InnovAge Announces Financial Results for the Fiscal Second Quarter Ended December 31, 2023

February 6, 2024

DENVER, Feb. 06, 2024 (GLOBE NEWSWIRE) -- InnovAge Holding Corp. ("InnovAge" or the "Company") (Nasdaq: INNV), an industry leader in providing comprehensive healthcare programs to frail, predominantly dual-eligible seniors through the Program of All-inclusive Care for the Elderly (PACE), today announced financial results for its fiscal second quarter ended December 31, 2023.

"Our second quarter results were consistent with our expectations and highlight the ongoing performance improvement across the business," said Patrick Blair, President, and CEO. "We remain focused on unlocking both near-term and long-term value, enhancing our competitive differentiation as an operator and improving our financial performance."

Financial Results

	Three Months Ended December 31,		Six Months Ended December 31,	
	2023	**2022**	**2023**	**2022**
in thousands, except percentages and per share amounts				
Total revenues	$ 188,898	$ 167,456	$ 371,382	$ 338,674
Loss Before Income Taxes	(3,728)	(13,459)	(14,464)	(30,630)
Net Loss	(3,821)	(10,547)	(14,783)	(24,247)
Net Loss margin	(2.0)%	(6.3)%	(4.0)%	(7.2)%
Net Loss Attributable to InnovAge Holding Corp.	(3,447)	(9,793)	(13,751)	(22,866)
Net Loss per share - basic and diluted	$ (0.03)	$ (0.07)	$ (0.10)	$ (0.17)
Center-level Contribution Margin[1]	$ 33,613	$ 22,573	61,490	43,997
Adjusted EBITDA[1]	$ 7,771	$ (1,954)	$ 9,997	$ (5,768)
Adjusted EBITDA margin[1]	4.1%	(1.2)%	2.7%	(1.7)%

Fiscal Second Quarter 2024 Financial Performance

- Total revenue of $188.9 million, increased approximately 12.8% compared to $167.5 million in the second quarter of fiscal year 2023
- Loss Before Income Taxes of $3.7 million, compared to a loss before income taxes of $13.5 million in the second quarter of fiscal year 2023
- Loss Before Income Taxes as a percent of revenue of 2.0% decreased 6.0 percentage points compared to Loss Before Income Tax as a percent of revenue of 8.0% in in the second quarter of fiscal year 2023
- Center-level Contribution Margin[1] of $33.6 million, increased 48.9% compared to $22.6 million in the second quarter of fiscal year 2023
- Center-level Contribution Margin[1] as a percent of revenue of 17.8%, increased 4.3 percentage points compared to 13.5% in the second quarter of fiscal year 2023
- Net loss of $3.8 million, compared to net loss of $10.5 million in the second quarter of fiscal year 2023
- Net loss margin of 2.0%, a decrease of 4.3 percentage points compared to a net loss margin of 6.3% in the second quarter of fiscal year 2023
- Net loss attributable to InnovAge Holding Corp. of $3.4 million, or a loss of $0.03 per share, compared to net loss of $9.8 million, or a loss of $0.07 per share in the second quarter of fiscal year 2023
- Adjusted EBITDA[1] of $7.8 million, an increase of $9.7 million compared to an Adjusted EBITDA loss of $2.0 million in the second quarter of fiscal year 2023
- Adjusted EBITDA[1] margin of 4.1%, an increase of 5.3 percentage points compared to negative 1.2% in the second quarter of fiscal year 2023
- Census of approximately 6,780 participants compared to 6,460 participants in the second quarter of fiscal year 2023
- Ended the second quarter of fiscal year 2024 with $54.1 million in cash and cash equivalents plus $44.7 million in short-term investments, and $83.7 million in debt on the balance sheet, representing debt under the Company's senior secured term loan, convertible term loan and finance leases

[1] Center-level Contribution Margin and as a percentage of revenue, Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP measures. For a definition and reconciliation of these non-GAAP measures to the most closely comparable GAAP measures for the periods indicated, see "Note

Regarding Use of Non-GAAP Financial Measures" and "Reconciliation of GAAP and Non-GAAP Measures."

Full Fiscal Year 2024 Financial Guidance

Based on information as of today, February 6, 2024, InnovAge is reiterating the following financial guidance which is now inclusive of the ConcertoCare acquisition.

	Low	High
	dollars in millions	
Census	6,800	7,400
Member Months[1]	79,000	83,000
Total revenues	$ 725	$ 775
Adjusted EBITDA[2]	12	18

Expected results and estimates may be impacted by factors outside the Company's control, and actual results may be materially different from this guidance. See "Forward-Looking Statements - Safe Harbor" herein.

[1] We define Member Months as the total number of participants as of period end multiplied by the number of months within a year in which each participant was enrolled in our program. Management believes this is a useful metric as it more precisely tracks the number of participants the Company serves throughout the year.

[2]Adjusted EBITDA is a non-GAAP measure. See "Note Regarding Use of Non-GAAP Financial Measures" and "Reconciliation of GAAP and Non-GAAP Measures" for a definition of Adjusted EBITDA and a reconciliation to net income (loss), the most closely comparable GAAP measure. The Company is unable to provide guidance for net income (loss) or a reconciliation of the Company's Adjusted EBITDA guidance because it cannot provide a meaningful or accurate calculation or estimation of certain reconciling items without unreasonable effort. The Company's inability to do so is due to the inherent difficulty in forecasting and quantifying certain amounts that are necessary for such reconciliation, including variations in effective tax rate, expenses to be incurred for acquisition activities and other one-time or exceptional items.

Conference Call

The Company will host a conference call this afternoon at 5:00 PM Eastern Time. A live audio webcast of the call will be available on the Company's website, https://investor.innovage.com/. A replay of the call will be available via webcast for on-demand listening shortly after the completion of the call, at the same web link, and will remain available for a limited time. To access the call by phone, please go to this link (registration link), for dialing instructions and a unique access pin. We encourage participants to dial into the call fifteen minutes ahead of the scheduled start time.

About InnovAge

InnovAge is a market leader in managing the care of high-cost, frail, predominantly dual-eligible seniors. Our mission is to enable seniors to age independently in their own homes for as long as safely possible. Our patient-centered care model is designed to improve the quality of care our participants receive, while reducing over-utilization of high-cost care settings. InnovAge believes its healthcare model is one in which all constituencies — participants, their families, providers and government payors — "win." As of December 31, 2023, InnovAge served approximately 6,780 participants across 18 centers in five states. https://www.innovage.com/.

Investor Contact:

Ryan Kubota
rkubota@innovage.com

Media Contact:

Lara Hazenfield
lhazenfield@innovage.com

Forward-Looking Statements - Safe Harbor

This press release may contain "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as: "anticipate," "intend," "plan," "believe," "project," "estimate," "expect," "may," "should," "will" and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events. Forward-looking statements may be identified by the fact that they do not relate strictly to historical or current facts. Examples of forward-looking statements include, among others, statements we may make regarding quarterly or annual guidance; financial outlook, including future revenues and future earnings; our expectations to increase the number of participants we serve, to grow enrollment and capacity within existing centers, to build and/or open de novo centers, or to find targets and execute tuck-in acquisitions; our ability to control costs, mitigate the effects of elevated expenses, expand our payer capabilities, implement clinical value initiatives and strengthen enterprise functions; the potential effects of the macro-economic environment and lingering COVID-19 impacts on our business; our expectations with respect to current audit post-sanction work, legal proceedings and government investigations and actions; relationships and discussions with regulatory agencies; our ability to effectively implement remediation measures, including creating operational excellence as a provider across all our centers; reimbursement and regulatory developments; market developments; new services; integration activities; industry and market opportunity; and the effects of any of the foregoing on our future results of operations or financial conditions.

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on currently available information and our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. You should not place undue reliance on our forward-looking statements. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the following: (i) the viability of our growth strategy; (ii) our ability to identify and successfully complete and integrate acquisitions; (iii) our ability to attract new participants and retain existing participants and grow our revenue throughout our existing centers; (iv) the results of periodic inspections, reviews, audits, and investigations under the federal and state government programs, and our ability to sufficiently cure any new and recurring deficiencies identified by the respective federal and state government programs; (v) the adverse impact of inspections, reviews, audits, investigations, legal proceedings, enforcement actions and litigation, including the current civil investigative demands initiated by federal and state agencies, as well as the litigation and other proceedings initiated by, or on behalf, of our stockholders; (vi) the risk that the cost of providing services will exceed our compensation under the Program of All Inclusive Care for the Elderly ("PACE"); (vii) our increased costs and expenditures in the future and our inability to execute or realize the benefits of our clinical value initiatives; (viii) the impact on our business from ongoing macroeconomic challenges, including labor shortages and inflation; (ix) the dependence of our revenues and operations upon a limited number of government payors; (x) the risk that our submissions to government payors may contain inaccurate or unsupportable information, including regarding risk adjustment scores of participants; (xi) the impact on our business of renegotiation, non-renewal or termination of capitation agreements with government payors; (xii) the difficulty to predict our future results, which could cause such results to fall below any guidance we provide; (xiii) the impact of state and federal efforts to reduce healthcare spending; (xiv) the effects of a pandemic, epidemic or outbreak of an infectious disease, such as COVID-19; (xv) our dependence on our senior management team and other key employees; (xvi) the impact of failures by our suppliers or limitations on our ability to access new technology or medical products; (xvii) the concentration of our presence in Colorado; (xviii) our ability to manage our operations effectively, execute our business plan, maintain effective levels of service and participant satisfaction and adequately address competitive challenges; (xix) our ability to compete in the healthcare industry; (xx) our ability to establish a presence in new geographic markets; (xxi) the impact of competition for physicians and other clinical personnel and related increases in our labor costs; (xxii) labor relations matters, including unionization efforts; (xxiii) the impact on our business of security breaches, loss of data or other disruptions causing the compromise of sensitive information or preventing us from accessing critical information; (xxiv) our ability to effectively invest in, implement improvements to and properly maintain the uninterrupted operation and data integrity of our information technology and other business systems; (xxv) our ability to accurately estimate incurred but not reported medical expense or the risk scores of our participants; (xxvi) risks associated with our use of "open-source" software; (xxvii) the impact on our business of the termination of our leases, increases in rent or inability to renew or extend leases; (xxviii) the impact of weather and other factors beyond our control; (xxix) the effect of our relatively limited operating history as a for-profit company on investors' ability to evaluate our current business and future prospects; (xxx) our ability to adhere to complex and changing government laws and regulations in the healthcare industry, including U.S. Healthcare reform, the regulation of the corporate practice of medicine and the Health Information Technology for Economic and Clinical Health Act of 2009 (the "HITECH Act"), and their implementing regulations (collectively, "HIPAA"), the California Consumer Privacy Act ("CCPA") and other privacy laws and regulations in the healthcare industry; (xxxi) our status as a "controlled company"; (xxxii) our ability to maintain effective internal controls over financial reporting and other enhanced requirements of being a public company; (xxxiii) our ability to maintain and enhance our reputation and brand recognition; (xxxiv) the impact on our business of disruptions in our disaster recovery systems or business continuity planning; (xxxv) impact of negative publicity regarding the managed healthcare industry; and (xxxvi) other factors disclosed in the section entitled "Risk Factors" in our Annual Report for the year ended June 30, 2023 filed with the Securities and Exchange Commission (the "SEC") on September 12, 2023, and our subsequent filings with the SEC.

Any forward-looking statement made by the Company in this press release is based only on information currently available to us and speaks only as of the date on which it is made. Except as required by law, we undertake no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.

Note Regarding Use of Non-GAAP Financial Measures

In addition to reporting financial information in accordance with generally accepted accounting principles ("GAAP"), the Company is also reporting Center-level Contribution Margin, and as a percentage of revenue, Adjusted EBITDA and Adjusted EBITDA margin, which are non-GAAP financial measures. Center-level Contribution Margin and as a percentage of revenue, Adjusted EBITDA and Adjusted EBITDA margin are supplemental measures of operating performance monitored by management that are not defined under GAAP and that do not represent, and should not be considered as, an alternative to net income (loss) and net income (loss) margin, respectively, as determined by GAAP. We believe that Center-level Contribution Margin and as a percentage of revenue, Adjusted EBITDA and Adjusted EBITDA margin are appropriate measures of operating performance because the metrics eliminate the impact of revenue and expenses that do not relate to our ongoing business performance, allowing us to more effectively evaluate our core operating performance and trends from period to period. We believe that Center-level Contribution Margin and as a percentage of revenue, Adjusted EBITDA and Adjusted EBITDA margin help investors and analysts in comparing our results across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance. These non-GAAP financial measures have limitations as analytical tools and should not be considered in isolation from, or as a substitute for, the analysis of other GAAP financial measures, including net income (loss) and net income (loss) margin.

The Company's management uses Center-level Contribution Margin as the measure for assessing performance of its operating segments. In evaluating Center-level Contribution Margin on a center-by-center basis, you should be aware that we do not allocate our sales and marketing expense or corporate, general and administrative expenses across our centers. We define Center-level Contribution Margin as total revenues less external provider costs and cost of care, excluding depreciation and amortization, which includes all medical and pharmacy costs.

In evaluating Adjusted EBITDA, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. Our presentation of Adjusted EBITDA should not be construed to imply that our future results will be unaffected by the types of items excluded from the calculation of Adjusted EBITDA. Our use of the term Adjusted EBITDA varies from others in our industry. We define Adjusted EBITDA as net income (loss) adjusted for interest expense, depreciation and amortization, and provision for income tax as well as addbacks for non-recurring expenses or exceptional items, including relating to management equity compensation, executive severance and recruitment, class action litigation costs and settlement, M&A and de novo center development, business optimization, electronic medical record (EMR) implementation, and loss on minority equity interest. Adjusted EBITDA margin is Adjusted EBITDA expressed as a percentage of our total revenue. For a full reconciliation of Center-level Contribution Margin and Adjusted EBITDA to the most closely comparable GAAP financial measure, please see the attachment to this earnings release.

Schedule 1

InnovAge
CONDENSED CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS) (UNAUDITED)

	December 31, 2023	June 30, 2023
Assets		
Current Assets		
Cash and cash equivalents	$ 54,081	$ 127,249
Short-term investments	44,690	46,213
Restricted cash	15	16
Accounts receivable, net of allowance ($5,134 – December 31, 2023 and $4,161 – June 30, 2023)	43,456	24,344
Prepaid expenses	14,460	17,145
Income tax receivable	262	262
Total current assets	156,964	215,229
Noncurrent Assets		
Property and equipment, net	195,623	192,188
Operating lease assets	26,477	21,210
Investments	3,611	5,493
Deposits and other	5,154	3,823
Goodwill	141,565	124,217
Other intangible assets, net	4,868	5,198
Total noncurrent assets	377,298	352,129
Total assets	$ 534,262	$ 567,358
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable and accrued expenses	$ 52,372	$ 54,935
Reported and estimated claims	47,247	42,999
Due to Medicaid and Medicare	10,264	9,142
Income tax payable	1,212	1,212
Current portion of long-term debt	3,795	3,795
Current portion of finance lease obligations	4,526	4,722
Current portion of operating lease obligations	3,716	3,530
Deferred revenue	—	28,115
Total current liabilities	123,132	148,450
Noncurrent Liabilities		
Deferred tax liability, net	6,555	6,236
Finance lease obligations	11,311	13,114
Operating lease obligations	25,943	18,828
Other noncurrent liabilities	1,187	1,086
Long-term debt, net of debt issuance costs	63,162	64,844
Total liabilities	231,290	252,558
Commitments and Contingencies		
Redeemable Noncontrolling Interests	11,831	12,708
Stockholders' Equity		
Common stock, $0.001 par value; 500,000,000 authorized as of December 31, 2023 and June 30, 2023; 135,893,070 and 135,639,845 issued shares as of December 31, 2023 and June 30, 2023, respectively	136	136
Additional paid-in capital	335,062	332,107
Retained deficit	(49,695)	(35,944)
Total InnovAge Holding Corp.	285,503	296,299
Noncontrolling interests	5,638	5,793
Total stockholders' equity	291,141	302,092
Total liabilities and stockholders' equity	$ 534,262	$ 567,358

Schedule 2

InnovAge
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS) (UNAUDITED)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2023	2022	2023	2022
Revenues				

Capitation revenue	$ 188,561	$ 167,140	$ 370,734	$ 338,071
Other service revenue	337	316	648	603
Total revenues	188,898	167,456	371,382	338,674
Expenses				
External provider costs	100,964	93,507	200,322	189,744
Cost of care, excluding depreciation and amortization	54,321	51,376	109,570	104,933
Sales and marketing	5,859	3,774	11,237	8,187
Corporate, general and administrative	25,249	28,817	54,197	58,999
Depreciation and amortization	4,290	3,662	8,559	7,095
Total expenses	190,683	181,136	383,885	368,958
Operating Loss	(1,785)	(13,680)	(12,503)	(30,284)
Other Income (Expense)				
Interest expense, net	(935)	(223)	(1,596)	(826)
Other income	874	444	1,517	480
Other expense	(1,882)	—	(1,882)	—
Total other expense	(1,943)	221	(1,961)	(346)
Loss Before Income Taxes	(3,728)	(13,459)	(14,464)	(30,630)
Provision (Benefit) for Income Taxes	93	(2,912)	319	(6,383)
Net Loss	(3,821)	(10,547)	(14,783)	(24,247)
Less: net loss attributable to noncontrolling interests	(374)	(754)	(1,032)	(1,381)
Net Loss Attributable to InnovAge Holding Corp.	$ (3,447)	$ (9,793)	$ (13,751)	$ (22,866)
Weighted-average number of common shares outstanding - basic	135,887,613	135,578,888	135,839,007	135,572,503
Weighted-average number of common shares outstanding - diluted	135,887,613	135,578,888	135,839,007	135,572,503
Net loss per share - basic	$ (0.03)	$ (0.07)	$ (0.10)	$ (0.17)
Net loss per share - diluted	$ (0.03)	$ (0.07)	$ (0.10)	$ (0.17)

Schedule 3

InnovAge
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS) (UNAUDITED)

	For the Six Months Ended December 31,	
	2023	**2022**
Operating Activities		
Net loss	$ (14,783)	$ (24,247)
Adjustments to reconcile net loss to net cash used in operating activities		
Gain on disposal of assets	(21)	(53)
Provision for uncollectible accounts	2,881	2,244
Depreciation and amortization	8,559	7,095
Operating lease rentals	2,346	2,335
Amortization of deferred financing costs	215	215
Stock-based compensation	3,589	2,278
Loss on minority equity interest investment	1,882	—
Deferred income taxes	319	(6,381)
Other	9	(424)
Changes in operating assets and liabilities		
Accounts receivable, net	(21,430)	(4,980)
Prepaid expenses	3,014	1,631
Income tax receivable	—	3,027
Deposits and other	(1,396)	(533)
Accounts payable and accrued expenses	(2,245)	(544)
Reported and estimated claims	4,137	(3,339)
Due to Medicaid and Medicare	1,122	1,946
Operating lease liabilities	(2,362)	(2,260)

Deferred revenue	(28,115)	—
Net cash used by operating activities	(42,279)	(21,990)
Investing Activities		
Purchases of property and equipment	(4,157)	(14,632)
Purchases of short-term investments	(1,179)	(45,000)
Proceeds from sale of short-term investments	3,000	—
Acquisition of business	(23,916)	—
Net cash used in investing activities	(26,252)	(59,632)
Financing Activities		
Payments for finance lease obligations	(2,107)	(1,452)
Principal payments on long-term debt	(1,897)	(1,895)
Taxes paid related to net share settlements of stock-based compensation awards	(634)	—
Net cash used in financing activities	(4,638)	(3,347)
DECREASE IN CASH, CASH EQUIVALENTS & RESTRICTED CASH	(73,169)	(84,969)
CASH, CASH EQUIVALENTS & RESTRICTED CASH, BEGINNING OF PERIOD	127,265	184,446
CASH, CASH EQUIVALENTS & RESTRICTED CASH, END OF PERIOD	$ 54,096	$ 99,477
Supplemental Cash Flows Information		
Interest paid	$ 1,254	$ 1,726
Income taxes paid	$ —	$ 13
Property and equipment included in accounts payable	$ 470	$ 53
Property and equipment purchased under finance leases	$ 113	$ 1,541

Schedule 4

InnovAge
RECONCILIATION OF GAAP AND NON-GAAP MEASURES
(IN THOUSANDS) (UNAUDITED)

Adjusted EBITDA

	Three months ended December 31,		Six months ended December 31,	
	2023	**2022**	**2023**	**2022**
Net loss	$ (3,821)	$ (10,547)	$ (14,783)	$ (24,247)
Interest expense, net	935	223	1,596	826
Depreciation and amortization	4,290	3,662	8,559	7,095
Provision (benefit) for income tax	93	(2,912)	319	(6,383)
Stock-based compensation	1,766	1,212	3,589	2,512
Litigation costs and settlement[(a)]	198	1,282	1,905	1,238
M&A and de novo center development[(b)]	284	336	693	622
Business optimization[(c)]	774	2,846	2,933	10,035
EMR implementation[(d)]	1,370	1,944	3,304	2,534
Loss on minority equity interest[(e)]	$ 1,882	$ —	$ 1,882	$ —
Adjusted EBITDA	$ 7,771	$ (1,954)	$ 9,997	$ (5,768)
Net loss margin	(2.0)%	(6.3)%	(4.0)%	(7.2)%
Adjusted EBITDA margin	4.1%	(1.2)%	2.7%	(1.7)%

(a) Reflects charges/(credits) related to litigation by stockholders, litigation related to de novo center development, and civil investigative demands. Refer to Note 9, "Commitments and Contingencies" to our condensed consolidated financial statements for more information regarding litigation by stockholders and civil investigative demands. Costs reflected consist of litigation costs considered one-time in nature and outside of the ordinary course of business based on the following considerations which we assess regularly: (i) the frequency of similar cases that have been brought to date, or are expected to be brought within two years, (ii) complexity of the case, (iii) nature of the remedies sought, (iv) litigation posture of the Company, (v) counterparty involved, and (vi) the Company's overall litigation strategy.

(b) Reflects charges related to M&A transaction and integrations, and de novo center developments.

(c) Reflects charges related to business optimization initiatives. Such charges related to one-time investments in projects designed to enhance our technology and compliance systems, improve and support the efficiency and effectiveness of our operations, and third party support to address efforts to remediate deficiencies in audits. For the three months ended December 31, 2023 this includes (i) $0.3 million of costs associated with third party consultants as we implement our core provider initiatives, assess our risk-bearing payor capabilities, and strengthen our enterprise capabilities (ii) $0.3 million of costs related to severance and other organizational costs and (iii) $0.2 million related to other non-recurring charges. For the three months ended December 31, 2022 this includes (i) $0.5 million related to consultants and contractors performing audit and other related services at sanctioned centers, (ii) $0.8 million of costs associated with third party consultants as we implement our core provider initiatives, assess our risk-bearing capabilities, and strengthen our enterprise capabilities and (iii) $0.1 million for related to other non-recurring projects aimed at reducing costs and improving efficiencies. For the six months ended December 31, 2023 this includes (i) $2.1 million of costs associated with third party consultants as we implement our core provider initiatives, assess our risk-bearing payor capabilities, and strengthen our enterprise capabilities (ii) $0.3 million of costs related to severance and other organizational costs and (iii) $0.5 million related to charges for technology improvements, environmental, sustainability, and governance reporting, and other non-recurring charges. For the six months ended December 31, 2022 this includes (i) $1.2 million related to consultants and contractors performing audit and other related services at sanctioned centers, (ii) $5.1 million of costs associated with third party consultants as we implement our core provider initiatives, assess our risk-bearing payor capabilities, and strengthen our enterprise capabilities, and (iii) $0.7 million related to other non-recurring projects aimed at reducing costs and improving efficiencies.

(d) Reflects non-recurring expenses relating to the implementation of a new EMR vendor.

(e) Reflects impairment charges related to our minority equity interest in Jetdoc, Inc.

	Three months ended September 30, 2023
Net loss	$ (10,962)
Interest expense, net	661
Depreciation and amortization	4,269
Provision (benefit) for income tax	226
Stock-based compensation	1,823
Litigation costs and settlement[a]	1,707
M&A and de novo center development[b]	409
Business optimization[c]	2,159
EMR implementation[d]	1,934
Adjusted EBITDA	$ 2,226
Net income (loss) margin	6.0%
Adjusted EBITDA margin	1.2%

(a) Reflects charges/(credits) related to litigation by stockholders, litigation related to de novo center development, and civil investigative demands. Costs reflected consist of litigation costs considered one-time in nature and outside of the ordinary course of business based on the following considerations which we assess regularly: (i) the frequency of similar cases that have been brought to date, or are expected to be brought within two years, (ii) complexity of the case, (iii) nature of the remedies sought, (iv) litigation posture of the Company, (v) counterparty involved, and (vi) the Company's overall litigation strategy.

(b) Reflects charges related to M&A transaction and integrations, and de novo center developments.

(c) Reflects charges related to business optimization initiatives. Such charges related to one-time investments in projects designed to enhance our technology and compliance systems, improve and support the efficiency and effectiveness of our operations, and third party support to address efforts to remediate deficiencies in audits. For the three months ended September 30, 2023 this includes (i) $1.8 million of costs associated with third party consultants as we implement our core provider initiatives, assess our risk-bearing payor capabilities, and strengthen our enterprise capabilities and (ii) $0.4 million related to other non-recurring projects aimed at reducing costs and improving efficiencies.

(d) Reflects non-recurring expenses relating to the implementation of a new EMR vendor.

Center-Level Contribution Margin

	Three Months Ended December 31, 2023			Three Months Ended December 31, 2022		
(In thousands)	PACE	All other	Totals	PACE	All other[a]	Totals
Capitation revenue	$ 188,561	$ —	$ 188,561	$ 167,140	$ —	$ 167,140
Other service revenue	68	269	337	99	217	316
Total revenues	188,629	269	188,898	167,239	217	167,456
External provider costs	100,964	—	100,964	93,507	—	93,507

Cost of care, excluding depreciation and amortization	54,171	150	54,321	51,184	192	51,376
Center-Level Contribution Margin	33,494	119	33,613	22,548	25	22,573
Overhead costs[b]	31,108	—	31,108	32,532	59	32,591
Depreciation and amortization	4,178	112	4,290	3,555	107	3,662
Interest expense, net	890	45	935	177	46	223
Other income	(874)	—	(874)	(444)	—	(444)
Other expense	1,882	—	1,882	—	—	—
Loss Before Income Taxes	$ (3,690)	$ (38)	$ (3,728)	$ (13,272)	$ (187)	$ (13,459)
Loss Before Income Taxes as a % of revenue			(2.0)%			(8.0)%
Center- Level Contribution Margin as a % of revenue			17.8%			13.5%

	Three Months Ended September 30, 2023		
(In thousands)	**PACE**	**All other[a]**	**Totals**
Capitation revenue	$ 182,173	$ —	$ 182,173
Other service revenue	86	226	312
Total revenues	182,259	226	182,485
External provider costs	99,358	—	99,358
Cost of care, excluding depreciation and amortization	55,097	153	55,250
Center-Level Contribution Margin	27,804	73	27,877
Overhead costs[b]	34,317	9	34,326
Depreciation and amortization	4,157	112	4,269
Interest expense, net	616	45	661
Other income	(643)	—	(643)
Other expense	—	—	—
Loss Before Income Taxes	$ (10,643)	$ (93)	$ (10,736)
Loss Before Income Taxes as a % of revenue			(5.9)%
Center- Level Contribution Margin as a % of revenue			15.3%

(a) Center-level Contribution Margin from segments below the quantitative thresholds are primarily attributable to the Senior Housing operating segment of the Company. This segment has never met any of the quantitative thresholds for determining reportable segments.

(b) Overhead consists of the Sales and marketing and Corporate, general and administrative financial statement line items.