



**Third Quarter Fiscal 2025 Earning Call
For the Period Ended March 31, 2025
Tuesday, May 6, 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 2025 fiscal third quarter earnings call. With me today is Patrick Blair, CEO, and Ben Adams, CFO. Michael Scarbrough, President and COO, will also be joining the Q&A portion of the call.

Today, after the market closed, we issued an earnings press release containing detailed information on our fiscal third quarter results. You may access the release on the Investor Relations section of our company website, [InnovAge.com](https://www.innovage.com).

For those listening to the rebroadcast of this call, we remind you that the remarks made herein are as of today, Tuesday, May 6th, 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 2025 fiscal year projections and guidance, future growth prospects and growth strategy, our clinical and operational value initiatives, Medicare rates increases, census headwinds, 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 discussed in our Annual Report on Form 10-K for fiscal year 2024 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?

Patrick Blair, Chief Executive Officer

Thank you, Ryan, and good afternoon, everyone. I'll begin by expressing my appreciation to our colleagues, our participants and their families, our government partners, and the investment community — each of whom plays a vital role in supporting InnovAge's mission.

We delivered third-quarter results that met our expectations, and we are reaffirming our Fiscal 2025 earnings guidance. Behind the numbers is a company operating with discipline, focus, and growing confidence. In a healthcare environment clouded by policy uncertainty, we know what we need to do, and we're doing it—steadily and consistently. That focus is translating into meaningful operational gains and financial improvement.

InnovAge cares for the nation's most vulnerable seniors—individuals whose needs don't ebb and flow with economic cycles or shifting political priorities. Their care isn't optional. And as federal and state programs face growing scrutiny, we're not just participating in Medicare and Medicaid—we're helping make them stronger.

We continue to see rising demand for care models that allow seniors to remain safely at home, and we believe PACE stands out as a proven, high-value solution for a population with the most complex needs. This quarter, we've stepped up our engagement with both state and federal policymakers to make clear: PACE works—for seniors, for the system, and for taxpayers. What sets InnovAge apart is who we serve as well as how we deliver and coordinate care.

Turning to our third-quarter financials: we reported revenue of \$218.1 million dollars, an approximate 13 percent increase on a year-over-year basis. Center-level contribution was \$40.7 million dollars, representing an 18.7 percent margin and an improvement of approximately 110 basis points year-over-year. Adjusted EBITDA was \$10.8 million dollars, or a 4.9 percent margin, which represents an improvement of more than 3.5 times over third quarter 2024 Adjusted EBITDA of \$3 million dollars. Census grew to approximately 7,530 participants, an approximate 10 percent annual increase.

These results reflect continued strength in topline growth, disciplined cost management, and effective medical expense control. We're especially pleased with this progress given that the quarter coincided with Medicare annual enrollment—a period that intensifies competition across the senior care landscape. Despite these seasonal dynamics, we continue to build momentum.

As we shared last quarter, InnovAge has shifted from operational stabilization to enterprise transformation—and this quarter marks early progress on that journey. The transformation we're undertaking is more ambitious and far-reaching than the improvement initiatives of the three previous years. It's a comprehensive effort to reimagine how we operate, how we create value, and how we deliver on our mission.

Over the past 90 days, we've launched numerous cross-functional workstreams focused on operational excellence and greater organizational efficiency. These initiatives are designed to not only improve how we serve participants today—but also to build the kind of scalable, tech-enabled platform that will allow us to grow sustainably, differentiate on quality, and operate efficiently.

We are methodical in our approach, clear-eyed about the opportunity, and confident in our belief that the foundation we have laid will position us to drive meaningful performance and strong results in the quarter ahead and in fiscal 2026.

Organically, we continued to grow this quarter, with census rising to approximately 7,530 participants—representing more than 10 percent year-over-year growth. While sequential growth was modest—as expected due to seasonal headwinds during Medicare's Annual Enrollment Period, or AEP—we're pleased with the results, which reflect both our proactive strategy and disciplined execution.

We've previously noted the competitive dynamic PACE faces during AEP, particularly from Medicare Advantage Special Needs Plans that offer cash-equivalent supplemental benefits. This year, we took early and targeted action to educate both existing and prospective participants about the broader value proposition PACE offers—from comprehensive care to wraparound social support. We believe these efforts were effective in mitigating churn and reinforcing our differentiation in the market.

In parallel, we also delivered on the commitment we made last quarter to work with our state partners and address state-driven enrollment processing delays, particularly in California. We're pleased to report that the backlog is returning to normalized levels, reducing the potential for payment variability and bad debt exposure. We appreciate the state's collaboration in resolving these issues and will continue to actively manage these relationships moving forward.

Looking ahead, we remain focused on driving sustainable growth across a balanced geographic footprint. This disciplined approach will remain a top priority in the quarters to come.

This quarter, the strength of our integrated, center-based care model was on full display. As many healthcare organizations faced financial pressure from higher-than-expected medical costs tied to seasonal illness, we've been able to maintain strong cost discipline while continuing to deliver quality outcomes for our participants. Despite what many are calling a "quad-demic"—flu, COVID, RSV, and Norovirus—we kept external provider costs essentially flat quarter-over-quarter at \$108 million dollars. In fact, we improved on a per-participant basis, with PMPM spending declining from \$4,857 in Q2 to \$4,786 in Q3.

A key reason for this performance is our proactive clinical model. Since our participants visit our centers regularly and receive personalized, wraparound care, we're in a better position to keep them

healthy and engaged. Our flu vaccination rate this fiscal year is 77 percent—well above the national average of 47 percent for seniors. That’s not just a number—it’s a reflection of our hands-on approach with each participant and how our teams are able to act early to help prevent small issues from becoming costly ones. While other managed care organizations have flagged rising utilization as a headwind, our differentiated experience this quarter reinforces the value of our tightly integrated care model in managing medical trend volatility.

This ability to manage medical costs and quality simultaneously is exactly the kind of operational discipline we are continuing to instill across the organization. As we say internally, our employees have an owners’ mindset and a caregiver’s heart. Further, we continue to focus on areas of potential improvement from standardization across centers, to increased rigor in performance management, as well as the process through which we identify and prioritize new value drivers. Our new President and COO Michael Scarbrough has jumped right in and is leading these efforts. We are pleased to see these improvements beginning to show up in our internal operational and financial metrics.

As you’ll recall, we track our operational performance using a five-pillar framework: employee engagement, participant satisfaction, quality, compliance, and financial results. This quarter, we saw sequential improvement in nearly every pillar—with especially meaningful gains in employee sentiment and service-level consistency. Our teams are energized, our focus is sharp, and we’re executing with greater precision every day.

Regarding our leadership team as referenced in our press release, Dr. Rich Feifer, InnovAge's Chief Medical Officer, has left the organization to pursue opportunities outside the organization. We have a transition plan in place to ensure continuity in leadership and clinical oversight. We thank him for his meaningful contributions over the last 2.5 years, and we wish him well in his future pursuits.

We have also made strategic progress on our pharmacy initiative. Last quarter, we announced the acquisition of a pharmacy in Colorado to bring key capabilities in-house. I’m pleased to report that the transition has been completed, and we’ve successfully migrated almost all of our pharmacy distribution and management to the new organization. This initiative was driven by our belief that greater control over pharmaceutical fulfillment will allow us to improve medication adherence, enhance participant outcomes, reduce costs, and simplify logistics. While it’s still early, we have strong confidence in this decision and we’re seeing tangible benefits. We believe there’s a long-term value creation opportunity by further integrating pharmacy services into our clinical model.

Looking ahead, our transformation efforts remain anchored in cost discipline, operational excellence, and our commitment to high quality care. We're continuing to explore how best to balance insourcing and outsourcing to maximize quality and efficiency across the organization. Ultimately, our vision is to build a best-in-class, scalable PACE platform—one that not only delivers consistent, high-quality care for today’s participants but also positions us as the partner of choice for future growth and strategic expansion. In an uncertain policy environment, our model can offer

a level of resilience and operational predictability that we believe will distinguish InnovAge in the quarters and years ahead.

In summary, we're proud of the steady progress we've made through the first three quarters of the year—and we're confident in the road ahead. Each quarter, we are executing more consistently, uncovering new opportunities to improve care, reduce costs, and scale smarter. Our model continues to prove its strength—especially in volatile environments—because it's built on proactive, personalized care and a disciplined operating foundation.

In the face of policy uncertainty, our conviction in the long-term value of the PACE model remains strong. We believe InnovAge is well positioned to thrive in this space. Our operational rigor is deepening, our teams are energized, and our strategy is coming to life in tangible ways—from clinical performance to cost control to targeted investments like our pharmacy acquisition.

This is more than incremental improvement—it's real transformation. We are working to build a next-generation PACE platform: one that delivers better outcomes for participants, meaningful savings for the healthcare system, and long-term value for our shareholders. We're focused, we're aligned, and we're just getting started.

With that, I'll turn it over to Ben to walk through our financial performance for the quarter.

Ben Adams, Chief Financial Officer

Thank you Patrick.

Today, I will provide some highlights from our third quarter fiscal year 2025 financial performance, and insight into some of the trends we are seeing in the current quarter.

Starting with census, we served approximately 7,530 participants across 20 centers as of March 31, 2025, which represents annual growth of 10.4 percent compared to the third quarter of fiscal year 2024 and sequential growth of 0.7 percent. We reported 22,550 member months in the third quarter, an increase of approximately 10.7 percent compared to the third quarter of fiscal year 2024 and an increase of approximately 1.6 percent over the second quarter.

Total revenues of \$218.1 million dollars increased 13.0 percent compared to \$193.1 million dollars in the third quarter of fiscal year 2024 driven by an increase in member months and capitation rates. The increase in member months was primarily due to growth in our existing California and Colorado centers, and to a lesser extent due to the addition of de novo centers in Florida and the acquired center from Concerto. The increase in capitation rates was primarily due to an annual increase in Medicaid and Medicare capitation rates, partially offset by a portion of what was recorded as bad

debt in previous years which is now recorded as revenue reserve, and Medicare risk score true up accrual timing.

Compared to the second quarter of fiscal year 2025, total revenues increased 4.4 percent due to an increase in capitation rates and member months. The increase in capitation rates was driven by annual rate increases in California and Pennsylvania, partially offset by revenue reserve, and an annual Medicare rate increase, all effective January 1, 2025.

We incurred \$107.9 million dollars of external provider costs during the third quarter of fiscal year 2025, an increase of 7.9 percent compared to the third quarter of fiscal year 2024. 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 assisted living, permanent nursing facility and short stay skilled nursing facility utilization, a decrease in external hospice care associated with the transition of this function to internal clinical resources and a decrease in pharmacy expense associated with higher rebates and the transition to in-house pharmacy services. This decrease was partially offset by an increase in inpatient unit cost, and an annual increase in assisted living and permanent nursing facility unit cost.

Compared to the second quarter, external provider costs were essentially flat. This was driven by an increase in member months which was offset by a decrease in cost per participant. The decrease in cost per participant was primarily due to lower pharmacy expenses associated with higher rebates and the transition to in-house pharmacy services, and a decrease in assisted living and permanent nursing facility utilization, partially offset by a seasonal increase in inpatient utilization and unit cost.

Cost of care, excluding depreciation and amortization, was \$69.5 million dollars, an increase of 17.6 percent compared to the third quarter of fiscal year 2024. The increase was due to an increase in member months coupled with an increase in cost per participant. The increase in expense was primarily driven by:

- Higher salaries, wages and benefits associated with increased headcount and higher wages rates,
- An increase in contract provider expenses in California associated with growth,
- 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 8.5 percent compared to the second quarter. The increase was due to an increase in cost per participant coupled with an increase member months. The increase in expense was primarily driven by:

- In-house pharmacy third party fees and shipping costs,
- An increase in salaries wages and benefits primarily associated with the annual reset of employee benefits and taxes, 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 \$40.7 million dollars for the quarter compared to \$37.1 million dollars for the second quarter of fiscal year 2025. As a percentage of revenue, center-level contribution margin of 18.7 percent increased by approximately 100 basis points in the quarter compared to 17.7 percent in the second quarter of fiscal year 2025.

Sales and marketing expenses of approximately \$6.9 million dollars decreased 3.6 percent compared to the third quarter of fiscal year 2024, primarily due to lower marketing expense partially offset by increased headcount to support growth.

Sales and marketing expenses decreased by approximately 10.2 percent compared to the second quarter of 2025 primarily due to lower marketing expense as a result of increased media investment and campaign activity in the second quarter.

Corporate, general and administrative expenses of \$38.6 million dollars increased 40.1 percent compared to the third quarter of fiscal year 2024. The increase was primarily due to the accrual of \$10.7 million dollars with respect to the anticipated settlement of a previously disclosed stockholder lawsuit recorded during the quarter.

The remaining increase in corporate, general and administrative expenses of approximately \$400 thousand dollars was primarily due to:

- An increase in employee compensation and benefits as a result of greater headcount and wage rates to support compliance and bolster organizational capabilities, and
- Fees associated with claims payment integrity audits.
- These increases were partially offset by:
- A decrease in software license and recruiting fees, and
- A reduction in insurance, consulting, and contract service expenses.

Corporate general and administrative expenses increased by 37.3 percent or \$10.5 million dollars compared to the second quarter. The increase was due to the accrual with respect to the anticipated settlement of the stockholder lawsuit.

Net Loss was \$11.1 million dollars compared to net loss of \$6.2 million dollars in the third quarter of fiscal year 2024. We reported a net loss per share of 8 cents, on both a basic and diluted basis, and our weighted average share count was approximately 135.2 million shares for the quarter, on both a basic and fully diluted basis.

Adjusted EBITDA, was \$10.8 million dollars for the quarter, compared to \$3.0 million dollars in the third quarter of fiscal year 2024, and \$5.9 million dollars in the second quarter of fiscal year 2025.

Our Adjusted EBITDA margin was 4.9 percent for the third quarter, compared to 1.5 percent in the third quarter of fiscal year 2024, and 2.8 percent in the second quarter of fiscal year 2025.

We do not add back losses incurred with 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 third quarter, de novo losses were \$3.5 million dollars and are primarily related to our Bakersfield and Crenshaw centers acquired from Concerto in fiscal year 2024, and our Tampa and Orlando centers in Florida. This compares to \$4.1 million dollars of de novo losses in the third quarter of fiscal year 2024 and \$4.0 million dollars of de novo losses in the second quarter of fiscal year 2025.

Turning to our balance sheet, we ended the quarter with \$60.5 million dollars in cash and cash equivalents plus \$41.3 million dollars in short-term investments. We had \$77.3 million dollars in total debt on the balance sheet (representing debt under our senior secured term loan, convertible term loan and finance leases).

For the third quarter, we recorded positive cash flow from operations of \$24.6 million dollars and had \$2.9 million dollars of capital expenditures. We repurchased approximately 315,000 shares of our common stock for an aggregate of approximately \$1.1 million dollars under the Company's share repurchase plan during the quarter.

We are re-affirming our fiscal year 2025 guidance which we laid out back in September. Based on information as of today:

- We expect our ending census for fiscal year 2025 to be between 7,300 and 7,750 participants, and member months to be in the range of 86,000 to 89,000;
- We are projecting total revenue in the range of \$815 million dollars to \$865 million dollars, and adjusted EBITDA in the range of \$24 million dollars to \$31 million dollars; and
- We anticipate that de novo losses for fiscal 2025 will be in the \$18 to \$20 million-dollar range.

In closing, we are pleased with our results and with the Company's performance to date. We remain focused on day-to-day operational execution and believe that the comprehensive, personalized model of care PACE requires remains a proven high value solution for seniors with complex care needs. We look forward to providing an update on our full year results during our next earnings call in September.

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

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,” “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 make regarding quarterly or annual financial 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, to build and/or open de novo centers, or to identify and execute tuck-in acquisitions, joint ventures and strategic partnerships; the expected impact of government policies and the macroeconomic environment; our ability to control costs, mitigate the effects of elevated expenses, expand our payor capabilities, implement clinical value and operational value initiatives and strengthen enterprise functions; our expectations with respect to audits, post-sanction work, legal proceedings and government investigations and actions; relationships and discussions with regulatory agencies; our ability to effectively implement 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. 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 attract new participants and retain existing participants in new and existing centers and our ability to obtain licenses to open de novo centers including in Downey and Bakersfield, California; (ii) the impact on our business from ongoing macroeconomic related challenges, including labor shortages, labor competition and inflation, uncertainty surrounding the stability of economic conditions due to new and proposed tariffs and uncertainty in the global trade environment; (iii) inspections, reviews, audits, and investigations under the federal and state government programs, including any corrective action and adverse findings thereunder; (iv) the impact of state and federal efforts to reduce healthcare spending, including recent proposals to reduce the budget that funds Medicaid and Medicare; (v) legal proceedings, enforcement actions and litigation malpractice and privacy 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; (viii) 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; and (ix) the impact on our business of renegotiation, non-renewal or termination of capitation agreements with government payors.

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.