.4%	3,023	10.0%	2,903	7.8%
Rents and leases	136	1.4%	157	1.2%	426	1.4%	463	1.2%
Depreciation and amortization	339	3.5%	371	2.9%	957	3.2%	1,056	2.8%
Operating Profit (Loss)	(540)	-5.5%	(38)	-0.3%	(1,117)	-3.7%	23	0.1%
Other Income (Expense):								
Interest Expense - net	(7)	-0.1%	10	0.1%	(21)	-0.1%	(24)	-0.1%
Federal stimulus - Provider relief funds	11	0.1%	0	0.0%	3,459	11.4%	0	0.0%
Loss on extinguishment of debt, net	0	0.0%	(18)	-0.1%	0	0.0%	(178)	-0.5%
Gains on sale of assets	1	0.0%	0	0.0%	14	0.0%	193	0.5%
Earnings from Continuing Operations before								
Income Taxes	(535)	-5.5%	(46)	-0.4%	2,335	7.7%	14	0.0%
Income Tax expense benefit	(62)	-0.6%	0	0.0%	(47)	-0.2%	0	0.0%
Earnings from Continuing Operations	(473)	-4.8%	(46)	-0.4%	2,382	7.8%	14	0.0%
Loss from Discontinued Operations, net of tax	(58)	-0.6%	(112)	-0.9%	(179)	-0.6%	(475)	-1.3%
Net Earnings (Loss)	<u>\$ (531)</u>	<u>-5.4%</u>	<u>\$ (158)</u>	<u>-1.2%</u>	<u>\$ 2,203</u>	<u>7.3%</u>	<u>\$ (461)</u>	<u>-1.2%</u>
Earnings (Loss) Per Share from Continuing Operations:								
Basic	<u>\$ (0.07)</u>		<u>\$ (0.01)</u>		<u>\$ 0.35</u>		<u>\$ 0.00</u>	
Diluted	<u>\$ (0.07)</u>		<u>\$ (0.01)</u>		<u>\$ 0.34</u>		<u>\$ 0.00</u>	
Loss Per Share from Discontinued Operations:								
Basic	<u>\$ (0.01)</u>		<u>\$ (0.02)</u>		<u>\$ (0.03)</u>		<u>\$ (0.07)</u>	
Diluted	<u>\$ (0.01)</u>		<u>\$ (0.02)</u>		<u>\$ (0.03)</u>		<u>\$ (0.07)</u>	
Net Earnings (Loss) Per Share:								
Basic	<u>\$ (0.08)</u>		<u>\$ (0.02)</u>		<u>\$ 0.32</u>		<u>\$ (0.07)</u>	
Diluted	<u>\$ (0.08)</u>		<u>\$ (0.02)</u>		<u>\$ 0.32</u>		<u>\$ (0.07)</u>	
Weighted Average Common Shares Outstanding:								
Basic	<u>6,908</u>		<u>6,956</u>		<u>6,902</u>		<u>6,976</u>	
Diluted	<u>6,908</u>		<u>6,956</u>		<u>6,948</u>		<u>6,995</u>	

HEALTHCARE FACILITIES VOLUME STATISTICS

Hospital and Nursing Home Admissions	77	97	141	219
Hospital and Nursing Home Patient Days	4,670	6,890	9,914	13,851

SUMMARY BALANCE SHEETS

	March 31, 2021	June 30, 2020
ASSETS		
Cash and Cash Equivalents	\$ 11,098	\$ 11,184
Accounts Receivable - net	4,341	4,315
Other Current Assets	3,915	4,424
Property Plant and Equipment, net	5,656	5,324
Long-term Assets	3,068	2,724
	<u>\$ 28,078</u>	<u>\$ 27,971</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts Payable	\$ 1,353	\$ 872
Unearned CARES Act Funds	1,557	4,532
Other Current Liabilities	6,039	6,012
Long-term Debt and Other Noncurrent Liabilities	3,183	2,812
Shareholders' Equity	15,946	13,743
	<u>\$ 28,078</u>	<u>\$ 27,971</u>