



Fiscal 2026 Second Quarter Earning Call
For the Period Ended December 31, 2025
Tuesday, February 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 2026 fiscal second 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 second 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, February 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 will 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'd like to start by thanking our colleagues, our participants and their families, our government partners, and our investors for joining us today and for their continued support. We appreciate the opportunity to share an update on our Fiscal 2026 second quarter results and the progress we're making against our strategic priorities.

Our second quarter results reflect continued momentum across the business and disciplined execution across our clinical, operational, and financial initiatives. For the quarter, we reported total revenues of \$239.7 million, center-level contribution margin of \$52.8 million, adjusted EBITDA of \$22.2 million, and net income of \$11.8 million.

To put those results in context, we generated \$39.8 million of adjusted EBITDA in the first half of the fiscal year, exceeding our full-year Fiscal 2025 adjusted EBITDA of \$34.5 million. Two years ago, at our Investor Day, we outlined an intermediate-term adjusted EBITDA margin target of 8 to 9 percent over a two- to four-year horizon. This quarter, for the first time, we achieved that target, delivering an adjusted EBITDA margin of 9.2 percent. It's important to emphasize that this level of margin is consistent with what's required to sustainably operate a full-risk, investment-intensive, highly regulated healthcare delivery model and to continue reinvesting in our people, infrastructure, and the quality of care we provide to our participants.

As we talk about the strength of our first-half results, I want to be clear about how we think about this performance and what's driving it. Over the past several years, InnovAge operated from a very different financial position as we worked through operational, compliance, and organizational challenges. The progress we're seeing today reflects a deliberate effort to rebuild and strengthen the foundation of the business across every dimension — our talent, clinical model, service delivery, operational discipline, compliance capabilities, and growth engine.

Importantly, our financial performance is not the result of any single action or short-term lever. It is the natural outcome of delivering higher-quality, more consistent care to a highly complex population, improving day-to-day utilization management, and operating with greater rigor and accountability. When the model works as intended, quality improves, outcomes improve, costs are better managed — and financial results follow.

This progress also reflects our commitment to being a strong, reliable partner to our federal and state regulators. As we strengthen our financial position, we're better able to invest in our people, our centers, and our participants, and to serve more seniors in a model of care that improves quality while lowering total cost to the system. When InnovAge performs well, our government partners

benefit as well, because more vulnerable seniors are cared for in a setting that delivers better outcomes and better value for taxpayers.

We see this quarter as further evidence that we're delivering on the commitments we've made — to participants, government partners, and investors — and that the model is increasingly operating as designed.

Let me spend a few minutes on what drove our second quarter performance and why we exceeded expectations.

First, we made meaningful progress strengthening revenue integrity, particularly around Medicaid eligibility and redeterminations. As discussed on prior calls, we encountered challenges last year that led to elevated revenue reserves and write-offs. Over the past few quarters, we've taken a comprehensive approach — investing in people, improving workflows, strengthening data and reporting, and upgrading technology. As a result, we've improved timeliness and accuracy, reduced reserves, and reinstated coverage for a number of participants where outcomes had been previously less certain. While there is more work to do, we're encouraged by the progress and the visibility we now have.

Second, we continued to demonstrate strong medical cost management in an environment where many healthcare organizations are under pressure. This reflects the strength of the PACE model and the daily decisions made by our interdisciplinary teams. We saw particular strength in managing inpatient and skilled nursing utilization through proactive care coordination, earlier interventions, better length-of-stay management, and appropriate site-of-care decisions. It's about delivering the right care, at the right time, in the right setting.

Third, we're operating our centers more efficiently as the platform matures. We've improved consistency in staffing models, scheduling, and throughput while maintaining a strong focus on quality, service, and participant experience. These gains come from standardizing best practices, better leveraging Epic, and strengthening local execution — not from one-time actions.

Fourth, our SG&A performance reflects the structural work we've done to simplify the organization and improve accountability. The spans and layers work over the past year clarified roles, streamlined decision-making, and reduced unnecessary complexity. We're now seeing the benefit in a cost structure that better supports frontline care delivery.

Stepping back, I want to touch briefly on the rate environment across both Medicaid and Medicare. On the Medicaid side, we're experiencing a slightly more favorable blended rate environment this fiscal year relative to our initial assumptions. This reflects state-specific dynamics and timing and is consistent with our conservative approach to forecasting, which assumes variability rather than relying on rate upside.

On the Medicare side, I want to address the CMS Advance Notice for Calendar Year 2027 Medicare Advantage rates released last week. PACE is subject to the same core Medicare payment mechanics as Medicare Advantage, including county rates, risk adjustment changes, coding intensity adjustments, fee-for-service normalization, and underlying cost trends. As a result, changes to Medicare Advantage policy do affect PACE.

At the same time, PACE includes unique elements, most notably the Frailty Adjuster based on activities of daily living, which recognizes that diagnosis-based risk adjustment alone does not fully predict costs for a highly frail population. CMS has also proposed a blended risk score for CY 2027 using 50 percent of the 2017 CMS-HCC model and 50 percent of the proposed 2027 model, accelerating the transition relative to the prior timeline.

As we look ahead, we continue to have a robust portfolio of clinical and operational value initiatives that we believe can unlock additional value across participant experience, quality, compliance, efficiency, and revenue.

One key area is participant experience. We're working to more clearly define the InnovAge participant experience end to end — from enrollment and onboarding through ongoing care — with a focus on early engagement, systematic feedback, consistent service recovery, and continuous improvement. We believe a more intentional experience will drive higher satisfaction, stronger engagement, and better retention over time.

Another significant opportunity is reducing unwarranted variation in provider practice patterns. Physician decision-making sits at the center of the PACE model, influencing nearly every aspect of care delivery. While this has always been actively managed, we see an opportunity to further improve consistency and appropriateness across the platform. This work will take time and thoughtful change management, but we believe advances in AI can increasingly support physicians with peer benchmarks and evidence-based guidance — augmenting, not replacing, clinical judgment.

We've also stabilized our pharmacy insourcing and are now positioned to pursue additional opportunities across pharmacy distribution, utilization management, and care coordination. With greater visibility and control, we believe pharmacy can continue to improve outcomes, efficiency, and total cost of care.

Finally, we see continued opportunity to optimize center productivity, capacity, and care delivery while strengthening participant retention. We're exploring the application of advanced analytics and AI to scheduling and transportation — areas central to the PACE operating model. This work is early, but our confidence is increasing that there is meaningful value to pursue.

Taken together, these initiatives reinforce our belief that there is still substantial opportunity ahead. The progress we've made gives us confidence, not complacency. With that context, I want to briefly touch on how our governance is evolving to support the next phase of execution and oversight.

As we've strengthened the operating, clinical, and compliance foundations of the company, we've continued to evolve our governance to support the next phase of execution. As part of that evolution, Tom Scully returned to the role of Chairman of the Board, and Pavithra Mahesh and Sean Traynor rejoined the Board effective January 28.

I also want to recognize Jim Carlson for his leadership as Chairman since June 2022. Jim provided steady, thoughtful guidance during a very critical period, helping InnovAge navigate operational, compliance, and strategic change. We're grateful for Jim's leadership and pleased that he'll continue to serve as an independent director.

Together, this governance structure strengthens oversight, reinforces alignment, and positions the company well to continue delivering for participants, regulators, and shareholders.

Before turning to guidance, I want to briefly share how we are thinking about pacing and expectations. As a full-risk, value-based care organization, quarter-to-quarter results can be influenced by timing, rate dynamics, and the maturation of initiatives. We therefore focus less on any single period and more on sustained trends across multiple quarters.

With that context, the results we've delivered through the first half of the fiscal year give us increased confidence in our outlook for the remainder of Fiscal 2026. We believe the platform is increasingly operating as designed, while still recognizing inherent variability in the model.

As a result, we are raising our full-year Fiscal 2026 guidance. We now expect member months between 92,900 and 95,700, total revenue between \$925 million and \$950 million, and adjusted EBITDA between \$70 million and \$75 million.

To close, we're encouraged by the progress we're making and proud of how the organization is performing. These results reflect a company executing with greater consistency, accountability, and purpose in service of a highly complex senior population.

We've strengthened the foundation of the business and are seeing the benefits across quality, compliance, participant experience, and financial performance. We remain grounded in the realities of a full-risk, highly regulated model and committed to managing the business with a long-term mindset.

InnovAge is better positioned today than at any point in recent years — not because the work is finished, but because the platform is working as designed. We're committed to executing

responsibly, investing thoughtfully, and aligning the interests of participants, government partners, and shareholders.

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 second 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 8,010 participants across 20 centers as of December 31, 2025, which represents growth of 7.1 percent compared to the second quarter of fiscal year 2025 and sequential quarter growth of 1.5 percent. We reported 23,960 member months in the second quarter, an increase of approximately 7.9 percent compared to the second quarter of fiscal year 2025 and an increase of approximately 2.0 percent over the first quarter of fiscal year 2026.

Our second quarter census growth exceeded expectations, driven primarily by our continued success in reinstating participants who had previously lost Medicaid coverage.

Total revenues of \$239.7 million dollars increased 14.7 percent compared to \$209.0 million dollars in the second 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 first quarter of fiscal year 2026, total revenues increased 1.5 percent due to an increase in member months.

We incurred \$112.0 million dollars of external provider costs during the second quarter of fiscal year 2026, an increase of 3.8 percent compared to the second 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 utilization and a decrease in pharmacy expense associated with the transition to in-house pharmacy services. This decrease in cost per participant was partially offset by an annual increase in assisted living and permanent nursing facility unit cost, an increase in assisted living utilization, and an increase in inpatient unit cost.

Compared to the first quarter of fiscal year 2026, external provider costs increased 2.9 percent. The increase was primarily driven by the increase in member months and a modest increase in cost per participant due to seasonal growth in inpatient admissions.

Cost of care, excluding depreciation and amortization, was \$74.9 million dollars, an increase of 16.9 percent compared to the second quarter of fiscal year 2025. The increase was due to an increase in cost per participant coupled with an increase in member months. The total increase in cost was primarily driven by:

- A net increase in salaries, wages and benefits due to higher wage rates and costs associated with organizational restructure, partially offset by a reduction in headcount,
- Higher third-party fees and shipping costs associated with in-house pharmacy services and,
- Higher fleet costs inclusive of contract transportation.

Cost of care, excluding depreciation and amortization, decreased 1.3 percent compared to the first quarter of fiscal year 2026. The decrease was primarily driven by reduced headcount associated with organizational restructuring and the timing of benefits and supply expense, partially offset by higher contract transportation costs.

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 \$52.8 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 22.0 percent increased approximately 430 basis points in the quarter compared to 17.7% in the second quarter of fiscal year 2025.

Compared to the first quarter of fiscal year 2026, center-level contribution margin increased 2.7 percent from \$51.4 million and, as a percentage of revenue, increased 20 basis points compared to 21.8 percent in the same period.

Sales and marketing expenses of approximately \$8.1 million dollars increased 4.9 percent compared to the second quarter of fiscal year 2025, due to higher wage rates.

Sales and marketing expenses increased by approximately 6.2 percent compared to the first quarter of fiscal year 2026 driven by marketing spend timing.

Corporate, general and administrative expenses of \$26.6 million dollars decreased 5.3 percent compared to the second quarter of fiscal year 2025. The decrease was primarily due to a decrease in legal and consulting fees.

Corporate, general and administrative expenses decreased 12.1 percent compared to the first quarter of fiscal year 2026 primarily due to reduced headcount associated with organizational restructuring, lower contract and consulting costs, decreased legal expenses, and the timing of software license fees.

Net income was \$11.8 million dollars for the quarter compared to net loss of \$13.5 million dollars in the second quarter of fiscal year 2025. We reported net income per share of 8 cents, and our weighted average share count was approximately 136.4 million shares for the quarter on a fully diluted basis.

Adjusted EBITDA was \$22.2 million dollars for the quarter, compared to \$5.9 million dollars in the second quarter of fiscal year 2025, and \$17.6 million dollars in the first quarter of 2026.

Our Adjusted EBITDA margin was 9.2 percent for the quarter, compared to 2.8 percent in the second quarter of fiscal year 2025, and 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. For the second quarter, de novo losses were \$4.7 million dollars primarily related to our Tampa and Orlando centers in Florida. This compares to \$4.0 million dollars of de novo losses in the second quarter of fiscal year 2025 and \$3.9 million dollars of de novo losses in the first quarter of fiscal year 2026.

Turning to our balance sheet, we ended the quarter with \$83.2 million dollars in cash and cash equivalents plus \$42.8 million dollars in short-term investments. We had \$69.9 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 second quarter, we recorded positive cash flow from operations of \$21.4 million dollars and had \$2.4 million dollars of capital expenditures.

Building on the strength we saw in the first half of fiscal 2026, I would now like to walk through our updated fiscal year 2026 guidance. Based on information as of today, we are revising our fiscal year outlook from the guidance we shared in September, except for ending census which remains unchanged:

- 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 92,900 to 95,700;
- We are projecting total revenue for fiscal year 2026 in the range of \$925 million to \$950 million, and adjusted EBITDA in the range of \$70 million to \$75 million; and finally,
- We anticipate that de novo losses for fiscal 2026 will be in the \$11.5 million to \$13.5 million dollar range.

As we look toward the second half of fiscal 2026, we have increased our guidance based on the following factors:

- First, and foremost, we are seeing continued improvement in the operations of the business each quarter as our operational and clinical value initiatives produce results.

- Second, we have had success in reinstating participants who had previously lost Medicaid coverage, which reduced the impact on member months and top-line revenue relative to our original expectations.
- Third, Medicaid rates for the fiscal year are higher than our original estimates, and
- Fourth, Medicare risk scores were less affected than we originally anticipated due to the phased-in implementation of Risk Adjustment Model Version 28 effective January 1st.

Overall, these factors contribute to improved visibility and give us more confidence in our performance for the remainder of fiscal year 2026.

In closing, we remain focused on disciplined execution for the remainder of the fiscal year. We believe our updated guidance more closely reflects our stronger-than-expected performance to date and our current view of the operating environment.

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; 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 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; (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; (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.