

## Section 1: 8-K (8-K)

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 8-K  
CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): November 12, 2019

### AAC HOLDINGS, INC.

(Exact Name of Registrant as Specified in its Charter)

**Nevada**  
(State or Other Jurisdiction  
of Incorporation)

**001-36643**  
(Commission  
File Number)

**35-2496142**  
(IRS Employer  
Identification No.)

**200 Powell Place**  
**Brentwood, Tennessee**  
(Address of Principal Executive  
Offices)

**37027**  
(Zip Code)

**(615) 732-1231**

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.001 par value per share	AACH	OTC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

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.

**Item 2.02. Results of Operations and Financial Condition.**

On November 12, 2019, AAC Holdings, Inc. (the “Company”) issued a press release (the “Press Release”) announcing its results of operations for the quarter ended September 30, 2019. A copy of the Press Release is furnished as Exhibit 99.1 to this Current Report on Form 8-K (this “Report”) and is incorporated herein by reference.

The Company will conduct a conference call and live audio webcast at 9:00 a.m. (Central Time) on Tuesday, November 12, 2019, to discuss its results of operations for the quarter ended September 30, 2019.

**Item 7.01 Regulation FD Disclosure.**

The information disclosed under Item 2.02 of this Report is incorporated by reference into this Item 7.01.

The Company has provided an earnings release supplement that provides certain operating and financial results and information regarding its 2019 annual outlook that is available online in the Investor Relations section of the Company's website at [ir.americanaddictioncenters.org](http://ir.americanaddictioncenters.org), and is attached as noted below as exhibit 99.2.

**Item 9.01 Exhibits and Financial Statements.**

Exhibit Number	Description
99.1	<a href="#"><u>Press Release, dated November 12, 2019</u></a>

## 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 hereunto duly authorized.

### AAC HOLDINGS, INC.

By: /s/ Andrew W. McWilliams  
Andrew W. McWilliams  
Chief Financial Officer

Date: November 12, 2019

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## Section 2: EX-99.1 (EX-99.1)

Exhibit 99.1



200 Powell Place  
Brentwood, TN 37027  
[AmericanAddictionCenters.org](http://AmericanAddictionCenters.org)

*Investor Contact:* Andrew McWilliams  
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### AAC Holdings, Inc. Reports Third Quarter 2019 Results

BRENTWOOD, Tenn., November 12, 2019 - AAC Holdings, Inc. (OTC: AACH) ("the Company" or "AAC") announced financial results for the third quarter and nine months ended September 30, 2019, as well as updated 2019 guidance.

#### Third Quarter 2019 Operational and Financial Highlights:

*(All comparisons are to second quarter ended June 30, 2019, unless otherwise noted)*

- New admissions improved to 4,844 from 4,830
- Operating expenses decreased by 12% to \$61.1 million
- Net loss attributable to AAC Holdings, Inc. common stockholders decreased 20% to \$(13.1) million, or \$(0.52) per diluted common share from \$(16.4) million, or \$(0.66) per diluted share.
- Adjusted EBITDA improved by 92% to \$5.5 million compared to \$2.9 million (see non-GAAP reconciliation herein).

"For the third consecutive quarter, we continue to see positive momentum in 2019," said Michael Cartwright, AAC Chairman & Chief Executive Officer. "The expense savings initiatives implemented in late 2018 and in 2019 are continuing to have a positive impact. Operating expenses have decreased by 27% or \$22 million, for the third quarter of 2019 compared to the third quarter of 2018 representing just under \$100 million in annualized savings."

Cartwright added, "We are pleased with the recent addition of three independent board members who bring extensive expertise to the Company and we are pleased to have recently reached a mutual agreement with our senior secured lenders that provided the company with \$5 million of additional liquidity and gives the Company through March 31, 2020 to right-size our balance sheet and reduce our cost of capital."

#### Appointment of New Independent Board Members

The Company appointed three new independent Board members during the quarter. The new members include LOC Distribution CEO Bob Nash, Vogel Partners Managing Member Scott D. Vogel and TML Corporate Strategies President T. Michael Logan. The new members join AAC CEO Michael Cartwright, Vaco Holdings CEO Jerry Bostelman, and Burch Investment Group CEO Lucius Burch on the board.

#### Agreement with Senior Secured Lenders

The Company reached an agreement on October 30, 2019 with its senior secured lenders that provided the Company with an additional \$5 million of liquidity and a forbearance agreement through March 31, 2020 regarding certain events of default.

#### Third Quarter 2019 Financial Results

On a sequential basis total revenue decreased by \$3.9, or 6% in the third quarter of 2019. Revenue during the third quarter of 2019 was negatively impacted by additional reserves recorded against outstanding accounts receivable related to closed facilities and other changes in estimates which totaled approximately \$1.6 million. The remaining decrease was due to lower average daily census and average daily inpatient revenue. Average daily inpatient census decreased by approximately 1% and average daily inpatient revenue decreased by 11%. The decrease in average



daily inpatient revenue was primarily related to a decline in payor mix. Average daily inpatient revenue compared to the third quarter of 2018 was materially consistent.

Operating expenses on a sequential basis decreased by approximately 12% to \$61.1 million for the third quarter of 2019 compared to the second quarter of 2019. This was primarily due to the benefit from the cost savings initiatives enacted during the fourth quarter for 2018 and into 2019. Operating expenses on a year-over-year basis decreased 27% or \$22.4 million.

AAC breaks down its revenues between client related revenue and non-client related revenue. Client related revenue includes: (1) inpatient treatment facility services and related professional services; (2) outpatient facility services, related professional services and sober living services; and (3) client related diagnostic services, which includes point of care drug testing and client related diagnostic laboratory services. Non-client related revenue includes marketing and diagnostic services provided to third parties as well as addiction services provided to individuals in the criminal justice system.

Total revenues were \$58.9 million for the third quarter of 2019 compared with \$62.7 million for the second quarter of 2019.

	<b>Three Months Ended, September 30, 2019</b>	<b>Three Months Ended, June 30, 2019</b>	<b>Increase/ (Decrease)</b>	<b>% Change</b>
Inpatient treatment facility services	\$ 51,264	\$ 57,690	\$ (6,426)	(11.1)
Outpatient facility and sober living services	5,343	5,407	(64)	(1.2)
Client related diagnostic services	1,558	(2,502)	4,060	162.3
Total client related revenue	58,165	60,595	(2,430)	(4.0)
Non-client related revenue	690	2,129	(1,439)	(67.6)
Total revenues	<u>\$ 58,855</u>	<u>\$ 62,724</u>	<u>\$ (3,869)</u>	<u>(6.2)</u>

Inpatient treatment facility services revenue decreased 11.1% to \$51.3 million for the three months ended September 30, 2019, compared with \$57.7 million for the three months ended June 30, 2019.

Outpatient facility and sober living services revenue decreased 1.2% to \$5.3 million for the three months ended September 30, 2019, compared with \$5.4 million for the three months ended June 30, 2019.

Client related diagnostic services revenue increased 162.3% to \$1.6 million for the three months ended September 30, 2019, compared with \$(2.5) million for the three months ended June 30, 2019.

Non-client related revenue decreased 67.6% to \$0.7 million for the three months ended September 30, 2019, compared with \$2.1 million for the three months ended June 30, 2019.

Net loss attributable to AAC Holdings, Inc. common stockholders was \$(13.1) million, or \$(0.52) per diluted common share for the three months ended September 30, 2019, compared with net loss attributable to AAC Holdings, Inc. common stockholders of \$(16.4) million, or \$(0.66) per diluted common share for the three months ended June 30, 2019.

Adjusted EBITDA increased to \$5.5 million for the three months ended September 30, 2019, compared with \$2.9 million for the three months ended June 30, 2019. Adjusted EBITDA is a non-GAAP financial measure. Tables reconciling these non-GAAP measures to the most directly comparable GAAP measures are included at the end of this release.

#### Balance Sheet and Cash Flows

As of September 30, 2019, AAC's balance sheet reflected cash and cash equivalents of \$1.5 million, accounts receivable of \$52.2 million, net property and equipment of \$158.5 million and total debt of \$345.1 million (current and long-term portions).

Cash flows used in operations totaled \$4 thousand for the third quarter of 2019 compared to \$13.5 million for the second quarter of 2019.

## Evaluation of Strategic Alternatives in AAC's Real Estate Portfolio

The Company has commenced a process to generate additional value from its assets, including its real estate portfolio consisting of treatment centers located across the United States. Management's goal is to leverage the portfolio to create additional liquidity, lower its cost of capital and enhance shareholder value. Real estate strategic alternatives could include further sale leasebacks of individual facilities or larger portions of the Company's real estate portfolio.

### 2019 Outlook

AAC updates its guidance for the full year 2019 as follows:

	<b>Full Year 2019 Guidance</b>
	<i>(in millions, except per share data)</i>
<b>Total Revenues</b>	<b>\$230 - \$240</b>
<i>Inpatient treatment facility revenue</i>	<i>\$205 - \$210</i>
<i>Outpatient and sober living facility revenue</i>	<i>\$20 - \$22</i>
<i>Client related diagnostic services revenue</i>	<i>\$2 - \$3</i>
<i>Non-client related revenue</i>	<i>\$3 - \$5</i>
<b>Adjusted EBITDA</b>	<b>\$6 - \$8</b>
<b>Adjusted Earnings per Diluted Common Share</b>	<b>\$(2.15) - \$(2.10)</b>

The Company expects diluted weighted-average common shares outstanding of approximately 25.0 million for the year.

The outlook above does not include the impact of any future acquisitions, transaction-related costs, litigation settlement or expenses related to legal defenses.

With respect to the "2019 Outlook" above, reconciliation of adjusted EBITDA and adjusted earnings per diluted common share guidance to the closest corresponding GAAP measure on a forward-looking basis is not available without unreasonable efforts. This inability results from the inherent difficulty in forecasting generally and quantifying certain projected amounts that are necessary for such reconciliations. In particular, sufficient information is not available to calculate certain adjustments required for such reconciliations, including de novo start-up and other expense and acquisition-related expenses. We expect these adjustments may have a potentially significant impact on future GAAP financial results.

### Earnings Conference Call

The Company has provided an earnings release supplement that provides certain operating and financial results and information regarding its 2019 annual outlook that is available online in the Investor Relations section of the Company's website at [ir.americanaddictioncenters.org](http://ir.americanaddictioncenters.org).

The Company will host a conference call and live audio webcast on Tuesday, November 12, 2019, at 9:00 a.m. CT to further discuss these results. The number to call for this interactive teleconference is 1-877-224-7960. A replay of the conference call will be available through November 21, 2019, by dialing 877-344-7529 and entering the replay access code, 1013610.

The live audio webcast of the Company's quarterly conference call will also be available online in the Investor Relations section of the Company's website at [ir.americanaddictioncenters.org](http://ir.americanaddictioncenters.org).

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## About American Addiction Centers

American Addiction Centers is a leading provider of inpatient and outpatient substance abuse treatment services. We treat clients who are struggling with drug addiction, alcohol addiction and co-occurring mental/behavioral health issues. We currently operate substance abuse treatment facilities located throughout the United States. These facilities are focused on delivering effective clinical care and treatment solutions. For more information, please find us at [AmericanAddictionCenters.org](http://AmericanAddictionCenters.org) or follow us on Twitter.

## Forward Looking Statements

*This release contains forward-looking statements within the meaning of the federal securities laws. These forward-looking statements are made only as of the date of this release. In some cases, you can identify forward-looking statements by terms such as "anticipates," "believes," "could," "estimates," "expects," "may," "potential," "predicts," "projects," "should," "will," "would," and similar expressions intended to identify forward-looking statements, although not all forward-looking statements contain these words. Forward-looking statements may include information concerning AAC Holdings, Inc.'s (collectively with its subsidiaries; "AAC Holdings" or the "Company") possible or assumed future results of operations, including descriptions of the Company's revenue, profitability, outlook and overall business strategy. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results and performance to be materially different from the information contained in the forward-looking statements. These risks, uncertainties and other factors include, without limitation: (i) the Company's inability to meet the covenants in the Company's loan documents or lack of borrowing capacity; (ii) the Company's inability to successfully raise capital to meet the Company's liquidity needs and to allow it to continue to operate as a going concern; (iii) the Company's inability to effectively operate its facilities; (iv) the Company's reliance on its sales and marketing program to continuously attract and enroll clients; (v) a reduction in reimbursement rates by certain third-party payors for inpatient and outpatient services and point-of-care and definitive lab testing; (vi) the Company's failure to successfully achieve growth through acquisitions and de novo projects; (vii) risks associated with estimates of the value of accounts receivable or deterioration in collectability of accounts receivable; (viii) a failure to achieve anticipated financial results from contemplated and prior acquisitions; (ix) the possibility that a governmental entity may prohibit, delay or refuse to grant approval for the consummation of an acquisition; (x) the Company's failure to achieve anticipated financial results from contemplated and prior acquisitions; (xi) a disruption in the Company's ability to perform diagnostic laboratory services; (xii) maintaining compliance with applicable regulatory authorities, licensure and permits to operate the Company's facilities and laboratories; (xiii) potential adverse affects on our ability to raise financing through the sale of equity securities due to delisting from the NYSE; (xiv) a disruption in the Company's business and reputational and economic risks associated with the civil securities claims brought by shareholders or claims by various parties; ; and (xv) general economic and market conditions, including conditions in the debt and equity capital markets in particular, as well as other risks discussed in the "Risk Factors" section of the Company's Annual Report on Form 10-K for the year ended December 31, 2018 and other filings with the Securities and Exchange Commission. As a result of these factors, we cannot assure you that the forward-looking statements in this release will prove to be accurate. Investors should not place undue reliance upon forward-looking statements. The Company is in the process of finalizing its Quarterly Report on Form 10-Q for the quarter ended September 30, 2019, including the process of reviewing the financial statements contained therein. Results reported in this earnings release could change as a result of this process.*

**AAC HOLDINGS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**Unaudited**  
(Dollars in thousands, except share data)

	<b>Three Months Ended</b>	
	<b>September 30, 2019</b>	<b>June 30, 2019</b>
<b>Revenues</b>		
Client related revenue	\$ 58,165	\$ 60,595
Non-client related revenue	690	2,129
<b>Total revenues</b>	<b>58,855</b>	<b>62,724</b>
<b>Operating expenses</b>		
Salaries, wages and benefits	36,273	38,928
Client related services	6,103	5,975
Advertising and marketing	1,621	2,725
Professional fees	4,517	5,557
Other operating expenses	9,163	10,260
Rentals and leases	2,011	2,094
Litigation settlements	(2,083)	—
Depreciation and amortization	3,507	3,572
<b>Total operating expenses</b>	<b>61,112</b>	<b>69,111</b>
Loss from operations	(2,257)	(6,387)
Interest expense, net	14,273	12,582
Other income, net	(771)	(232)
Loss before income tax benefit	(15,759)	(18,737)
Income tax expense (benefit)	299	323
Net loss	(16,058)	(19,060)
Less: net loss attributable to noncontrolling interest	2,985	2,688
<b>Net loss attributable to AAC Holdings, Inc. common stockholders</b>	<b>\$ (13,073)</b>	<b>\$ (16,372)</b>
Basic (loss) earnings per common share	\$ (0.52)	\$ (0.66)
Diluted (loss) earnings per common share	\$ (0.52)	\$ (0.66)
<b>Weighted-average common shares outstanding:</b>		
Basic	24,938,894	24,741,530
Diluted	24,938,894	24,741,530

**AAC HOLDINGS, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**Unaudited**  
**(Dollars in thousands)**

	<b>September 30</b>	<b>December 31</b>
	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,521	\$ 5,409
Accounts receivable, net of allowances	52,153	47,860
Prepaid expenses and other current assets	5,167	10,695
<b>Total current assets</b>	<b>58,841</b>	<b>63,964</b>
Property and equipment, net	158,467	166,921
Right-of-use assets, net	27,186	—
Goodwill	198,952	198,952
Intangible assets, net	9,933	12,063
Other assets	10,975	10,377
<b>Total assets</b>	<b>\$ 464,354</b>	<b>\$ 452,277</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 24,270	\$ 13,507
Accrued and other current liabilities	40,771	30,423
Accrued litigation	3,416	8,000
Current portion of lease liability	4,921	—
Current portion of long-term debt	338,014	309,394
Current portion of financing lease obligation	24,457	121
<b>Total current liabilities</b>	<b>435,849</b>	<b>361,445</b>
Deferred tax liabilities	1,643	1,227
Long-term debt, net of current portion and debt issuance costs	7,134	9,764
Lease liability, net of current portion	27,393	—
Financing lease obligation, net of current portion	—	24,421
Other long-term liabilities	7,737	13,147
<b>Total liabilities</b>	<b>479,756</b>	<b>410,004</b>
Stockholders' equity	14,508	64,413
Noncontrolling interest	(29,910)	(22,140)
Total stockholders' equity including noncontrolling interest	(15,402)	42,273
<b>Total liabilities and stockholders' equity</b>	<b>\$ 464,354</b>	<b>\$ 452,277</b>

**AAC HOLDINGS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Unaudited**  
**(Dollars in thousands)**

	<b>Three Months Ended</b>	
	<b>September 30, 2019</b>	<b>June 30, 2019</b>
<b>Cash flows used in operating activities:</b>		
Net loss	\$ (16,058)	\$ (19,060)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	3,507	3,572
Equity compensation	115	850
Loss on disposal of property and equipment	7	465
Amortization of debt issuance costs	1,056	728
Deferred income taxes	241	265
Changes in operating assets and liabilities:		
Accounts receivable	(3,406)	(3,063)
Prepaid expenses and other assets	(2,076)	1,701
Accounts payable	6,526	577
Accrued and other current liabilities	11,561	3,040
Accrued litigation	(77)	(1,334)
Other long-term liabilities	(1,400)	(1,227)
Net cash used in operating activities	(4)	(13,486)
<b>Cash flows used in investing activities:</b>		
Purchase of property and equipment	(652)	(1,075)
Net cash used in investing activities	(652)	(1,075)
<b>Cash flows (used in) provided by financing activities:</b>		
Payments on 2017 Credit Facility	—	(1,724)
Proceeds from 2019 Priming Facility, net of deferred financing costs	—	260
Proceeds from 2017 Credit Facility, net of deferred financing costs	—	1,211
Payments on finance leases and other	(154)	(224)
Payments on AdCare Note	(250)	(250)
Net cash (used in) provided by financing activities	(404)	(727)
Net change in cash and cash equivalents	(1,060)	(15,288)
Cash and cash equivalents, beginning of period	2,581	17,869
Cash and cash equivalents, end of period	<u>\$ 1,521</u>	<u>\$ 2,581</u>

**AAC HOLDINGS, INC.**  
**OPERATING METRICS**  
**Unaudited**

	Three Months Ended		Nine and Six Months Ended	
	September 30, 2019	June 30, 2019	September 30, 2019	June 30, 2019
<b>Operating Metrics:</b>				
New admissions <sup>1</sup>	4,844	4,830	14,315	9,471
Average daily inpatient census <sup>2</sup>	791	802	778	771
Average daily sober living census <sup>3</sup>	185	185	194	199
Total average daily census	976	987	972	970
Average episode length (days) <sup>4</sup>	19	19	19	19
Average daily inpatient revenue <sup>5</sup>	\$ 704	\$ 790	\$ 724	\$ 735
Revenue per admission <sup>6</sup>	\$ 12,008	\$ 12,546	\$ 12,033	\$ 12,046
Outpatient visits <sup>7</sup>	35,500	37,903	113,120	77,620
Revenue per outpatient visit <sup>8</sup>	\$ 151	\$ 143	\$ 152	\$ 153
Client related diagnostic services <sup>9</sup>	3%	(4%)	1%	0%
Inpatient bed count at end of period <sup>10</sup>	996	996	996	996
Effective inpatient bed count at end of period <sup>11</sup>	992	992	992	992
Average effective inpatient bed utilization <sup>12</sup>	80%	81%	78%	78%

<sup>1</sup> Represents total client admissions at our inpatient facilities for the periods presented.

<sup>2</sup> Represents average daily client census at all of our inpatient facilities.

<sup>3</sup> Represents average daily client census at our sober living facilities.

<sup>4</sup> Average episode length is the consecutive number of days from admission to discharge that a client stays at an AAC inpatient facility and, when applicable, an AAC sober living facility.

<sup>5</sup> Average daily inpatient revenue is calculated as total revenues from all of our inpatient facilities during the period, divided by the product of the number of days in the period multiplied by average daily inpatient census.

<sup>6</sup> Revenue per admission is calculated by dividing total client related revenue by new admissions.

<sup>7</sup> Represents the total number of outpatient visits at our standalone outpatient centers during the periods presented.

<sup>8</sup> Revenue per outpatient visit is calculated as total revenues from all of our standalone outpatient facilities divided by the number of outpatient visits during the period.

<sup>9</sup> Client related diagnostic services revenue, as a percentage of client related revenue, includes point-of-care and client related diagnostic laboratory services.

<sup>10</sup> Inpatient bed count at end of period includes all beds at inpatient facilities.

<sup>11</sup> Effective bed count at end of period represents the number of beds for which our facilities are staffed based on planned census.

<sup>12</sup> Average effective inpatient bed utilization represents average daily inpatient census divided by the average effective inpatient bed count during the applicable period.

**AAC HOLDINGS, INC.**  
**SUPPLEMENTAL RECONCILIATION OF NON-GAAP DISCLOSURES**  
**Unaudited**  
**(Dollars in thousands)**

**Reconciliation of Adjusted EBITDA to Net Loss (Income) Attributable to AAC Holdings, Inc. Common Stockholders**

	<b>Three Months Ended</b>	
	<b>September 30, 2019</b>	<b>June 30, 2019</b>
Net loss attributable to AAC Holdings, Inc. common stockholders	\$ (13,073)	\$ (16,372)
Non-GAAP Adjustments <sup>1</sup> :		
Interest expense	14,273	12,582
Depreciation and amortization	3,507	3,572
Income tax benefit	299	323
Net loss attributable to noncontrolling interest	(2,985)	(2,688)
Stock-based compensation and other	485	1,539
Litigation settlements, regulatory and California matter related expense	(1,799)	66
Acquisition-related expense	77	40
Transaction costs	2,071	532
Recruitment and retention expense	298	50
Employee severance expense	45	185
Change in accounting estimate	560	—
Facility closure operating losses and expense	1,783	3,059
<b>Adjusted EBITDA</b>	<b>\$ 5,541</b>	<b>\$ 2,888</b>

1 Adjusted EBITDA, adjusted net (loss) income attributable to AAC Holdings, Inc. common stockholders and adjusted diluted earnings per common share (herein collectively referred to as "Non-GAAP Disclosures") are "non-GAAP financial measures" as defined under the rules and regulations promulgated by the U.S. Securities and Exchange Commission, each of which are defined below. Management has chosen to present these Non-GAAP Disclosures to investors to enable additional analyses of past, present and future operating performance and as a supplemental means of evaluating operations absent the effect of certain items that we do not consider indicative of our ongoing core operating performance or are non-cash items. Certain of these items may recur in the future. Management believes the Non-GAAP Disclosures provide investors with additional meaningful financial information that should be considered when assessing our underlying business performance and trends. We believe the Non-GAAP Disclosures also enhance investors' ability to compare period-to-period financial results. The Non-GAAP Disclosures should not be considered as measures of financial performance under U.S. generally accepted accounting principles ("GAAP"). The items excluded from the Non-GAAP Disclosures are significant components in understanding and assessing our financial performance and should not be considered as an alternative to net income or other financial statement items presented in the condensed consolidated financial statements. Because the Non-GAAP Disclosures are not measures determined in accordance with GAAP, the Non-GAAP Disclosures may not be comparable to other similarly titled measures of other companies.

Management defines adjusted EBITDA as net loss attributable to AAC Holdings, Inc. common stockholders adjusted for interest expense, depreciation and amortization expense, income tax benefit, net loss attributable to noncontrolling interest, stock-based compensation and related tax reimbursements, litigation settlement, certain regulatory and California matter related expenses, acquisition-related expense (which includes professional services for accounting, legal, valuation services and licensing expenses), de novo start-up and other expenses, recruitment and retention expense, employee severance expense and facility closure operating losses and expense.

**AAC HOLDINGS, INC.**  
**SUPPLEMENTAL RECONCILIATION OF NON-GAAP DISCLOSURES**  
**Unaudited**

(Dollars in thousands, except share data)

**Reconciliation of Adjusted Net (Loss) Income Attributable to AAC Holdings, Inc. Common Stockholders to Net (Loss) Income Attributable to AAC Holdings, Inc. Common Stockholders**

	<b>Three Months Ended</b>	
	<b>September 30, 2019</b>	<b>June 30, 2019</b>
Net loss attributable to AAC Holdings, Inc. common stockholders	\$ (13,073)	\$ (16,372)
Non-GAAP Adjustments:		
Litigation settlements, regulatory and California matter related expense	(1,799)	66
Acquisition-related expense	77	40
Transaction costs	2,071	532
Recruitment and retention expense	298	50
Employee severance expense	45	185
Change in accounting estimate	560	—
Facility closure operating losses and expense	1,783	3,059
Adjusted net (loss) income attributable to AAC Holdings, Inc. common stockholders	<u>\$ (10,038)</u>	<u>\$ (12,440)</u>
Weighted-average common shares outstanding - diluted	24,938,894	24,741,530
GAAP diluted (loss) income per common share	\$ (0.52)	\$ (0.66)
Adjusted (loss) earnings per diluted common share	<u>\$ (0.40)</u>	<u>\$ (0.50)</u>

Management defines adjusted net loss attributable to AAC Holdings, Inc. common stockholders as net loss attributable to AAC Holdings, Inc. common stockholders adjusted for litigation settlement, certain regulatory and California matter related expenses, acquisition-related expense (which includes professional services for accounting, legal, valuation services and licensing expenses), de novo start-up and other expenses, recruitment and retention expense, employee severance expense, facility closure operating losses and expense and the income tax effect of the non-GAAP adjustments at the then applicable effective tax rate.

Adjusted diluted earnings per common share represents diluted earnings per common share calculated using adjusted net income attributable to AAC Holdings, Inc. common stockholders as opposed to net income attributable to AAC Holdings, Inc. common stockholders.