



**Fiscal 2026 Third Quarter Earning Call**  
**For the Period Ended March 31, 2026**  
**Tuesday, May 5, 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 third 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 third quarter results. You may access the release on the Investor Relations section of our company website, [InnovAge.com](http://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 5th, 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, the effects of recent legislation and federal budget cuts, including Medicare and Medicaid rate pressures, seasonality of cost trends, the status of current and future legal proceedings and 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 begin by thanking our InnovAge colleagues, our participants and their families, our government partners, and our investor community for your continued trust and support. The work our teams do every day to care for a very complex and vulnerable population is what drives our performance, and I'm proud of the progress we're making and the consistency we're beginning to demonstrate as an organization.

We delivered a solid third quarter and continue to see steady momentum across the business. These results reflect stronger operating execution and the benefits of the investments we've made over the past few years to strengthen the platform.

For the quarter, we reported approximately \$252 million in total revenue, center-level contribution margin of \$61 million and adjusted EBITDA of \$30 million. We ended the quarter serving approximately 8,050 participants in six states across 20 centers.

Based on our year-to-date operating trends and financial performance, we are once again raising our fiscal year 2026 guidance for revenue and Adjusted EBITDA. We now expect revenue in the range of \$950 to \$975 million and Adjusted EBITDA in the range of \$85 to \$90 million.

Overall, our performance continues to show steady year-over-year improvement across key operational and clinical metrics. Our performance this year has been supported by several in-year factors that came in more favorably than we expected including better than expected Medicaid rates and favorable Medicare risk scores, and continued discipline around medical cost management.

So, as we think about our momentum, we believe it is real and increasingly durable, but we are also being thoughtful about our assumptions as we look ahead to fiscal 2027.

Just as importantly, we view our improving financial performance as an enabler, not an endpoint. The progress we're making is allowing us to reinvest in the business in ways that we believe directly benefit participants and strengthen the model over the long term.

That includes continued investment in our clinical teams and interdisciplinary model, advancing our technology platform—including early and closely monitored applications of AI to improve care coordination and participant experience—and strengthening how we measure and manage quality. We are also investing in growth, including our new centers in Florida, which are still maturing from an operations and financial perspective.

Given the complexity of the PACE population we serve, these long-term investments are essential. Our goal is to deliver strong, sustainable performance while continuing to invest in the model and be a responsible partner to the states and the federal government.

In the PACE model, financial performance and quality are not separate—they are directly linked. When we improve quality, we see better participant outcomes, more consistent engagement, lower unnecessary utilization, and ultimately better fiscal management for our state and federal partners. We track a wide range of required quality and utilization metrics, and these remain an important part of how we manage the business day-to-day. But we also recognize that many of these measures, while necessary, don't fully capture what matters most to our participants or the full value of the model.

At its core, our focus is helping participants maintain their independence, remain in the community for as long as possible, and receive care that is individualized and aligned with their goals. This includes supporting caregivers, coordinating care across the continuum, and intervening early before issues escalate.

Over the past several years, we have made meaningful investments in our clinical teams, our care model, and our operational infrastructure to strengthen our ability to deliver on those outcomes. More recently, we have begun to invest more intentionally in how we measure them.

We are in the early stages of developing a more comprehensive set of outcome-oriented measures focused on areas like functional trajectory, the ability of participants to remain in the community, and further aligning care with participant goals. These are areas where we believe the PACE model delivers meaningful value.

Our initial focus is on building the data, processes, and operational consistency required to measure these outcomes reliably. As these capabilities mature, we expect to incorporate them more formally into how we manage the business. We believe this is an important step—not only in demonstrating the full value of the PACE model, but also in ensuring that our continued financial progress is clearly aligned with better outcomes for the participants we serve and the partners we support.

AI is another area in which we are investing more heavily. When we think about the objectives we share with our regulators — improving participant experience, enhancing outcomes for a complex population, and doing so in a cost-effective way — we believe AI, with the appropriate oversight, has the potential to be a meaningful enabler.

While still early, the work we've done over the past several months increases our confidence that these capabilities can have a real impact on both the quality and efficiency of our model.

Much of our clinical AI work is being led by Dr. Paul Taheri. Although Paul has only been with us a short time, he has quickly stepped in to help shape our approach—bringing a strong focus on practical application, clinical rigor, and ensuring these tools are designed to support, not replace, clinical judgment.

We are piloting a range of use cases designed to support our clinicians and streamline operations. In our clinical workflows, we are piloting AI tools to help synthesize information across the participant record, support care planning, and identify potential risks such as medication interactions or avoidable acute events. The goal is to increase the quality of the care we provide for our participants - and enable our teams to operate more effectively at the top of their licenses.

We are also applying these capabilities to operational areas such as scheduling, transportation, and care coordination — where we see meaningful opportunity to reduce friction, improve the participant experience, and better utilize our existing capacity.

One area we are particularly focused on is how we schedule and deliver services across our centers. Today, there are structural inefficiencies that can lead to cancellations, unused capacity, and administrative burden. We believe AI-enabled scheduling and coordination can help address these challenges, allowing us to improve the experience, to serve more participants within our existing footprint and to increase capacity over time.

Importantly, we are approaching this work with discipline. We are testing, learning, and measuring impact before scaling, and we are focused on use cases where we see clear alignment between improved outcomes, better participant experience, and more efficient operations.

Over time, we believe these investments will further strengthen our platform and expand our ability to deliver high-quality, coordinated care at scale.

Stepping back, one of the things these results and the progress we've made over the past several years now allow us to do is to take a more forward-looking view on growth.

Over the last four years, our focus has been on stabilizing and strengthening the platform, and as a result of that work, we are now beginning to generate more consistent earnings and cash flow, which gives us greater strategic flexibility as we look ahead.

That flexibility allows us to take a more proactive and thoughtful approach to growth. First, we continue to see meaningful opportunity within our existing footprint—by filling our current centers, strengthening our sales capabilities, and expanding our reach through new channels and partnerships.

At the same time, we are beginning to evaluate a broader set of potential growth alternatives that could allow us to expand our model to more seniors over time. These may include acquisitions, joint ventures, partnerships, or participation in new programs and demonstration models that align with our capabilities.

Overall, we are entering the next phase as an organization—one that positions us well to expand access to our model and serve more seniors who can benefit from it.

Before I conclude, I'd like to spend a few minutes on the rate environment, as we know this is an important area of focus for everyone.

Ben will provide more detailed visibility into our fiscal 2027 outlook, including rates, on our fourth quarter and fiscal year earnings call in early September. But given where we sit today, we thought it would be helpful to share some early perspective on how we're thinking about the environment, recognizing that our visibility is still evolving.

Starting with Medicare, the final 2027 rate notice came in more favorable than initially proposed, particularly for Medicare Advantage plans. That improvement was driven in part by deferred changes to the V28 risk model transition, which had a more meaningful impact on MA than on PACE.

For PACE, our rate-setting framework and transition timeline are different, and given the complexity of the population we serve, the benefit from the deferred changes to V28 is more limited. The net result is that we expect Medicare rates to increase approximately 1.5% to 2.0% in FY 2027, which is more modest an increase than what will likely be experienced by MA plans.

On the Medicaid side, we are beginning to see early indications from our state partners that budget pressures are increasing. That said, it's important to step back and view Medicaid rates in PACE over a longer horizon. This has always been a program with some degree of year-to-year variability. There are periods where rates run ahead of cost trend and margins expand, and periods like the one we are planning for where cost trends may outpace rate growth and margins can tighten without other offsetting improvements.

Over time, these dynamics tend to balance out. Rates have kept pace with the underlying cost of caring for this population and have supported appropriate and sustainable margins for operators who execute well at scale.

We believe we are seeing normal cycle variability, not a change in the underlying economics of the model. Importantly, this is where the strength of our model matters. Because we are fully accountable for both the clinical and cost side of the equation, we can manage through periods like this and protect performance over time.

So, while we have benefited from a more favorable rate environment in fiscal 2026 and are planning for a more tempered environment in fiscal 2027, we remain confident in the durability of the model and our ability to execute through the cycle.

As we approach the end of the fiscal year, we believe InnovAge is operating from a position of strength. The work we've done over the past several years is translating into more consistent performance and a more disciplined, integrated operating model.

We are focused on continuing to deliver strong, sustainable performance while investing in the model, supporting our participants, and being a responsible partner to the states and the federal government.

With that, I'll turn it over to Ben to walk through our financial performance in more detail.

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 third quarter fiscal year 2026 financial performance, and insight into some of the trends we saw during the fiscal third quarter.

Starting with census, we served approximately 8,050 participants across 20 centers as of March 31, 2026, which represents growth of 6.9 percent compared to the third quarter of fiscal year 2025 and sequential quarter growth of 0.5 percent. We reported 24,060 member months in the third quarter, an increase of approximately 6.7 percent compared to the third quarter of fiscal year 2025 and an increase of approximately 0.4 percent over the second quarter of fiscal year 2026. Our third quarter census increase reflects normal seasonal growth resulting from the Medicare Advantage open enrollment period.

Total revenues of \$251.9 million dollars increased 15.5 percent compared to \$218.1 million dollars in the third quarter of fiscal year 2025 driven by higher capitation rates and growth in member months. The capitation rate increase reflects annual Medicaid and Medicare rate increases and a lower revenue reserve, while member month growth was driven by enrollment expansion across our California, Colorado, and Florida centers.

Compared to the second quarter of fiscal year 2026, total revenues increased 5.1 percent primarily due to higher capitation rates driven by annual rate increases in California and Medicare, both effective January 1, 2026.

We incurred \$113.2 million dollars of external provider costs in the third quarter of fiscal year 2026, representing an increase of 5.0 percent compared to the third quarter of fiscal year 2025. 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 reduced permanent nursing facility utilization and lower pharmacy expense following the transition to in-house pharmacy services. These improvements were partially offset by annual rate increases for assisted living and permanent nursing facility services, as well as higher assisted living utilization.

Compared to the second quarter of fiscal year 2026, external provider costs increased 1.1 percent driven by modest growth in member months and a slight increase in cost per participant related to seasonal growth in the volume and cost of inpatient admissions.

Cost of care, excluding depreciation and amortization, was \$77.7 million dollars in the third quarter, an increase of 11.8 percent compared to the third quarter of fiscal year 2025. The year-over-year increase reflects growth in member months and higher cost per participant. The increase was primarily driven by:

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

Cost of care, excluding depreciation and amortization, increased 3.7 percent compared to the second quarter of fiscal year 2026 driven by higher salaries, wages and benefits associated with the annual reset of employee benefits and payroll taxes, as well as an increase in consulting expense, partially offset by lower 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 \$61 million dollars for the quarter compared to \$40.7 million dollars for the third quarter of fiscal year 2025. As a percentage of revenue, center-level contribution margin of 24.2 percent increased by approximately 550 basis points in the quarter compared to 18.7 percent in the third quarter of fiscal year 2025.

Compared to the second quarter of fiscal year 2026, center-level contribution margin increased 15.5 percent from \$52.8 million and, as a percentage of revenue, increased 220 basis points compared to 22 percent over the same period.

Sales and marketing expenses of approximately \$8.7 million dollars increased 26.3 percent compared to the third quarter of fiscal year 2025, primarily driven by higher wage rates and increased marketing spend to support growth.

Sales and marketing expenses increased by approximately 8.2 percent compared to the second quarter of fiscal year 2026 driven by sales compensation and marketing spend timing.

Corporate, general and administrative expenses of \$76.5 million dollars increased 98.3 percent compared to the third quarter of fiscal year 2025 primarily driven by an increase in litigation liability.

Corporate, general and administrative expenses increased 187.6 percent compared to the second quarter of fiscal year 2026 primarily due to the litigation liability.

Net loss was \$29.9 million dollars for the quarter compared to net loss of \$11.1 million dollars in the third quarter of fiscal year 2025. We reported a net loss of 22 cents per share, and our weighted average share count was approximately 135.7 million shares for the quarter on a fully diluted basis.

Adjusted EBITDA, was \$30.5 million dollars for the quarter, compared to \$10.8 million dollars in the third quarter of fiscal year 2025, and \$22.2 million dollars in the second quarter of 2026. Our Adjusted EBITDA margin was 12.1 percent for the quarter, compared to 4.9 percent in the third quarter of fiscal year 2025, and 9.2 percent in the second 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 or Crenshaw centers, as both have progressed beyond the initial 24-month de novo period. For the third quarter, de novo losses were \$1.8 million dollars primarily related to our Orlando, Florida center. This compares to \$3.5 million dollars of de novo losses in the third quarter of fiscal year 2025 and \$4.7 million dollars of de novo losses in the second quarter of fiscal year 2026. Turning to our balance sheet, we ended the quarter with \$95.5 million dollars in cash and cash equivalents plus \$43.1 million dollars in short-term investments. We had \$69.4 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 third quarter, we recorded positive cash flow from operations of \$18.1 million dollars and had \$3.6 million dollars of capital expenditures.

Building on the strong performance we delivered through the first nine months of fiscal 2026, and based on information available today, we are updating our full-year revenue and adjusted EBITDA outlook. All other guidance metrics remain 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 now projecting total revenue for fiscal year 2026 in the range of \$950 million to \$975 million.
- Adjusted EBITDA is now projected to be in the range of \$85 million to \$90 million; and
- We anticipate that de novo losses for fiscal 2026 will be in the \$11.5 million to \$13.5 million dollar range.

As we enter the final quarter of fiscal 2026 and begin planning for fiscal 2027, I'd like to share a few observations on where we stand today and how we're thinking about the year ahead.

First, the business is performing well overall. Our sustained focus on quality, compliance, and operational discipline has created a stronger and more resilient foundation. Over the past several years, we have meaningfully improved the consistency and predictability of the business, and we now have better data and insight to inform care delivery and operational decision-making.

Second, as Patrick mentioned, we are beginning to see rate pressures emerge as we engage with our state Medicaid partners. While it remains early in the rate-setting process, initial indications suggest rate increases in fiscal 2027 may be lower than what we have experienced historically. If this persists, and when combined with a more modest Medicare rate environment, it could create top-line pressure in fiscal 2027.

That said, we view this as a near-term dynamic rather than a structural shift. Currently, we do not believe these conditions represent a new long-term run rate, and we expect the rate environment to normalize over time. Importantly, our improved cost discipline, operating visibility, and focus on execution position us to manage through this period.

In closing, we are pleased with the strong performance we delivered this quarter and year to date. The business is operating from a position of strength, and our updated guidance reflects both our execution to date and our current assessment of the operating environment.

As we continue to refine our operations, we are placing greater emphasis on the full participant experience and evaluating opportunities to enhance care delivery, efficiency, and outcomes over time.

We remain committed to disciplined execution as we close out fiscal 2026 and believe we are positioned to manage near-term headwinds and to build long-term value.

Operator, that concludes our prepared remarks, please open the line 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 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.

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 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 macroeconomic related challenges, including labor shortages and labor competition; (v) inspections, reviews, audits and investigations under the federal and state government programs, including our ability to sufficiently cure any deficiencies identified; (vi) legal proceedings, enforcement actions and litigation and disputes; (vii) the risk that the cost of providing services will exceed our compensation, which we assume under our PACE contracts; (viii) the dependence of our revenues upon a limited number of government payors, including the risk of sudden loss of any of our government contracts; (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 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, whether as a result of new information, future developments or otherwise. 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.