Fiscal 2026 First Quarter Earning Call

For the Period Ended September 30, 2025

Tuesday, November 4, 2025

Corporate Participants

Ryan Kubota, Director, Investor Relations
Patrick Blair, Chief Executive Officer
Ben Adams, Chief Financial Officer

Ryan Kubota, Director, Investor Relations

Good afternoon, and thank you all for joining the InnovAge 2026 fiscal first quarter earnings call. With me today is Patrick Blair, CEO, and Ben Adams, CFO.

Today, after the market closed, we issued an earnings press release containing detailed information on our fiscal first quarter results. You may access the release on the Investor Relations section of our company website, InnovAge.com.

For those listening to the rebroadcast of this call, we remind you that the remarks made herein are as of today, Tuesday, November 4th, 2025, and have not been updated subsequent to this call. During our call we will refer to certain non-GAAP measures. A reconciliation of these measures to the most directly comparable GAAP measures can be found in our earnings press release posted on our website.

We may also make statements that are considered forward-looking, including those related to our 2026 fiscal year projections and guidance, future growth prospects and growth strategy, our clinical and operational value initiatives, Medicare and Medicaid rates increases, the effects of recent legislation and federal budget cuts, enrollment and redetermination processing delays, seasonality of cost trends, the status of current and future regulatory actions, and other expectations.

Listeners are cautioned that our forward-looking statements involve certain assumptions and are inherently subject to risks and uncertainties that can cause our actual results to differ materially from our current expectations. We advise listeners to review the risk factors and other discussions included in our Annual Report on Form 10-K for fiscal year 2025 and any subsequent reports filed with the SEC, including our most recent Quarterly Report on Form 10-Q.

After the completion of our prepared remarks, we will open the call for questions. I will now turn the call over to our CEO, Patrick Blair.

Patrick Blair, Chief Executive Officer

Thank you, Ryan, and good afternoon, everyone.

I know it feels like we just held our fourth quarter results and full year earnings call – and we did. The first quarter reporting cycle always comes quickly due to SEC requirements and companies needing more time to complete and audit their year-end financial results. As a result, we're meeting about six weeks after our last call. So today, I'll spend less time on new headline numbers and more on the progress we're making against our strategic priorities, the continued strength of our model, and the momentum that we expect to carry us through fiscal 2026.

This afternoon, we reported total revenues of $236.1 million, center-level contribution margin of $51.4 million, and Adjusted EBITDA of $17.6 million.

Compared with the first quarter of fiscal 2025, total revenue increased 15 percent, and Adjusted EBITDA more than doubled. Census grew to an all-time high of 7,890 participants, up nearly 2 percent quarter over quarter.

These results reflect continued strong medical-cost management and better-than-expected census growth, as the Medicaid redetermination clean-up is progressing well in the first 90 days. The quarter also reflects positive momentum in our new Florida centers, particularly in Tampa, where our partnership with Tampa General is off to a strong start.

The operating environment for many value-based care models remains challenging. Medicare Advantage and Medicaid Managed Long-Term Supports and Services are experiencing lower or declining reimbursement levels, higher-than-expected medical-service utilization, and growing regulatory scrutiny around risk adjustment and quality measures.

In contrast, InnovAge and the PACE model have remained resilient. While many plans are retreating from markets or reporting financial strain from escalating medical costs, PACE offers a fundamentally different approach—one built on direct accountability for every aspect of participant care.

At InnovAge, our providers not only deliver care within our centers but also oversee, approve, and coordinate nearly all healthcare services that occur outside our walls. This closed-loop model gives us a high degree of visibility and control over cost trends, allowing us to manage participant needs more responsively than reacting well after the fact.

These differences are showing up in the numbers. While many managed care organizations are reporting higher than expected medical cost trends this calendar year, our total participant expense per month declined sequentially relative to the fourth quarter of fiscal 2025.

What we see in our business is also supported by independent research. In its recent report to Congress, MACPAC identified PACE as the most fully integrated care model available to dual eligibles. The study found that PACE participants—though typically older, frailer, and facing more comorbidities—are generally:

- Less likely to be hospitalized
- Less likely to visit the emergency department
- Less likely to require institutional care, and
- Without increased mortality rates.

Simply put, PACE works. Our job is to continue educating policymakers and payors about its value so we can expand access and unlock the program's full potential.

And, within the PACE sector, InnovAge is the largest provider—by census, in the country—serving nearly 8,000 participants across 20 centers in six states. That scale not only gives us operating leverage but also unique insight into what drives consistent outcomes for frail seniors.

As I approach my fourth anniversary as CEO, I've been reflecting on how much has changed. Over the last 11 quarters, we've delivered steady revenue growth, more than doubled Adjusted EBITDA over the last 2 fiscal years, and achieved positive net income this quarter for the first time since 2021. These results stem from disciplined execution:

- Executing a multi-pronged growth strategy across markets—including existing center growth, joint ventures, M&A, and de novo centers.
- Cleaned up the balance sheet through the divestiture of multiple non-core assets and investments.
- Upgrading systems and processes to strengthen quality, compliance, and financial performance.
- Strategically insourcing key services such as pharmacy and hospice to tighten cost control and improve coordination.
- Improving center-level staffing and reducing operating model variation, supported by the enterprise-wide rollout of the Epic EMR, the Oracle financial platform, and
- Rigorously managing corporate overhead to improve efficiency and productivity.

These efforts have reshaped both the culture and the economics of InnovAge which I believe has positioned us for sustained success.

Before turning to our outlook, I want to touch on recent leadership changes. Over the past several years, we've built a strong leadership bench capable of stepping up when changes occur. Leadership transitions—some planned, some unplanned—are inevitable in a multi-year transformation, but they have not disrupted our momentum. We've made several important additions and adjustments:

- Dr. Paul Taheri, a widely respected clinical leader, joined this week as our new Chief Medical Officer.

- Meredith Delk recently joined as Chief Administrative Officer, leading pharmacy, home care, behavioral health, and government affairs.
- Matt Huray has expanded his role to include Sales in addition to his Strategy and Corporate Development responsibilities as our Chief Growth Officer.

Additionally, last week, we announced that Michael Scarbrough, our President and COO, will be leaving at the end of this month for personal reasons. Michael's done an excellent job strengthening our operations and positioning InnovAge for long-term success. He leaves behind a capable team and a strong foundation.

These moves underscore the depth of our leadership and the growing appeal of InnovAge as a destination for top talent in the industry. Leadership change creates opportunities for internal advancement and professional growth among our next generation of leaders.

At the same time, we've taken proactive steps to strengthen how the organization operates. We recently completed a "spans and layers" review—a structured evaluation of the size and shape of our corporate organization. This initiative focused on our shared services teams, which support our centers but do not deliver care directly to participants.

Through that process, we identified opportunities to reduce management layers and streamline support functions, resulting in a smaller, more focused shared services workforce. We expect these changes to improve decision-making speed, enhance accountability, and more closely align our cost structure with best-in-class benchmarks. It's a tangible example of our cost discipline and the operational maturity we continue to build across the company.

Taken together, we expect that these leadership and organizational changes strengthen, rather than distract from, our progress. They demonstrate that InnovAge has both the talent and the structure to execute consistently through change.

At its core, InnovAge exists to help seniors live safely and independently at home for as long as possible. Our integrated model reduces the burden on state and federal partners and brings peace of mind to families.

Our recent participant-satisfaction survey tells that story clearly: 90 percent overall satisfaction, and 97 percent of participants said they would choose InnovAge over a nursing home.

Before I close, I want to share a recent testimonial from one of our participant's daughter that reminds us of our mission at InnovAge, our value proposition to families, and the integrated PACE model in action.

For my mom, InnovAge has been such a reassurance. At her age, if she wakes up feeling not quite right, it used to spiral into worry – and that worry could turn into something worse. Now, everything she needs is right there in the center: her doctor, her physical therapist, her dentist, even her eye-care. Her care team shares her chart in real-time, so there is no guessing, no repeating, no gaps in her care. It's all connected. That kind of coordination gives her confidence - and gives me peace of mind. It's just amazing.

Stories like this remind us why our work matters and why we're so focused on execution. Behind every number we report is a person whose life – and family's life – is better because of this model.

So, in closing, we're off to a strong start to the fiscal year. Our Q1 results were ahead of expectations, but I want to caution against annualizing them. Due to the relatively small scale of our business, the timing of Medicaid redeterminations, and the inherent seasonality of certain cost trends, first-quarter results should not be indicative of full-year performance.

We'll continue to execute with discipline, invest in talent and technology, and build on the foundation we've created. Continuous improvement has become part of our DNA. We remain confident in our strategy, proud of our progress, and committed to delivering sustainable growth and superior outcomes for the seniors and families we serve.

With that, I'll turn it over to Ben for more detail on the financials.

Ben Adams, Chief Financial Officer

Thank you Patrick.

Today, I will provide some highlights from our first quarter fiscal year 2026 financial performance, and insight into some of the trends we are seeing in the current quarter.

Starting with census, we served approximately 7,890 participants across 20 centers as of September 30, 2025, which represents growth of 9.4 percent compared to the first quarter of fiscal year 2025 and sequential quarter growth of 1.9 percent. We reported 23,500 member months in the first quarter, an increase of approximately 9.9 percent compared to the first quarter of fiscal year 2025 and an increase of approximately 2.2 percent over the fourth quarter.

Our first quarter census growth was modestly better than expected and was primarily driven by:

- Our ability to reinstate more participants that had lost Medicaid coverage than expected, and
- Timing delays associated with disenrolling participants that have lost coverage and have not been able to regain eligibility in a few markets.

Total revenues of $236.1 million dollars increased 15.1 percent compared to $205.1 million dollars in the first quarter of fiscal year 2025 driven by an increase in member months and capitation rates. The increase in member months was primarily due to growth in our existing California, Florida and Colorado centers. The increase in capitation rates was primarily due to an annual increase in Medicaid and Medicare capitation rates, partially offset by revenue reserve.

Compared to the fourth quarter of fiscal year 2025, total revenues increased 6.6 percent due to an increase in member months and capitation rates. The increase in capitation rates was driven by annual rate increases in Colorado, New Mexico, and Virginia, and an annual Medicare rate increase, all effective July 1, 2025.

We incurred $108.9 million dollars of external provider costs during the first quarter of fiscal year 2026, an increase of 1.5 percent compared to the first quarter of fiscal year 2025. The increase was driven by an increase in member months partially offset by a decrease in cost per participant. The decrease in cost per participant was primarily driven by a decrease in permanent nursing facility and short stay skilled nursing facility utilization and a decrease in pharmacy expense associated with higher rebates and the transition to in-house pharmacy services. This decrease in cost per participant was partially offset by an increase in assisted living and permanent nursing facility unit cost.

Compared to the fourth quarter, external provider costs increased 0.6 percent. The increase was primarily driven by the increase in member months partially offset by a decrease in cost per participant. The decrease in cost per participant was due to lower short stay utilization partially offset by higher assisted living utilization and an increase in assisted living and nursing facility unit cost.

Cost of care, excluding depreciation and amortization, was $75.9 million dollars, an increase of 19.7 percent compared to the first quarter of fiscal year 2025. The increase was due to an increase in member months coupled with an increase in cost per participant. The increase in cost per participant was primarily driven by:

- Higher salaries, wages and benefits associated with increased headcount and higher wage rates,
- Higher third-party fees and shipping costs associated with in-house pharmacy services and,
- Fleet costs inclusive of contract transportation.
- Cost of care, excluding depreciation and amortization, increased 5.5 percent compared to the fourth quarter. The increase was due to an increase in cost per participant coupled with an increase in member months. The increase in cost per participant was primarily driven by:
- Higher wage rates, and
- Fleet costs, including contract transportation.

Center-level contribution margin, which we define as total revenues less external provider costs and cost of care, excluding depreciation and amortization, which includes all medical and pharmacy costs, was $51.4 million dollars for the quarter compared to $41.3 million dollars for the fourth quarter of fiscal year 2025. As a percentage of revenue, center-level contribution margin of 21.8 percent increased by approximately 320 basis points in the quarter compared to 18.6 percent in the fourth quarter of fiscal year 2025.

Sales and marketing expenses of approximately $7.6 million dollars increased 17.1 percent compared to the first quarter of fiscal year 2025, due to increased headcount and wage rates to support growth coupled with increased marketing spend.

Sales and marketing expenses increased by approximately 7.1 percent compared to the fourth quarter of 2025 due to an increase in headcount and wage rates and increased marketing spend.

Corporate, general and administrative expenses of $30.3 million dollars increased 9.9 percent compared to the first quarter of fiscal year 2025. The increase was primarily due to:

- An increase in employee compensation and benefits as a result of greater headcount and an increase in wage rates to support compliance and bolster organizational capabilities,
- Software license fees and contract and professional services.

These increases were partially offset by a decrease in legal fees.

Corporate, general and administrative expenses increased 8.8 percent compared to the fourth quarter of 2025 primarily due to higher wage rates and an increase in contract and professional services.

Net income was $7.7 million dollars compared to net loss of $5.7 million dollars in the first quarter of fiscal year 2025. We reported net income per share of 6 cents, and our weighted average share count was approximately 136.8 million shares for the quarter on a fully diluted basis.

Adjusted EBITDA, was $17.6 million dollars for the quarter, compared to $6.5 million dollars in the first quarter of fiscal year 2025, and $11.3 million dollars in the fourth quarter of fiscal year 2025. Our Adjusted EBITDA margin was 7.5 percent for the quarter, compared to 3.2 percent in the first quarter of fiscal year 2025, and 5.1 percent in the fourth quarter of fiscal year 2025.

We do not add back losses incurred by our de novo centers in the calculation of Adjusted EBITDA. De novo center losses are defined as net losses related to pre-opening and start-up ramp through the first 24 months of de novo operations. For the first quarter, de novo losses were $3.9 million dollars primarily related to our Tampa and Orlando centers in Florida. This compares to $4.1 million dollars of de novo losses in the first quarter of fiscal year 2025 and $3.8 million dollars of de novo losses in the fourth quarter of fiscal year 2025.

Turning to our balance sheet, we ended the quarter with $67.1 million dollars in cash and cash equivalents plus $42.3 million dollars in short-term investments. We had $71.5 million dollars in total debt on the balance sheet (representing debt under our senior secured term loan, revolving credit facility and finance leases).

For the first quarter, we recorded positive cash flow from operations of $3.9 million dollars and had $4.1 million dollars of capital expenditures.

We are re-affirming our fiscal year 2026 guidance which we laid out in September. Based on information as of today:

- We expect our ending census for fiscal year 2026 to be between 7,900 and 8,100 participants, and member months to be in the range of 91,600 to 94,400.
- We are projecting total revenue in the range of $900 million to $950 million dollars, and adjusted EBITDA in the range of $56 million to $65 million dollars; and
- We anticipate that de novo losses for fiscal 2026 will be in the $13.4 million to $15.4 million dollar range.

In closing, we are pleased with our first quarter results and believe we are off to a strong start to fiscal 2026. We are closely monitoring our census in light of the eligibility and enrollment system redesign due to state Medicaid redetermination that we spoke about on the last earnings call, and look forward to providing an update on our second quarter call in February.

Operator, that concludes our prepared remarks, please open the call for questions.

Forward-Looking Statements – Safe Harbor

Our prepared remarks 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," "estimate," "expect," "project," "plan," "intend," "believe," "may," "will," "should," "can have," "likely" 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; the viability of our growth strategy including our ability or expectations to increase the number of participants we serve, build and/or open de novo centers, or to identify and execute tuck-in acquisitions, joint ventures and other strategic partnerships; the expected impact of government policies and the macroeconomic environment; our ability to control costs, mitigate the effects of elevated expenses or reduced healthcare budgets, expand our payer capabilities, implement clinical value and operational value initiatives and strengthen enterprise functions; and the effects of any of the foregoing on our future results of operations or financial conditions.

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 and may cause our actual results and financial condition to differ materially. Important factors that could cause our actual results and financial condition to differ materially include, among others, the following: (i) the viability of our growth strategy, including our ability to find suitable geographies for new centers and to attract new participant and retain existing participants in new and existing centers and our ability to obtain licenses to open such centers; (ii) our ability to identify, successfully complete and integrate acquisitions, joint ventures another strategic partnerships; (iii) the impact on our business from ongoing macroeconomic related challenges, including labor shortages, labor competition, inflation, tariffs and trade disputes, and the effects of a prolonged government shutdown; (iv) inspections, reviews, audits and investigations under the federal and state government programs, including our ability to sufficiently cure any deficiencies identified; (v) legal proceedings, enforcement actions and litigation and disputes, which are costly to defend; (vi) under our PACE contracts, we assume all of the risk that the cost of providing services will exceed our compensation; (vii) the dependence of our revenues upon a limited number of government payors, including the risk of sudden loss of any of our government contracts; (viii) the impact of state and federal efforts to reduce healthcare spending, including recent legislation reducing the budget that funds Medicaid; (ix) the risk that our submissions to government payors may contain inaccurate or unsupportable information, including regarding risk adjustment scores of participants, subjecting us to repayment obligations or penalties; (x) and our ability to comply with the continued listing requirements of Nasdaq.

Forward-looking statements are 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. We advise you to not place undue reliance on forward-looking statements and to review our risk factors and other disclosures included in the reports we file or furnish with the Securities and Exchange Commission, including our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.