

Earnings Call for the InnovAge
2027 Fiscal First Quarter Earning Call

For the Period Ended September 30, 2026

Tuesday, November 3, 2026

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 2027 fiscal first quarter earnings call. With me today is Patrick Blair, CEO, and Ben Adams, CFO. Jen Browne, 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 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 3rd, 2026, 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 2027 fiscal year projections and guidance, future growth prospects and growth strategy, our clinical and operational value initiatives and other investments in technology and artificial intelligence, the impact of ongoing macroeconomic, geopolitical and industry-related challenges, reductions in PACE reimbursement rates and changes in risk adjustment methodologies, legal proceedings, enforcement actions and litigation and disputes, 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 2026 and any subsequent reports filed with the SEC.

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'd like to begin by thanking our InnovAge colleagues, our participants and their families, our government partners, and our shareholders for their continued support. Our results reflect the hard work of our teams across the organization and their commitment to delivering high-quality, coordinated care to some of our nation's most vulnerable seniors.

We are pleased with our first quarter results and the strong start to fiscal 2027.

For the quarter, we reported revenue of $264.8 million, center-level contribution margin of $63.6 million, and Adjusted EBITDA of $31.3 million.

Compared with the first quarter of last year, revenue increased 12.1 percent, Adjusted EBITDA grew more than 75 percent, and our ending census reached 8,420, an increase of 6.7 percent.

What is particularly encouraging is that census and profitability are both growing, and that's the combination we want. Our performance reflects the benefits of the investments we've made over the past several years, along with continued discipline in how we manage our operations and the cost of care.

And importantly, we believe this quarter is another indication of the consistency and durability of the progress we've made. One quarter doesn't make a trend, and rate timing and utilization move results around, but the general direction has been the same for 13 quarters now.

We are entering fiscal 2027 with good momentum, a strong foundation, and confidence in our ability to execute against the priorities we've established for the year.

With that backdrop, I'd like to spend a few minutes discussing how we plan to continue building on this foundation to support our long-term growth ambitions.

Last quarter, we introduced the next chapter of the company's evolution, which we refer to as Innovage 3.0. At its core, this is about building on the progress we've made over the last several years and continuing to develop the capabilities needed to support our long-term strategy. This chapter is focused on building the capabilities, leadership, and infrastructure needed to support our growth ambitions and to enable the company to operate successfully on a larger scale.

We've made substantial investments in our clinical operations, technology, compliance infrastructure, and management systems. We believe the business is steadier for it, and there's more

to build on. These investments have established a strong foundation for the business, and our focus now is on building upon that foundation to support the next stage of growth.
Our priorities are focused on a few key areas.

First, we're continuing to enhance our clinical and operational capabilities, including how we leverage Epic, data and analytics to support our care teams, improve productivity, and drive greater consistency in performance across our centers.

Second, we're investing in the systems and processes that support census growth, from expanding referral partnerships, improving the onboarding of new participants, and strengthening our end-to-end revenue accounting and eligibility operations. These capabilities become increasingly important as we serve more seniors through our existing centers and pursue additional growth opportunities.

Third, we're early on AI. We're looking at where it can help clinicians make decisions and take administrative work off our teams, and we'll only pursue what we believe helps improve quality of care and decreases costs.

An important part of this work is continuing to strengthen our center-led approach to care delivery. Our center leadership teams already run their centers well and are accountable for delivering high quality of care, maintaining compliance, and achieving strong clinical and financial performance. As we grow, our focus is on better aligning our enterprise capabilities, including people, process, technology and clinical expertise, to equip these leaders to deliver even stronger performance.

Ultimately, this is about continuing to build on what's working well today while developing the capabilities needed for tomorrow. By better aligning our enterprise resources with the needs of our centers, we believe we can support strong performance, greater consistency, and the ability to serve more participants as we grow.

As we look ahead, we are also increasingly focused on the opportunities to extend our growth beyond existing centers.

Growing census within our footprint remains the priority. We believe there is meaningful opportunity to serve more participants through our existing infrastructure, and we continue to invest in the capabilities needed to support that growth.

At the same time, the progress we've made in strengthening our business puts us in a position to spend more time on partnerships and acquisitions, adjacent opportunities that fit our model, and new PACE centers.

We believe the company has several advantages as we evaluate these opportunities, including our scale, operating experience across multiple states, established clinical and administrative infrastructure, and experience working with health systems and government partners.

We'll be selective. Any opportunities must align with what we already do well, meet our quality and operating model standards, and earn an attractive return.

Most of this is still being evaluated, and we don't want to get ahead of ourselves. But, over time, we think it can become a bigger part of our growth.

We believe these investments will not only help us deliver better care and stronger performance within our existing centers but also position us to expand more efficiently and effectively into new markets and growth opportunities.

I'd also like to address a topic that has come up frequently in our recent conversations with investors: the transition to the V28 Medicare risk adjustment model and what it means for the company.

The transition to V28 has created meaningful reimbursement pressure for many Medicare Advantage plans, and investors understandably want to know whether PACE will experience similar challenges.

We believe there are several important differences worth understanding.

First, every PACE participant meets their state's nursing home level of care criteria. This is a different population than Medicare Advantage plans serve which cover individuals across a broad range of health conditions and medical needs. Our participants have more chronic conditions, significantly greater medical complexity, and substantially more functional limitations compared to typical MA members.

This distinction matters because V28 changes how certain diagnoses contribute to Medicare risk scores. Some conditions receive less weight or no longer contribute to the calculation, while others, including certain serious conditions, receive greater recognition.

For example, consider a relatively healthy Medicare Advantage member whose risk score is driven by just a few chronic conditions. If one of those conditions is removed or receives less weight under V28, the impact on the individual's risk score can be significant.

Now consider a typical PACE participant living with multiple serious medical conditions, potentially including dementia, heart disease, and other complex diagnoses. While V28 may reduce the weight assigned to certain conditions, others continue to be recognized, and some may receive greater weight. The impact ultimately depends on the participant specific combination of diagnosis.

Second, PACE has a distinct payment methodology, known as a frailty factor, that recognizes the functional frailty of the population we serve.

Two individuals may have similar medical diagnoses, but one may live independently while the other requires assistance with bathing, dressing, mobility, and other daily activities.

PACE's Medicare payment methodology includes a separate frailty adjustment designed to recognize these additional care needs beyond what diagnosis-based risk scores alone capture.

The short version is V28 matters, but PACE isn't Medicare Advantage, and our fiscal 2027 guidance already reflects the expected impact of the V28 phase-in. We continue to expect a 1.5% to 2% increase in our Medicare rates effective January 1st, reflecting our assessment of the various factors affecting reimbursement, including V28.

So, while V28 represents an important change in Medicare reimbursement, we believe its impact on the company needs to be evaluated in the context of the unique population we serve and the distinct PACE payment model.

Before I close, I'd like to briefly highlight another important milestone for the company. The successful completion of our recent secondary offering.

The transaction included the sale of 11.5 million shares by our affiliated shareholders, TCO Group Holdings, the investment vehicle controlled by Welsh Carson and Apax, including the full exercise of the underwriters' overallotment option. No new shares were issued or sold by the company, and the company did not receive any proceeds from the offering.

While we're pleased with the successful execution of the offering and the resulting increase in our public float and trading liquidity. We believe the offering signifies more than the shares involved in the transaction.

Over the past several months, we've had the opportunity to engage with a broad range of institutional investors, many of whom were learning about InnovAge and the PACE model for the first time.

What we found particularly encouraging was the level of interest in the PACE model itself. Its ability to deliver comprehensive, coordinated care to frail seniors, the value it creates for government payers, and the significant opportunity to expand access to this model of care.

To us, the successful offering is a signal that investors are starting to see the progress we've made and what PACE can be---and the opportunity for our company to extend its reach through both organic growth and additional growth channels over time.

We appreciate the continued support of Welsh Carson and Apax, as well as the confidence of our new and existing investors.

To close, it was a strong start to fiscal 2027. Our first quarter results reflect continued execution across the business and reinforce our confidence in the direction we're heading. We have a solid base, a more capable organization, and room to grow in our existing footprint while we pursue new markets selectively. Most importantly, we believe the opportunity ahead of us remains substantial. As the nation's aging population continues to grow, so does the need for innovative, cost-effective models of care that allow frail seniors to remain in their homes and communities.

We believe PACE is uniquely positioned to meet that need and InnovAge is well positioned to play a leading role in expanding access to this important model of care. We're encouraged by our momentum, confident in our strategy, and remain focused on disciplined execution all while creating sustainable long-term value for our participants, government partners, and shareholders.

With that, I'll turn the call over to Ben to discuss our financial results in greater detail.

Ben Adams, Chief Financial Officer

Thank you, Patrick.

Today, I will provide some highlights from our first quarter fiscal year 2027 financial performance, insight into some of the trends we saw during the quarter, and expectations as we look out across the rest of the year.

Starting with census, we served approximately 8,420 participants across 20 centers as of September 30, 2026, which represents growth of 6.7 percent compared to the first quarter of fiscal year 2026. We reported 25,070 member months in the first quarter, an increase of approximately 6.7 percent compared to the first quarter of fiscal year 2026. Our census growth in the first quarter was generally in line with our expectations and reflects a strong start to the fiscal year.

Total revenues of $264.8 million dollars increased 12.1 percent compared to $236.1 million dollars in the first quarter of fiscal year 2026 driven by growth in member months and higher capitations rates. The increase in member months was primarily driven by growth in our California, Colorado and Florida centers, while the capitation rate increase reflects annual Medicaid and Medicare rate increases compared to the prior period.

We incurred $115.7 million dollars of external provider costs in the first quarter of fiscal year 2027, representing an increase of 6.3 percent compared to the first quarter of fiscal year 2026. The year-over-year increase was driven by growth in member months, partially offset by a reduction in cost per participant. Lower cost per participant was primarily attributable to a decrease in assisted living

and permanent nursing facility utilization and a decrease in pharmacy expense. These improvements were partially offset by an increase in inpatient utilization and an increase in assisted living and permanent nursing facility unit cost.

Cost of care, excluding depreciation and amortization, was $85.5 million dollars in the first quarter, an increase of 12.7 percent compared to the first quarter of fiscal year 2026. The year-over-year increase reflects growth in member months and higher cost per participant. The overall increase in cost of care was primarily driven by:

- A net increase in salaries, wages and benefits due to an increase in headcount, higher wage rates, and cost associated with organizational restructure,
- Higher third-party fees associated with in-house pharmacy services and,
- Higher contract services and fleet costs inclusive of 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 $63.6 million dollars for the quarter compared to $51.4 million dollars for the first quarter of fiscal year 2026. As a percentage of revenue, center-level contribution margin of 24.0 percent increased by approximately 230 basis points in the quarter compared to 21.8 percent in the first quarter of fiscal year 2026.

Sales and marketing expenses of approximately $8.6 million dollars increased 13.5 percent compared to the first quarter of fiscal year 2026, primarily driven by higher wage rates and increased marketing spend to support growth.

Corporate, general and administrative expenses of $29.1 million dollars decreased 3.7 percent compared to the first quarter of fiscal year 2026 primarily driven by a decrease in salaries, wages, and benefits associated with lower headcount.

Net income was $20.9 million dollars for the quarter compared to net income of $7.7 million dollars in the first quarter of fiscal year 2026. We reported net income per share of 14 cents on both a basic and diluted basis, and our weighted average share count was approximately 137.1 million shares for the quarter on a fully diluted basis.

Adjusted EBITDA, was $31.3 million dollars for the quarter, compared to $17.6 million dollars in the first quarter of fiscal year 2026.

Our Adjusted EBITDA margin was 11.8 percent for the quarter, compared to 7.5 percent in the first quarter of fiscal year 2026.

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. Accordingly, this quarter's de novo losses do not include our Tampa, Orlando, or Crenshaw centers, as they have progressed beyond the initial 24-month de novo period. For the first quarter, de novo losses were $0.1 million dollars primarily related to our Bakersfield center, which is not yet operational. This compares to $4.3 million dollars of de novo losses in the first quarter of fiscal year 2026.

Turning to our balance sheet, we ended the quarter with $119.3 million dollars in cash and cash equivalents plus $43.7 million dollars in short-term investments. We had $61.4 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 $28.7 million dollars and had $3.0 million dollars of capital expenditures.

Based on information available today, we are reaffirming our fiscal 2027 guidance.

- We expect ending census for fiscal year 2027 to be between 8,625 and 8,850 participants, and member months to be in the range of 101,000 to 102,500;
- We are projecting total revenue for fiscal year 2027 in the range of $1.05 billion to $1.085 billion.
- Adjusted EBITDA is projected to be in the range of $105 million to $115 million; and
- We anticipate de novo losses to be in the range of $0.4 million to $0.8 million dollars.

We are pleased with the progress we made during the first quarter of fiscal 2027 but it's also important to provide some context around the quarterly seasonality we typically experience in PACE, and how that informs our outlook for the balance of the year. Historically, the first quarter has been our strongest, the second quarter has tended to moderate, the third quarter has reflected the January rate resets and other offsetting factors, and in the fourth quarter we generally see stabilization. Seasonality is an inherent characteristic of our business, and it is the reason we do not annualize our first quarter results in calculating our full-year guidance. It is worth walking through the key factors that we expect to see affect our results throughout the year, one quarter at a time.

The first fiscal quarter is typically among the strongest quarters of the year. We historically benefited from Medicaid rate updates in Colorado, our largest market, as well as in Florida, New Mexico, and Virginia. On the Medicare side, risk scores are adjusted in July which typically increases our average risk score, and the payment we receive for each participant. On the expense side, our annual merit increases take effect late in the first quarter, which means we don't feel the full run-rate impact of higher salaries, wages and benefits until the second fiscal quarter.

In the second quarter, we have typically experienced Medicare risk score decay as longer-tenured participants with higher risk scores exit the program and are replaced by new participants with lower-than-average risk scores. Medical costs also have tended to increase in the latter half of the

quarter as flu and other respiratory illnesses become more prevalent, and annual Medicare fee schedule increases take effect in October. Due to these seasonal factors, our second quarter results have typically moderated relative to the first quarter, assuming all other factors remain the same.

The third quarter brings several changes at once. Historically, Medicare's open enrollment period puts pressure on our top-line enrollment growth during the quarter. We also receive Medicaid rate updates in California, our second largest market, and Pennsylvania. On the Medicare side, county rates and risk scores are updated in January, which typically increases the amount per participant we receive. We expect this pattern in Medicare rate updates to be impacted in the third quarter of fiscal 2027 due to the continuing transition from V22 to V28, with risk scores scheduled to transition from a 90/10 blend of the two models respectively to a 50/50 blend. While seasonal medical costs typically begin to moderate as we move out of the winter months, salaries, wages and benefits increase due to the annual reset of payroll taxes and health insurance benefit costs at the beginning of the calendar year.

Generally, by the fourth quarter, we have seen many of these factors begin to normalize. Historically, we have seen enrollment growth return to the pattern we see in the first and second quarters, and medical costs stabilize as we exit cold and flu season. On the Medicare side, we have typically experienced risk score decay, similar to the second quarter.

I hope this discussion provides some insight into how we think about the cadence of the business. We continue to expect this quarterly seasonality for fiscal 2027. Which is why we are reaffirming our fiscal 2027 guidance today, and we remain confident in our outlook for the year.

In closing, our first quarter results reflect the progress we have made over the last several years and represent a strong start to fiscal 2027. The guidance we are reaffirming today reflects both our execution to date and a measured view of the seasonal, rate, and cost dynamics we expect over the balance of the year. We remain focused on disciplined execution, advancing toward our long-term sustainable margin targets, and continuing to invest in the capabilities that support our center teams as we grow. We believe we are well positioned to create long-term value for our shareholders.
Operator, that concludes our prepared remarks, please open the call for questions.

Forward-Looking Statements – Safe Harbor

Our prepared remarks 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; mid-term and long-term financial goals; 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 including rate pressures resulting from Medicaid budget cuts, and the macroeconomic environment; our ability to control costs, mitigate the effects of elevated expenses or reduced healthcare budgets, expand our payer capabilities, execute 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.

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 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 and other strategic partnerships; (iii) the impact of state and federal efforts to reduce healthcare spending, including recent legislation reducing the budget that funds Medicaid; (iv) the impact on our business from ongoing macroeconomic, geopolitical and industry-related challenges, including labor shortages, labor competition, high inflation, and supply chain disruptions, as a result of tariffs and trade disputes; (v) the risk that the cost of providing services under our PACE contracts will exceed our compensation; (vi) our increased costs and expenditures and our inability to execute or realize the benefits of our clinical and operational value initiatives; (vii) the dependence of our revenues upon a limited number of government payors which exposes us to the risk of government funding reductions, legislative changes and federal and state budgetary pressures; (viii) reductions in PACE reimbursement rates; (ix) the results of periodic inspections, reviews, audits and investigations under the federal and state government programs, including our ability to sufficiently cure any deficiencies identified; (x) legal proceedings, enforcement actions and litigation and disputes; (xi) 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 (xii) our ability to adhere to complex and changing government laws and regulations in the healthcare industry.

Forward-looking statements are based only on information currently available to us and speaks only as of the date on which they are 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. We advise you not to 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.