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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

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**FORM 8-K**

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**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): June 10, 2025**

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**BrightSpring Health Services, Inc.**

(Exact name of Registrant as Specified in Its Charter)

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**Delaware**  
(State or Other Jurisdiction  
of Incorporation)

**001-41938**  
(Commission File Number)

**82-2956404**  
(IRS Employer  
Identification No.)

**805 N. Whittington Parkway**  
**Louisville, Kentucky**  
(Address of Principal Executive Offices)

**40222**  
(Zip Code)

**Registrant's Telephone Number, Including Area Code: 502 394-2100**

**Not Applicable**

(Former Name or Former Address, if Changed Since Last Report)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Securities registered pursuant to Section 12(b) of the Act:**

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	BTSG	The Nasdaq Stock Market LLC
6.75% Tangible Equity Units	BTSGU	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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### Item 8.01 Other Events.

As previously disclosed in a Current Report on Form 8-K filed by BrightSpring Health Services, Inc. ("BrightSpring") on January 21, 2025, Res-Care, Inc., a wholly owned subsidiary of BrightSpring, and certain affiliated entities entered into a purchase agreement on January 17, 2025 to divest BrightSpring's community living services, home and community-based waiver programs, and intermediate care facilities (the "Community Living business") for \$835 million in cash consideration, subject to customary adjustments.

BrightSpring is filing this Current Report on Form 8-K ("Form 8-K") to retrospectively revise and recast its historical consolidated financial statements and other information included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2024 previously filed with the Securities and Exchange Commission (the "SEC") on March 6, 2025 ("2024 10-K") to reflect the Community Living business as discontinued operations. Beginning in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2025, we presented the Community Living business as discontinued operations in our interim condensed consolidated financial statements for all periods presented as a result of meeting the criteria for held for sale and discontinued operations during the quarter ended March 31, 2025.

Accordingly, this Form 8-K updates the following items in BrightSpring's 2024 10-K to retrospectively reflect the changes resulting from the discontinued operations discussed above for the years ended December 31, 2024, 2023, and 2022:

- Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations; and
- Part II, Item 8. Financial Statements and Supplementary Data, reflecting the Community Living business as held for sale and discontinued operations.

The information in this Form 8-K, including the information incorporated herein by reference, is not an amendment to, or restatement of, the 2024 10-K. Other than the items listed above, BrightSpring is not otherwise updating any other portion of the 2024 10-K. Unaffected items of the 2024 10-K have not been repeated in this Form 8-K. This Form 8-K does not modify or update the disclosures contained in the 2024 10-K in any way, nor does it reflect any subsequent information, activities or events, other than as required to reflect the discontinued operations described above. Without limitation to the foregoing, this Form 8-K does not purport to update Management's Discussion and Analysis of Financial Condition and Results of Operations included in the 2024 10-K for any information, uncertainties, transactions, risks, events or trends occurring, or known to management other than as required to reflect the discontinued operations as described above. More current information may be included in, and should be read in conjunction with, BrightSpring's other filings with the SEC, including the 2024 10-K.

### Item 9.01 Financial Statements and Exhibits.

#### (d) Exhibits.

Exhibit Number	Description
23.1	<a href="#">Consent of KPMG LLP.</a>
99.1	<a href="#">Retrospective revisions, where applicable, to Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, from BrightSpring's 2024 10-K.</a>
99.2	<a href="#">Retrospective revisions, where applicable, to Part II, Item 8, Financial Statements and Supplementary Data, from BrightSpring's 2024 10-K.</a>
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

BRIGHTSPRING HEALTH SERVICES, INC.

Date: June 10, 2025

By: /s/ Jennifer Phipps  
Name: Jennifer Phipps  
Title Executive Vice President and Chief Financial Officer

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**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the registration statements on Form S-3 and Form S-8 (No. 333-276703) of our report dated March 6, 2025, except for the effects of discontinued operations as discussed in Notes 1 and 2, as to which the date is June 10, 2025, with respect to the consolidated financial statements of BrightSpring Health Services, Inc. which appears in this Current Report on Form 8-K.

/s/ KPMG LLP

Louisville, Kentucky  
June 10, 2025

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## **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*The following discussion analyzes our financial condition and results of operations and should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this Annual Report Form 10-K. This discussion contains forward-looking statements that involve risks and uncertainties. See "Forward-Looking Statements." When reviewing the discussion below, you should keep in mind the substantial risks and uncertainties that characterize our business. Known material factors that could affect our financial performance and actual results, and could cause actual results to differ materially from those expressed or implied in any forward-looking statements included in this discussion or otherwise made by our management, are described in "Risk Factors." Factors that could cause or contribute to such difference are not limited to those identified in "Risk Factors."*

### **Overview**

We are a leading home and community-based healthcare services platform, focused on delivering complementary pharmacy and provider services to complex patients. We have a differentiated approach to care delivery, with an integrated and scaled model that addresses critical services that the highest-need and highest-cost patients require. With a focus on Senior and Specialty patients, our platform provides pharmacy and provider services (both clinical and supportive care in nature) in lower-cost home and community settings largely to Medicare, Medicaid, and commercially-insured populations. Our presence spans all 50 states, we serve over 440,000 patients daily through our approximately 10,000 clinical providers and pharmacists, and our services make a profound impact in the lives and communities of the people we serve.

We have built a significant presence and capability in delivering complementary and high-touch daily healthcare services and programs to complex patients in their homes and in facilities in order to address their multiple health needs and requirements more completely, through two reportable segments: Pharmacy Solutions and Provider Services. In pharmacy, we leverage our national infrastructure to provide daily medication therapy management to various customer and patient types wherever they reside in the community, including home and in-clinic infusion patients, oncology and other specialty patients in their homes, residents of independent and senior living communities, people receiving hospice care, neuro and Behavioral clients' and patients' homes, residents of skilled nursing and rehabilitation facilities, hospital patients, and the homes of Seniors who are on a significant number of medications. Within Provider Services, we address the clinical and supportive care needs of Senior and Specialty populations, including neuro patients, primarily in their homes, as well as some clinic settings. Our clinical services consist of home health and hospice and rehab therapy, and our supportive care services address activities of daily living and social determinants of health as well. We also provide home-based primary care for patients in senior living communities, long-term care, and individual homes to directly manage and optimize patient outcomes and to enable value-based care. By providing these complementary and necessary services for complex patients, our care model is designed to address multiple patient needs and better integrate health services delivery to improve quality and patient experiences, while reducing overall costs.

### **Discontinued Operations**

On January 17, 2025, the Company entered into a purchase agreement with National Mentor Holding, Inc. to divest our community living services, home and community based waiver programs, and intermediate care facilities (the "Community Living business"), for \$835 million, subject to typical adjustments for working capital and other customary items. We expect the divestiture to close in 2025, subject to customary closing conditions. This transaction provides for continuity of important intellectual and developmental disability services while BrightSpring focuses on a concentrated group of customers, patients and stakeholders in the future. We believe the Company's streamlined service offerings will result in increased strategic focus, operational efficiencies, a refined payer mix, and greater clinical integration and business synergy across the Provider Services segment. The divestiture will also augment our expected Revenue and Adjusted EBITDA growth rates and maximize exposure to target growth markets that require BrightSpring's needed and valuable solutions, such as home health, rehab, primary care, and hospice.

The Company has determined the divestiture of the Community Living business represents a strategic shift that will have a major effect on its business and therefore met the criteria for classification as discontinued operations. As a result, the financial results of the Community Living business, which were previously reported as part of our Provider Services segment, have been classified as discontinued operations in the audited consolidated statements of operations, and its assets and liabilities have been classified as held for sale for all periods presented. Unless otherwise noted, amounts and disclosures throughout this Management's Discussion and Analysis relate to our continuing operations. Refer to Part II, Item 8. Note 2 for additional information regarding discontinued operations.

## 2024 Key Highlights

- *Completion of our Initial Public Offering (“IPO”) on January 30, 2024*
- *Extinguishment of our Second Lien Facility*
- *Paydown and modification of our First Lien Facility, including interest rate refinancings that resulted in interest savings*
- *\$63.3 million of equity awards granted to management and certain other full-time employees at the time of our IPO*
- *7.7 million restricted stock units granted to certain full-time employees in the second fiscal quarter of 2024, as disclosed in connection with our IPO*
- *Completed eight acquisitions within our Pharmacy Solutions and Provider Services segments*
- *Announcement of the pending divestiture of our Community Living business on January 20, 2025*

## Financial Performance Highlights: Fiscal Year 2024 Compared to Fiscal Year 2023

- *Revenue grew by \$2.4 billion, or 31.0%, to \$10.1 billion*
- *Pharmacy Solutions segment revenue grew by \$2.2 billion, or 34.2%, to \$8.8 billion*
- *Provider Services segment revenue grew by \$149.4 million, or 12.8%, to \$1.3 billion*
- *Net loss decreased by \$113.3 million from \$182.3 million to \$68.9 million; when excluding the approximately \$30 million quality incentive payment (“QIP”) received in 2023, net loss decreased by \$143.6 million*
- *Adjusted EBITDA<sup>(1)</sup> increased by \$38.9 million, or 9.2%, to \$460.2 million; when excluding the approximately \$30 million QIP received in 2023, Adjusted EBITDA increased by \$69.1 million or 17.7%*
- *Pharmacy Solutions segment EBITDA grew by \$23.7 million, or 6.4%, to \$394.7 million; when excluding the approximately \$30 million QIP received in 2023, Pharmacy Solutions segment EBITDA increased by \$53.9 million or 15.8%*
- *Provider Services segment EBITDA grew by \$35.9 million, or 21.2%, to \$205.3 million*
- *Loss per share decreased by \$1.22 from \$(1.31) to \$(0.09)*
- *Adjusted EPS<sup>(1)</sup> increased by \$0.37 from \$(0.02) to \$0.35*

<sup>(1)</sup> Reconciliation of GAAP to non-GAAP results is provided in the section “Non-GAAP Financial Measures” in Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations”

## Our Service Offerings

We are one of the largest independent providers of home and community-based health services in the United States, delivering both pharmacy and provider services. We believe our high-quality and complementary health services offerings address significant and important patient and stakeholder needs. We enhance patient outcomes through the delivery and coordination of high-quality services that high-need, high-cost patients require. Our services are principally delivered in patient-preferred and lower-cost settings and often over longer periods of time, given the chronic nature of the patient conditions that we address. We believe our breadth of service capabilities and proven outcomes position us as a provider of choice for patients, families, referral sources, customers, and payors. We deliver services through two reportable segments: Pharmacy Solutions and Provider Services.

The following table summarizes the revenues generated by each of our reportable segments for the two most recent years:

(\$ in millions)	For the Years Ended December 31,			
	2024		2023	
	Revenue	% of Revenue	Revenue	% of Revenue
Pharmacy Solutions	\$ 8,754.3	86.9%	\$ 6,522.5	84.8%
Provider Services	1,317.9	13.1%	1,168.5	15.2%
Consolidated	\$ 10,072.2	100.0%	\$ 7,691.0	100.0%

#### **Pharmacy Solutions**

We opportunistically provide pharmacy services when and where demanded and as required to customers and patients in their homes and communities, often in coordination with our provider services. The Company filled over 41 million prescriptions in 2024 from over 180 pharmacies across all 50 states, with services delivered to approximately 7,100 customer locations, more than 60,000 individual or group homes, and over 400,000 patients, all through over 4,700 unique customer and payor contracts. Our leading pharmacy support across customer and patient settings is achieved through a focus on medication availability and reliability, cost containment, customer staff and patient support programs, clinical and regulatory education and support, and leading customer service. Infusion and Specialty Pharmacy prescriptions and Home and Community Pharmacy prescriptions have grown at more than 22% and 11%, respectively, from December 2023 to December 2024. We have a unique opportunity to increasingly provide more pharmacy services in the future to provider patients and patients transitioning across settings of care. Almost every one of the Company's patients who receive provider services from us have a significant medication support need given their polypharmacy profile, which we have the opportunity to further address.

#### **Infusion and Specialty Pharmacy**

We provide infused, injectable, and oral medication services in the home and clinic focused on pharmaceutical therapies that require expert administration and high-touch clinical services to patients by our pharmacists, registered nursing staff, and patient support teams. Infusion therapy services are a specialty form of pharmaceuticals that involve the intravenous administration of higher-cost, specially-handled medications that treat a wide range of acute and chronic health conditions, including, for example, infections, auto-immune illnesses, oncology, multiple sclerosis, hemophilia, and nutritional deficiencies. Oral and injectable medication therapies for complex disease management treat oncology, neurology, dermatology, cardiology, immunology, inflammatory, rare and orphan, and other conditions. Within oncology, as one of the leading independent specialty pharmacies in the United States, our services encompass clinical coordination, patient education, protocol compliance, patient assistance with insurance access and outside funding, and timely delivery of medication. Our certified oncology pharmacists are available 24/7 to provide support for patients and caregivers while working in close coordination with their physicians.

As a result of our unique capabilities in serving pharmaceutical manufacturers and biotech companies, we have exclusive or preferred relationships in specialty oncology drugs, as manufacturers select our pharmacy – exclusively or as part of a group of a few other pharmacies – to distribute and support their therapies in the market. We currently have 125 limited distribution oncology drugs in the market, with an additional 16 in the pipeline still to launch over the next 12 to 18 months.

#### **Home and Community Pharmacy**

Our home and community-based pharmacy solutions ensure that medications are accessible and clinically supported for patients outside of retail pharmacies. The Company's footprint of pharmacies covers all 50 states with a localized model that features "white-glove" and customized programs and allows for faster response times and a better customer and patient experience. We service customer locations typically multiple times a day and 24/7 as needed, within a radius of approximately 100 miles of a pharmacy location. Our pharmacy services are all customized to specific settings and patients among the Senior and Specialty populations served, for example whether a patient receiving our medications is in a senior living community, a behavioral group home, or a hospice patient in their own home.

#### **Provider Services**

We deliver a variety of impactful and valuable provider services to high-need, chronic, and complex patients in home and community settings. These services consist of clinical and supportive care to approximately 17,000 Senior and Specialty populations, with both census for Home Health Care services specifically, and rehab hours served, having grown

approximately 9% and 13% from December 2023 to December 2024, respectively. While the clinical services that we provide have demonstrated attractive volume growth over the past several years, supportive care services have also demonstrated stability and growth due to the valuable nature of these services that address activities of daily living and social determinants of health. Many of our provider patients also receive their pharmacy services through the Company, which helps to optimize their pharmacy and medication care and needs, simplify their experience, and improve their satisfaction.

On January 17, 2025, the Company entered into a purchase agreement with National Mentor Holding, Inc. to divest the Company's community living services, home and community based waiver programs, and intermediate care facilities (the "Community Living business"), for \$835 million, subject to typical adjustments for working capital and other customary items. The Company expects the divestiture to close in 2025, subject to customary closing conditions. This transaction provides for continuity of important intellectual and developmental disability services while BrightSpring focuses on a concentrated group of customers, patients and stakeholders in the future. We believe the Company's streamlined service offerings will result in increased strategic focus, operational efficiencies, a refined payer mix, and greater clinical integration and business synergy across the Provider Services segment. The divestiture will also augment the Company's expected Revenue and Adjusted EBITDA growth rates and maximize exposure to target growth markets that require BrightSpring's needed and valuable solutions, such as home health, rehab, primary care, and hospice. The Company has determined the divestiture of the Community Living business represents a strategic shift that will have a major effect on its business and therefore met the criteria for classification as discontinued operations. The results of operations of Community Living are excluded from continuing operations in the Company's results of operations for the years ended December 31, 2023 and 2024.

#### *Home Health Care*

We provide patient-centric, highly skilled, and compassionate clinical care to Seniors and others in their homes. For Seniors and other patients recovering from surgery or illness or living with chronic diseases, we provide clinical home health care in the home. We also provide physical, emotional, and spiritual comfort and support primarily for Senior patients with terminal illnesses and their families through our hospice services. Like patients receiving home health care, our interdisciplinary hospice teams tailor individualized plans for patients and their families based on a comprehensive understanding of their needs. Our hospice patients require important daily pharmacy support, which we deliver through our pharmacy services.

We are continuing to build out specialized and different primary care capabilities through our home-based primary care medical home model and platform, which we view as central to the future of optimizing patient management, including patient experiences, outcomes, and cost. Home-based primary care is more patient-centered and incorporates patients' specific objectives and goals by pro-actively addressing gaps in care and triaging health events in-place when possible, thus mitigating avoidable emergency room visits and hospitalizations. Home-based primary care coordinates care and resources for patients in pulling together previously disparate information and contact points into one place for more coordinated and informed patient care.

In addition to many of our provider patients also receiving their pharmacy services from the Company, our patients often receive multiple in-home provider services from the Company to improve outcomes, including home-based primary care and home health or hospice and transitions from home health to hospice. As more of our patients utilize the multiple needed services that they require and we provide, we pro-actively monitor patients and deploy triage tools through our Clinical (Nursing) Hub to address risks and optimize quality outcomes in real-time, particularly for higher risk patients. Within the Clinical (Nursing) Hub, we centralize on-call and tele-triage, perform high-risk patient monitoring and intervention, conduct "Aftercare" patient calls, and manage care coordination opportunities across the enterprise.

#### *Rehab Care*

Our Rehab Care services provide highly-skilled patient-centric clinical care to Senior and Specialty clients and patients living with age-related acute or chronic conditions, or recovering from a catastrophic neuro event (ABI/TBI or stroke) requiring intensive therapy. These services support individuals of all ages who need various forms of expert clinical care and therapy, including ABA therapies.

We provide specialized, highly-skilled, and custom-designed rehabilitation services, including physical, speech and occupational therapy and ABA, for clients and patients of all ages with a range of injuries and conditions, including brain and spinal cord injuries, stroke, pediatric neuro conditions, and autism. Our programs are principally administered in individuals' homes and are predominantly based on individual support and clinical care plans designed to encourage greater independence and manage medical conditions.

*Personal Care*

Our Personal Care services provide home care support that assist with activities of daily living. These services allow Seniors who require long-term care and assistance with activities of daily living to maintain their independence at home with their families. These supportive care activities address social determinants of health, including dietary and nutrition management and cognitive and social engagement, among others, we offer these daily or weekly services.

**Locations of Operations**

We are headquartered in Louisville, Kentucky with operations in all 50 states, Puerto Rico, and Canada. We deliver a higher proportion of services in select regions with favorable demographics and regulatory environments.

We serve patients from and across approximately 8,000 offices, customer locations and group homes, as well as serving approximately 290,000 patients in their own homes, every day with co-location of our pharmacy and provider services in 39 states.

**Payor Mix**

We are characterized by payor diversification across our platform. Our payors are principally federal, state, and local governmental agencies, commercial insurance, private, and other payors. No payor represents more than 35% of our revenue in the aggregate for the years ended December 31, 2024 and 2023. Additionally, our Medicaid payors can be further broken down across each individual state with our top 10 Medicaid states representing 6% and 7% of total Company revenue for the year ended December 31, 2024 and 2023, respectively. The federal, state, and local programs under which we operate are subject to legislative and budgetary changes that can influence reimbursement rates.

(\$ in millions)	For the Years Ended December 31,			
	2024		2023	
	Revenue	% of Revenue	Revenue	% of Revenue
Commercial insurance	\$ 2,528.1	25.1%	\$ 1,810.2	23.6%
Medicaid	1,166.5	11.5%	979.1	12.7%
Medicare A	999.6	9.9%	958.6	12.4%
Medicare B	95.9	1.0%	82.8	1.1%
Medicare C	1,665.0	16.6%	1,450.4	18.9%
Medicare D	3,202.0	31.8%	2,031.9	26.4%
Private & other	415.1	4.1%	378.0	4.9%
	<u>\$ 10,072.2</u>	<u>100.0%</u>	<u>\$ 7,691.0</u>	<u>100.0%</u>

We provide our services across all 50 states, Puerto Rico and Canada, with our top 10 states of operations comprising 47% and 48% of total Company revenue for the years ended December 31, 2024, and 2023 respectively.

The following tables summarize the percentage of revenue generated by each payor type for each of our service offerings and reportable segments:

	For the Year Ended December 31, 2024							Total
	Commercial insurance	Medicaid	Medicare Part A	Medicare Part B	Medicare Part C	Medicare Part D	Private & other	
Infusion and Specialty Pharmacy	20.5%	5.9%	0.0%	0.7%	15.4%	21.4%	0.9%	64.8%
Home and Community Pharmacy	2.9%	2.3%	5.4%	0.0%	0.0%	10.4%	1.1%	22.1%
<b>Pharmacy Solutions</b>	<b>23.4%</b>	<b>8.2%</b>	<b>5.4%</b>	<b>0.7%</b>	<b>15.4%</b>	<b>31.8%</b>	<b>2.0%</b>	<b>86.9%</b>
Home Health Care	0.3%	0.3%	4.5%	0.3%	1.2%	—	0.0%	6.6%
Rehab Care	1.3%	0.6%	0.0%	0.0%	0.0%	—	0.8%	2.7%
Personal Care	0.1%	2.4%	0.0%	0.0%	0.0%	—	1.3%	3.8%
<b>Provider Services</b>	<b>1.7%</b>	<b>3.3%</b>	<b>4.5%</b>	<b>0.3%</b>	<b>1.2%</b>	<b>—</b>	<b>2.1%</b>	<b>13.1%</b>
<b>Consolidated BrightSpring</b>	<b>25.1%</b>	<b>11.5%</b>	<b>9.9%</b>	<b>1.0%</b>	<b>16.6%</b>	<b>31.8%</b>	<b>4.1%</b>	<b>100.0%</b>

	For the Year Ended December 31, 2023							Total
	Commercial insurance	Medicaid	Medicare Part A	Medicare Part B	Medicare Part C	Medicare Part D	Private & other	
Infusion and Specialty Pharmacy	19.6%	5.7%	0.0%	0.8%	18.0%	14.5%	1.2%	59.8%
Home and Community Pharmacy	2.0%	2.8%	7.1%	0.0%	0.0%	11.9%	1.2%	25.0%
<b>Pharmacy Solutions</b>	<b>21.6%</b>	<b>8.5%</b>	<b>7.1%</b>	<b>0.8%</b>	<b>18.0%</b>	<b>26.4%</b>	<b>2.4%</b>	<b>84.8%</b>
Home Health Care	0.3%	0.5%	5.3%	0.3%	0.9%	—	0.0%	7.3%
Rehab Care	1.6%	0.7%	0.0%	0.0%	0.0%	—	0.9%	3.2%
Personal Care	0.1%	3.0%	0.0%	0.0%	0.0%	—	1.6%	4.7%
<b>Provider Services</b>	<b>2.0%</b>	<b>4.2%</b>	<b>5.3%</b>	<b>0.3%</b>	<b>0.9%</b>	<b>—</b>	<b>2.5%</b>	<b>15.2%</b>
<b>Consolidated BrightSpring</b>	<b>23.6%</b>	<b>12.7%</b>	<b>12.4%</b>	<b>1.1%</b>	<b>18.9%</b>	<b>26.4%</b>	<b>4.9%</b>	<b>100.0%</b>

See Note 3 of the audited consolidated financial statements and related notes in this Form 10-K for information regarding revenue by payor type for each reportable segment for the years ended December 31, 2024 and 2023.

## Trends and Other Factors Affecting Business

### *Continued Growth of our Pharmacy Solutions Patient Populations*

We focus on providing health-dependent medications in a timely and well-supported manner to our patients receiving pharmacy solutions in their home and community-based settings. Our pharmacy services are primarily delivered directly to patients in their place of residence, home, or stay, and sometimes in a clinic setting. Our high-need Senior and Specialty patients depend on closely and expertly managed daily medication regimens that are supported by pharmacist and nurse consultants whom are available in a timely and 24/7 manner. According to industry reports, pharmacy solutions delivered to and tailored for the home environment, such as home infusion services, oncology services, and daily medication management services in the home, will continue to grow faster than the overall and general pharmacy market. Each of the end markets that these home and community-based pharmacy services supply and support are growing at attractive rates, and the lack of appropriate pharmacy medication management and resulting non-adherence among complex and polypharmacy patients in homes are significant contributors to ER visits, hospitalizations and increased costs.

We have continued to expand our pharmacy capabilities to serve this need. Overall, our pharmacy has grown patient census and prescriptions by 12% over the past year. We are a leading independent pharmacy provider in our respective pharmacy patient markets, and we expect to continue to increase our share. Our growth in serving numerous patient types has been well into the double digits, including home infusion patients, specialty oncology patients, behavioral patients, in-home Seniors, and hospice patients.

### *Continued Growth of our Provider Services Patient Populations*

Our Provider Services segment focuses on delivering high-touch and coordinated services to medically complex Senior and Specialty patients in the home and facility-based settings where they live. As the baby boomer population ages, Seniors, who comprise a significant majority of our patients, will represent a higher percentage of the overall population. The U.S. Census Bureau projects that the U.S. population aged 65 and over will grow substantially from 15% of the population in 2016 to 21% of the population by 2030, and the population size of people over age 85 is expected to double by 2040, according to the Administration for Community Living. Given the proven value proposition of home-based health services, we believe patients will increasingly seek treatment and referral sources and payors will increasingly support treatment in homes more often than in higher cost, less convenient, higher acuity institutional settings. Home health care can reduce 365-day post-discharge costs by more than \$6,000 per patient, and as healthcare spending rises, home health care can improve the continuity of care while reducing overall costs. In addition, advancements in medical technology have allowed providers to expand access points and the breadth of services available in the home.

The vast majority of patients we serve in our provider businesses are served in the home, and we have purposefully continued to expand our service offering and footprint to serve patients in this lower cost setting. Over the past five years we built upon supportive care services to patients, as we have meaningfully expanded our footprint of highly clinical and expert services to home health, rehabilitation, and hospice patients to address a large national healthcare need and more completely and better serve Senior and Specialty patients in the home as evidenced by continued census growth within the Provider Services segment. Our complementary services that address the multiple needs of these patient populations will increasingly provide integrated care opportunities to provide more complete and better coordinated services to patients across health settings and stages.

As noted earlier, the Company announced the entry into a purchase agreement in January 2025 with respect to the expected sale of our Community Living business, which is expected to close in 2025, subject to customary closing

conditions. The sale of this business represents a strategic shift from our services to Behavioral populations. After closing, our focus will be primarily on Seniors and Specialty patients receiving neuro rehab.

#### ***Stable Reimbursement Environment Across our Portfolio of Businesses***

Our revenue is dependent upon our contracts and relationships with payors for our “must-serve” patient populations. We partner with a large and diverse set of payor groups nationally and in each of our markets to form provider networks and to lower the overall cost of care. We structure our payor contracts to help both providers and payors achieve their objectives in a mutually aligned manner. Maintaining, supporting, and both deepening and increasing the number of these contracts and relationships, particularly as we continue to grow market share and enter new markets, is important for our long-term success.

We have observed relatively stable reimbursement rates from government and commercial payors in our pharmacy and provider services over a number of years, particularly for services provided to high-need, medically complex populations. Due to the medical necessity of our services, which are lower cost than healthcare services provided in other settings and reduce ER, hospital and institutional facility utilization, we have a history of reimbursement stability characterized by low-to-mid single digit rate increases across our lines of business from 2014 to 2022. Our average reimbursement rate increases based on revenue during this time period included 4.2% for personal care services associated with activity of daily living services for Seniors, 2.2% for hospice services, and 1.6% associated with long term care pharmacy services.

#### ***Culture of Quality and Compliance and Consistent Operations Execution***

Quality and compliance are central to our strategies and mission. We have demonstrated leading and excellent service and customer/patient/family satisfaction scores across the organization, as referenced in prior and other sections of this Annual Report on Form 10-K. In addition to quality and compliance resources and programs in field operations, we invest over \$200 million a year, inclusive of Community Living, in people, training, auditing, signature programs, accreditations, advocacy, and technologies to support quality, compliance, and safety as part of our “Quality First” framework. We have demonstrated consistently high and often leading marks for service levels, satisfaction scores, and quality metrics in our industries.

For example, across our pharmacies we achieve 99.99% order accuracy and 98.63% order completeness, “excellent” and “world class” NPS, a 94% satisfaction rating from infusion patients, and a reduction in hospitalizations with CCRx, while also driving savings through medication adherence and therapeutic interchanges. We achieve 97% patient satisfaction in our outpatient rehab services, and we achieve an 85% overall rating of care in hospice (compared to the national average of 81%), hospitalizations 35% lower than the national average in our home-based primary care, and four stars (out of five) in the CAHPS home health patient survey ratings. 84% of our home health branches have a STAR rating of 4 or higher. We believe that we are positioned to identify potential medical problems and avoid adverse events due to our highly proximate position to patients and attentive care protocols, as evidenced by these quality metrics.

Operational excellence is also an ongoing focus at the Company, including how we collect and share key metrics, hold operational reviews, audit, conduct training, deploy expert support resources, execute on corrective and preventative actions, and implement continuous improvement initiatives across the organization. We have continued to make investments in automation, data, and technology systems to support enhanced workflows, further scale, and future growth across service lines.

#### ***Ability to Build De Novo Locations***

We have a proven ability to augment growth of existing operations by expanding our presence and opening new locations – in both of our operating segments in Pharmacy Solutions and Provider Services – across geographies with consistent ramp-up in performance after site opening. We believe our platform can continue to build further scale nationally, adding density to additional and targeted key markets as a lever to facilitate maximum pharmacy and provider services overlap, integrated and value-based care, and growth. The Company’s geographic and operations scale and platform of complementary segments and service lines provides us with access to more de novo opportunities to consider and prioritize.

Since January 1, 2018, we have opened 145 de novo offices (branches/agencies) and clinics in new locations across our pharmacy and provider services. In 2024, we opened 21 de novo offices. We typically identify and open new locations within proximity of an existing location as we leverage existing market knowledge and presence to expand in target markets, regions, and states. Our internal support resources in real estate, purchasing, IT, credentialing, payor contracting, HR, and sales and marketing, along with our PMO, help to support and manage de novos from start to opening. We expect to continue to selectively and strategically expand our footprint within the United States and extend our service offerings to our patients and for customers, referral sources, and payors, and we believe de novo investments facilitate more integrated care capability and are a meaningful organic growth driver for the Company.

### ***Ability to Facilitate Integrated Care***

Our operating model consists of complementary pharmacy and provider services that high-need Senior and Specialty populations require, and it is designed to increasingly coordinate, manage, and serve patients across our various needs and settings over time, leading to improved patient, family, physician, and referral source satisfaction, improved payor experiences, and better outcomes. Our performance and potential to drive increased service volume for increased patient and health outcomes impact is driven partly by our appeal with our patients, families, customers, referral sources, and payors to provide multiple integrated care services – either in the same setting at the same time or across settings and stages of health – within our collection of pharmacy solutions and provider services and differentiated overall capabilities.

We provide multiple pharmacy and provider services to approximately 9,000 patients today, and we believe that there are substantially more opportunities to deliver more integrated care, given the hundreds of thousands of patients we serve and a similar number of patients discharging from customers annually. Value-add, beneficial, and multiple integrated care opportunities exist for our customer base and all Senior and Specialty patient populations and not only across pharmacy and provider services, but also within each segment. Within the pharmacy services, CCRx is aimed at providing medication risk and therapy management continuously and longitudinally post discharge from hospitals and skilled nursing customers. Within the provider services, patients often transition from home health to hospice services and can receive therapy and supportive care services concurrent with each other and with home health and hospice.

### ***Aligning to Value-Based Care Reimbursement Models with Innovative Solutions***

The scale and depth of our complimentary platform of diverse yet related customer and patient services – that complex patients require – positions us at the forefront with governmental and commercial payors who are increasingly seeking ways to expand value-based reimbursement models. Our high-quality services that are delivered in home and facility-based and patient and family-preferred settings at lower comparable costs are well-positioned for the long-term, and we continue to add wraparound care management capabilities and offerings to our core services. In addition to our large Medicare and Medicaid beneficiary populations, we have a large number of non-governmental payor contracts across the organization today, which both diversifies our payor mix, and provides for additional value-based opportunities and partnerships.

The Company's focused build out of its (i) Home-Based Primary Care, transitional care programs, and in-home medication therapy management (CCRx), and (ii) Clinical (Nursing) Hub, are key enablers to coordinate base pharmacy and provider services and drive improved quality and lower costs for value-based care constructs.

In addition to numerous payor contracts that feature reimbursement incentives, in the past year the Company has entered into several ACO arrangements to participate in shared savings from its attributed primary care patients and other ACO partnerships and contract as a preferred provider.

### ***Initial Public Offering***

On January 30, 2024, we completed our IPO of 53,333,334 shares of common stock at a price of \$13.00 per share and a concurrent offering of 8,000,000 6.75% tangible equity units ("TEUs") with a stated amount of \$50.00 per Unit (collectively, the "IPO Offerings"). The net proceeds from the IPO Offerings amounted to \$656.5 million and \$389.0 million for the common stock and TEUs, respectively, after deducting underwriting discounts, commissions, and offering-related expenses. The shares of common stock and TEUs began trading on the Nasdaq Global Select Market on January 26, 2024 under the ticker symbols "BTSG" and "BTSGU," respectively.

We used a portion of the net proceeds received from the IPO Offerings to (i) repay all indebtedness outstanding under the Second Lien Facility, (ii) repay all indebtedness outstanding under the Revolving Credit Facility, (iii) repay \$343.3 million outstanding aggregate amount under the First Lien Facility, and (iv) pay certain expenses in the offering. We retained the remaining proceeds for general corporate purposes. Additionally, we paid \$22.7 million of termination fees in connection with the termination of our monitoring agreement with Kohlberg Kravis Roberts & Co. L.P. ("KKR") and Walgreens Boots Alliance, Inc. (together with KKR, the "Managers") (the "Monitoring Agreement").

### ***New Equity Awards***

We granted approximately \$63.3 million in non-cash share-based compensation with equity awards to our management and certain other full-time employees in January 2024 at the time of the IPO Offerings. Additionally, as previously disclosed in connection with the IPO, we granted approximately \$100.0 million in non-cash share-based compensation equity awards, which equates to approximately 7.7 million restricted stock units, to certain full-time employees in the second quarter of fiscal year 2024.

## **Factors Affecting Results of Operations and Comparability**

### ***Acquisitions and Divestitures***

During the years ended December 31, 2023 and 2024, we completed five and eight acquisitions, respectively, within the Pharmacy Solutions and Provider Services segments. Aggregate consideration, net of cash acquired, for these acquisitions was approximately \$73.1 million and \$110.9 million, respectively.

As noted earlier, the Company announced the entry into a purchase agreement in January 2025 with respect to the expected sale of our Community Living business, which is expected to close in 2025, subject to customary closing conditions. The Company has determined the divestiture of the Community Living business represents a strategic shift that will have a major effect on its business and therefore met the criteria for classification as discontinued operations. The results of operations of Community Living are excluded from continuing operations in the Company's results of operations for the years ended December 31, 2023 and 2024.

We intend to use the proceeds from the sale to reduce debt resulting in accelerated deleveraging while also increasing capital availability. We believe the divestiture will result in enhanced operational efficiency across the organization by optimizing resource allocation to further strengthen our position in our service offerings within the Pharmacy Solutions and remaining Provider Services segments by focusing on seniors and specialty populations with similar business and delivery models.

### ***Quality Incentive Payment***

As discussed under Part I, Item 1. "Business", the Company was eligible to receive incentive payments in connection with a payor contract based on the Company's Net Promoter Score ("NPS") achieved from surveys performed directly by the payor. During the second fiscal quarter of 2023, our Infusion and Specialty Pharmacy services earned a quality incentive payment ("QIP") of approximately \$30 million. The Company did not receive a QIP during the year ended December 31, 2024. The QIP program has reached its conclusion.

### ***Legal Costs and Settlements Accrual***

In November 2023, the Company agreed to settle the Silver matter without admitting liability, as discussed under Part I, Item 3. "Legal Proceedings". On May 29, 2024, the parties entered into a final settlement agreement, which was approved by both the United States Department of Justice and the District Court. The total financial impact of the settlement is \$120.0 million; \$115.0 million of which was recorded during the year ended December 31, 2023 as an estimate, and an incremental \$5.0 million was recorded in the year ended December 31, 2024 once the settlement agreement was finalized. We paid \$110.0 million of the settlement in 2024, and the remainder will be paid in 2025. The District Court entered an order dismissing the Silver action in its entirety, with prejudice, on July 3, 2024. See Note 15 "Commitments and Contingencies" within the audited consolidated financial statements and related notes, included elsewhere in this Annual Report on Form 10-K.

### ***Update on the Impact of the COVID-19 Pandemic***

On May 11, 2023, the Department of Health and Human Services declared the COVID-19 pandemic is no longer a public health emergency. New variants could affect our operations for an extended period; however, at this time we cannot confidently forecast the duration or the ultimate financial impact on our operations, should such an impact occur. In the year ended December 31, 2024, the Company received no funds from the Provider Relief Fund ("PRF") and recognized no income related to the program. The Company received and recognized into income \$18.8 million from the PRF for the year ended December 31, 2023. The income recognized was offset directly by the expenses incurred within selling, general, and administrative expenses in our audited consolidated statement of operations, which resulted in no net financial impact to the Company.

## **Components of Results of Operations**

*Revenues.* The Company recognizes the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. For transactions involving the transfer of goods, revenues are primarily recognized when the customer obtains control of the products sold, which is generally upon shipment or delivery, depending on the delivery terms specified in the sales agreement. For transactions exclusively involving provision of services, revenues are recognized over time based on an appropriate measure of progress.

*Cost of Goods and Cost of Services.* We classify expenses directly related to providing goods and services, including depreciation and amortization, as cost of goods and cost of services. Direct costs and expenses primarily include cost of drugs, net of rebates, salaries and benefits for direct care and service professionals, contracted labor costs, insurance costs,

transportation costs for clients requiring services, certain client expenses such as supplies and medicine, facility occupancy expenses, which primarily comprise rent and utilities, and other miscellaneous direct goods or service-related expenses.

*Selling, General, and Administrative Expenses.* Selling, general, and administrative expenses consist of expenses incurred in support of our operations and administrative functions and include labor costs, such as salaries, bonuses, commissions, benefits, and travel-related expenses, distribution expenses, facilities rental costs, third-party revenue cycle management costs, and corporate support costs including finance, information technology, legal costs and settlements, human resources, procurement, and other administrative costs.

*Loss on Extinguishment of Debt.* Loss on extinguishment of debt reflects the write-off of unamortized debt issuance costs upon the early repayment of our Second Lien Facility.

*Interest Expense, net.* Interest expense, net includes interest paid on and debt service costs associated with our various debt instruments, including our First Lien Facilities and Second Lien Facility, and the amortization of related deferred financing fees, which are amortized over the term of the respective credit agreement. Interest expense, net also includes the portion of the gain or loss on our interest rate swap agreements that is reclassified into earnings.

*Income Tax Benefit.* Our provision for income taxes is based on permanent book/tax differences and statutory tax rates in the various jurisdictions in which we operate. Significant estimates and judgments are required in determining the provision for income taxes.

## Results of Operations

This section of this Annual Report on Form 10-K generally discusses the years ended December 31, 2024 and 2023 and year-over-year comparisons between the years ended December 31, 2024 and 2023. For information of our results of operations for the year ended December 31, 2023 compared to the year ended December 31, 2022, refer to Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our previously filed Annual Report on Form 10-K.

### Consolidated Results of Operations

(\$ in thousands)

	For the Years Ended December 31,			
	2024	2023	Change	
			Amount	%
Revenues:				
Products	\$ 8,754,282	\$ 6,522,450	\$ 2,231,832	34.2%
Services	1,317,932	1,168,566	149,366	12.8%
Total revenues	10,072,214	7,691,016	2,381,198	31.0%
Cost of goods	8,008,501	5,840,716	2,167,785	37.1%
Cost of services	797,286	711,304	85,982	12.1%
Gross profit	1,266,427	1,138,996	127,431	11.2%
Selling, general, and administrative expenses	1,158,473	1,080,871	77,602	7.2%
Operating income	107,954	58,125	49,829	85.7%
Loss on extinguishment of debt	12,726	—	12,726	n.m.
Interest expense, net	190,546	271,899	(81,353)	(29.9)%
Loss before income taxes	(95,318)	(213,774)	118,456	n.m.
Income tax benefit	(26,387)	(31,508)	5,121	n.m.
Net loss	\$ (68,931)	\$ (182,266)	\$ 113,335	n.m.
Adjusted EBITDA <sup>(1)</sup>	\$ 460,220	\$ 421,345	\$ 38,875	9.2%

\* n.m.: not meaningful

<sup>(1)</sup> Reconciliation of GAAP to non-GAAP results is provided in the section "Non-GAAP Financial Measures" in Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations"

The following discussion of our results of operations should be read in conjunction with the foregoing table summarizing our consolidated results of operations.

### *Revenues*

Revenues were \$10,072.2 million for the year ended December 31, 2024, as compared with \$7,691.0 million for the year ended December 31, 2023, an increase of \$2,381.2 million or 31.0%. The increase resulted from growth in our Pharmacy Solutions and Provider Services segments. See additional discussion in “—Segment Results of Operations” below.

### *Cost of Goods*

Cost of goods was \$8,008.5 million for the year ended December 31, 2024, as compared with \$5,840.7 million for the year ended December 31, 2023, an increase of \$2,167.8 million or 37.1%. The increase resulted from an increase in Pharmacy Solutions cost of goods. See additional discussion in “—Segment Results of Operations” below.

### *Cost of Services*

Cost of services was \$797.3 million for the year ended December 31, 2024, as compared with \$711.3 million for the year ended December 31, 2023, an increase of \$86.0 million or 12.1%. The increase resulted from an increase in Provider Services cost of services. See additional discussion in “—Segment Results of Operations” below.

### *Selling, General, and Administrative Expenses*

Selling, general, and administrative expenses were \$1,158.5 million for the year ended December 31, 2024, as compared with \$1,080.9 million for the year ended December 31, 2023, an increase of \$77.6 million or 7.2%. The increase primarily resulted from the following segment activity and factors:

- an increase of \$65.0 million, or 6.0% growth on consolidated 2023 selling, general, and administrative expenses, as a result of growth in our Pharmacy Solutions and Provider Services segments. See additional discussion in “—Segment Results of Operations” below;
- an increase of \$44.1 million, or 4.1% growth on consolidated 2023 selling, general, and administrative expenses, as a result of our IPO Offerings and are therefore not expected to reoccur. These expenses include \$22.7 million of termination fees paid to the Managers in connection with the termination of our Monitoring Agreement; \$15.0 million of previously unrecognized non-cash share-based compensation expense related to performance-vesting options, a portion of which vested upon the IPO; and \$6.4 million of non-capitalizable offering costs;
- an increase of \$41.4 million, or 3.8% growth on consolidated 2023 selling, general, and administrative expenses, due to non-cash share-based compensation related to the new equity awards granted to management and certain full-time employees in conjunction with the IPO;
- an increase of \$32.9 million, or 3.0% growth on consolidated 2023 selling, general, and administrative expenses, as a result of an increase in other operational expenses year-over-year; offset by,
- a decrease of \$105.8 million, or 9.7%, decline on consolidated 2023 selling, general, and administrative expenses, due to the settlement and changes in estimate of legal settlements and defense costs related to certain historical PharMerica litigation matters, which includes the Silver matter. See Note 15 “Commitments and Contingencies” within the audited consolidated financial statements and related notes.

### *Interest Expense, net*

Interest expense, net was \$190.5 million for the year ended December 31, 2024, as compared with \$271.9 million for the year ended December 31, 2023, a decrease of \$81.4 million or 29.9%. The decrease primarily resulted from lower outstanding term debt as compared to the prior period and a \$3.9 million increase in interest income related to cash flow hedges of interest rate risk. The Company's outstanding term debt decreased in the first fiscal quarter of 2024 as a result of the paydowns on our term debt using proceeds from the IPO Offerings. The Company also refinanced the First Lien facility in the first fiscal quarter of 2024 and, again, in the fourth fiscal quarter of 2024 resulting in a reduction of the applicable interest rate margin to 3.25% and 2.50%, respectively.

### *Income Tax Benefit*

Income tax benefit was \$26.4 million for the year ended December 31, 2024, as compared with \$31.5 million for the year ended December 31, 2023, a change of \$5.1 million which corresponds with a change in the effective tax rate from 14.7% for the year ended December 31, 2023 to 27.7% for the year ended December 31, 2024. The increase in the effective tax rate is primarily due to limitations on the deductibility of certain executive compensation that now apply to the Company upon completion of its IPO in January 2024, partially offset by the tax benefit related to the Silver legal settlement. The terms of the settlement agreement, including partial deductibility for tax purposes, were finalized in 2024 and resulted in favorable

treatment for tax purposes. See Note 15 “Commitments and Contingencies” within the consolidated financial statements and related notes, included elsewhere in this Annual Report on Form 10-K.

#### Net Loss

Net loss was \$68.9 million for the year ended December 31, 2024, as compared with \$182.3 million for the year ended December 31, 2023, a decrease of \$113.3 million. Net loss for 2024 includes the aforementioned \$44.1 million of expense related to non-recurring costs directly associated with the IPO Offerings. Additionally, the Company incurred a write-off of \$12.7 million of unamortized debt issuance costs upon the extinguishment of the Second Lien and \$41.4 million of non-cash share-based compensation expense related to new equity awards granted to management and certain full-time employees in connection with the IPO Offerings. The increase in expenses is offset by the aforementioned decrease in interest expense, net, income tax benefit, and legal settlement and defense costs, and increase in revenues. When excluding the approximately \$30 million QIP received in 2023, net loss decreased by \$143.6 million compared to a net loss of \$212.5 million in 2023.

#### Adjusted EBITDA <sup>(1)</sup>

Adjusted EBITDA was \$460.2 million for the year ended December 31, 2024, as compared with \$421.3 million for the year ended December 31, 2023, an increase of \$38.9 million or 9.2%. When excluding the approximately \$30 million QIP received in 2023, Adjusted EBITDA increased \$69.1 million or 17.7%. The increase of \$38.9 million primarily resulted from the following segment activity and factors:

- an increase of \$59.6 million, or 14.1% growth on consolidated 2023 Adjusted EBITDA, as a result of growth in our Pharmacy Solutions and Provider Services segments. See additional discussion in “—Segment Results of Operations” below; offset by,
  - When excluding the approximately \$30 million QIP received in 2023, consolidated Adjusted EBITDA related to the Pharmacy Solutions segment increased compared to consolidated Adjusted EBITDA of \$391.1 million in 2023.
- a decrease of \$20.7 million, or 4.9% decline on consolidated 2023 Adjusted EBITDA, as a result of increased corporate expenses incurred primarily due to investments in information technology and positions to support growth within the business.

<sup>(1)</sup> Reconciliation of GAAP to non-GAAP results is provided in the section “Non-GAAP Financial Measures” in Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations”

#### Segment Results of Operations

##### Pharmacy Solutions Segment

The following table sets forth, for the years indicated, our segment results of operations.

	<b>Pharmacy Solutions</b>			
	<b>For the Years Ended December 31,</b>			
	<b>2024</b>	<b>2023</b>	<b>Change</b>	
			<b>Amount</b>	<b>%</b>
Revenues	\$ 8,754,282	\$ 6,522,450	\$ 2,231,832	34.2%
Cost of goods	8,008,501	5,840,716	2,167,785	37.1%
Gross profit	745,781	681,734	64,047	9.4%
Selling, general, and administrative expenses	462,219	426,521	35,698	8.4%
Segment operating income	\$ 283,562	\$ 255,213	\$ 28,349	11.1%
Segment EBITDA	\$ 394,665	\$ 370,962	\$ 23,703	6.4%
<b>Business Metrics:</b>				
Prescriptions dispensed	41,816,584	37,390,655	4,425,929	11.8%
Revenue per script	\$ 209.35	\$ 174.44	\$ 34.91	20.0%
Gross profit per script	\$ 17.83	\$ 18.23	\$ (0.40)	(2.2)%

### *Revenues*

Revenues were \$8,754.3 million for the year ended December 31, 2024, as compared with \$6,522.5 million for the year ended December 31, 2023, an increase of \$2,231.8 million or 34.2%. The increase primarily resulted from volume growth in prescriptions dispensed across and within the Pharmacy Solutions segment. Revenue attributable to Infusion and Specialty Pharmacy was \$6,526.0 million for the year ended December 31, 2024, as compared with \$4,600.9 million for the year ended December 31, 2023, an increase of \$1,925.1 million or 41.8% attributable to an increase in prescriptions dispensed on certain specialty branded drugs. Revenue attributable to Home and Community Pharmacy was \$2,228.3 million for the year ended December 31, 2024, as compared with \$1,921.6 million for the year ended December 31, 2023, an increase of \$306.7 million or 16.0% attributable to volume growth.

The increase in revenue per prescription dispensed is due to mix changes year-over-year and a greater relative increase in volume growth in certain specialty brand drugs, which carry a higher revenue per prescription dispensed.

### *Cost of Goods*

Cost of goods was \$8,008.5 million for the year ended December 31, 2024, as compared with \$5,840.7 million for the year ended December 31, 2023, an increase of \$2,167.8 million or 37.1%. The increase primarily resulted from the aforementioned revenue growth in the period as well as an increase in cost per prescription dispensed as a result of mix shift.

Gross profit was \$745.8 million for the year ended December 31, 2024, as compared with \$681.7 million for the year ended December 31, 2023, an increase of \$64.0 million or 9.4%. The increase primarily resulted from the aforementioned revenue growth in the period, primarily the result of outsized volume growth as well as mix in certain specialty branded drugs, which have lower margins, partially offset by the QIP received in 2023 for which there was no comparable in 2024. When excluding the approximately \$30 million QIP received in 2023, gross profit increased 14.5% compared to gross profit of \$651.5 million in 2023.

Gross profit margin for the year ended December 31, 2024 was 8.5% compared to 10.5% for the year ended December 31, 2023. The decrease in gross profit margin is due to mix shift in the Pharmacy Solutions segment with greater relative volume growth in Infusion and Specialty Pharmacy, along with product-level mix shifts, rate changes, an increase in the fulfillment cost per script in Home and Community Pharmacy, and the QIP received in 2023 for which there was no comparable in 2024. When excluding the aforementioned QIP, gross profit margin was 10.0% for the year ended December 31, 2023.

### *Selling, General, and Administrative Expenses*

Selling, general, and administrative expenses were \$462.2 million for the year ended December 31, 2024, as compared with \$426.5 million for the year ended December 31, 2023, an increase of \$35.7 million or 8.4%. The increase primarily resulted from the aforementioned revenue growth in the period with selling, general, and administrative expenses growing less than the volume growth rate and demonstrating economies of scale.

### *Segment EBITDA*

Segment EBITDA was \$394.7 million for the year ended December 31, 2024, as compared with \$371.0 million for the year ended December 31, 2023, an increase of \$23.7 million or 6.4%. The increase primarily resulted from the aforementioned revenue and gross profit growth in the period, partially offset by the QIP received in 2023 for which there was no comparable in 2024. When excluding the approximately \$30 million QIP received in 2023, segment EBITDA increased 15.8% compared to segment EBITDA of \$340.8 million in 2023. See Note 18 "Segment Information" to our audited consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K for further discussion.

## Provider Services Segment

The following table sets forth, for the years indicated, our segment results of operations.

(\$ in thousands, except Business Metrics)	Provider Services			
	For the Years Ended December 31,			
	2024	2023	Change	
			Amount	%
Revenues	\$ 1,317,932	\$ 1,168,566	\$ 149,366	12.8%
Cost of services	797,286	711,304	85,982	12.1%
Gross profit	520,646	457,262	63,384	13.9%
Selling, general, and administrative expenses	340,034	310,747	29,287	9.4%
Segment operating income	\$ 180,612	\$ 146,515	\$ 34,097	23.3%
Segment EBITDA	\$ 205,287	\$ 169,412	\$ 35,875	21.2%
Business Metrics:				
Home Health Care average daily census	29,023	24,063	4,960	20.6%
Rehab Care persons served	6,597	6,564	33	0.5%
Personal Care persons served	15,879	16,011	(132)	(0.8)%

### Revenues

Revenues were \$1,317.9 million for the year ended December 31, 2024, as compared with \$1,168.5 million for the year ended December 31, 2023, an increase of \$149.4 million or 12.8%. The increase primarily resulted from volume growth as well as rate increases received during the period. Revenue attributable to Home Health Care was \$655.4 million for the year ended December 31, 2024, as compared with \$556.9 million for the year ended December 31, 2023, an increase of \$98.5 million or 17.7%. Revenue attributable to Rehab Care was \$276.6 million for the year ended December 31, 2024, as compared with \$247.1 million for the year ended December 31, 2023, an increase of \$29.5 million or 11.9%. Revenue attributable to Personal Care was \$385.9 million for the year ended December 31, 2024, as compared with \$364.5 million for the year ended December 31, 2023, an increase of \$21.4 million or 5.9%.

### Cost of Services

Cost of services was \$797.3 million for the year ended December 31, 2024, as compared with \$711.3 million for the year ended December 31, 2023, an increase of \$86.0 million or 12.1%. The increase primarily resulted from the aforementioned revenue growth and included operational improvements resulting in lower costs of services increases compared to revenue growth.

Gross profit was \$520.6 million for the year ended December 31, 2024, as compared with \$457.3 million for the year ended December 31, 2023, an increase of \$63.4 million or 13.9%. The increase primarily resulted from the aforementioned revenue growth and costs of services improvements in the period.

### Selling, General, and Administrative Expenses

Selling, general, and administrative expenses were \$340.0 million for the year ended December 31, 2024, as compared with \$310.7 million for the year ended December 31, 2023, an increase of \$29.3 million or 9.4%. The increase primarily resulted from the aforementioned revenue growth in the period with selling, general, and administrative expenses growing less than the volume growth rate and demonstrating economies of scale.

### Segment EBITDA

Segment EBITDA was \$205.3 million for the year ended December 31, 2024, as compared with \$169.4 million for the year ended December 31, 2023, an increase of \$35.9 million or 21.2%. The increase primarily resulted from the aforementioned revenue growth and operational improvements impacting cost of services. See Note 18 "Segment

Information” to our audited consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K for further discussion.

### **Non-GAAP Financial Measures**

In addition to our results of operations prepared in accordance with U.S. GAAP, which we have discussed above, we also evaluate our financial performance using EBITDA, Adjusted EBITDA, and Adjusted EPS. These non-GAAP financial measures are not intended to replace financial performance measures determined in accordance with U.S. GAAP, such as net loss and diluted EPS. Rather, we present EBITDA, Adjusted EBITDA, and Adjusted EPS as supplemental measures of our performance.

#### *EBITDA, Adjusted EBITDA, and Adjusted EPS*

The following are key financial metrics and, when used in conjunction with U.S. GAAP measures, we believe they provide useful information for evaluating our core business performance, enable comparison of financial results across periods, and allow for greater transparency with respect to key metrics used by management for financial and operational decision-making. We define EBITDA as net loss before income tax benefit, interest expense, net, and depreciation and amortization. Adjusted EBITDA and Adjusted EPS exclude certain other items that are either non-recurring, infrequent, non-cash, unusual, or items deemed by management to not be indicative of the performance of our core operations, including non-cash, share-based compensation; acquisition, integration, and transaction-related costs; restructuring and divestiture-related and other costs; legal and settlement costs associated with certain historical matters for PharMerica; significant projects; management fees; and unreimbursed COVID-19 related costs. In determining which adjustments are made to arrive at Adjusted EBITDA and Adjusted EPS, management considers both (1) certain non-recurring, infrequent, non-cash, or unusual items, which can vary significantly from year to year, as well as (2) certain other items that may be recurring, frequent, or settled in cash but which management does not believe are indicative of our core operating performance. The financial measure calculated under U.S. GAAP which is most directly comparable to Adjusted EBITDA is net loss. The financial measure calculated under U.S. GAAP which is most directly comparable to Adjusted EPS is diluted EPS.

We have historically incurred substantial acquisition, integration, and transaction-related costs. The underlying acquisition activities take place over a defined timeframe, have distinct project timelines, and are incremental to activities and costs that arise in the ordinary course of our business. Therefore, we have excluded these costs from our Adjusted EBITDA and Adjusted EPS because it provides management a normalized view of our core, ongoing operations after integrating our acquired companies.

The legal costs and settlements adjustment represents defense costs associated with certain PharMerica litigation matters, all of which have been finalized as of December 31, 2024, that commenced prior to KKR Stockholder’s and Walgreen Stockholder’s acquisition of PharMerica in December 2017, as well as settlement costs associated with the Silver matter, which settled in November 2023. We have excluded defense costs associated with these PharMerica litigation matters from our Adjusted EBITDA and Adjusted EPS due to the magnitude of these cases and the costs attributable to them, the timing of the commencement of the cases and the fact that no similar cases have been brought against the Company since the acquisition of PharMerica, and the fact that these cases are unlike our routine legal and regulatory proceedings that we see in the normal course of business. Further, we have excluded settlement costs associated with the Silver matter from our Adjusted EBITDA and Adjusted EPS due to the magnitude of the case and the costs attributable to it, as well as the fact that the Silver matter is unlike our routine legal and regulatory proceedings that we see in the normal course of business.

The significant projects adjustment represents costs associated with certain transformational projects, which are not considered to be a part of our normal and recurring business operations and are not expected to recur in our future business plans. As of December 31, 2024, all significant projects have been finalized. Moreover, the costs associated with significant projects, which are incurred on an infrequent and limited basis, are not reflective of our operating performance. Due to the aforementioned reasons, we have excluded the costs related to significant projects from our Adjusted EBITDA and Adjusted EPS, as such adjustment provides a more meaningful understanding to investors and others of our ongoing results.

The management fees adjustment represents fees paid historically under the Monitoring Agreement related to either (i) activities that are expected to be performed by our existing personnel upon the termination of the Monitoring Agreement, and thus not expected to result in incremental costs subsequent to the IPO Offerings, or (ii) acquisitions, divestitures, and external financing activities, which costs would otherwise be excluded from our Adjusted EBITDA and Adjusted EPS. Therefore, we have excluded management fees from our Adjusted EBITDA and Adjusted EPS, as such fees are no longer applicable and representative of our ordinary operating performance as a result of the completion of the IPO Offerings.

EBITDA, Adjusted EBITDA, and Adjusted EPS are not measures of financial performance under U.S. GAAP and should be considered in addition to, and not as a substitute for, net loss, diluted EPS or other financial measures performed in

accordance with U.S. GAAP. Our method of determining non-GAAP financial measures may differ from other companies' financial measures and therefore may not be comparable to methods used by other companies.

Given our determination of adjustments in arriving at our computations of EBITDA, Adjusted EBITDA, and Adjusted EPS, these non-GAAP measures have limitations as analytical tools and should not be considered in isolation or as substitutes or alternatives to net loss, operating income, loss per diluted share, cash flows from operating activities, total indebtedness, or any other financial measures calculated in accordance with U.S. GAAP.

The following table reconciles net loss to EBITDA and Adjusted EBITDA:

(\$ in thousands)	For the Years Ended December 31,	
	2024	2023
Net loss	\$ (68,931)	\$ (182,266)
Income tax benefit	(26,387)	(31,508)
Interest expense, net	190,546	271,899
Depreciation and amortization	162,144	160,557
EBITDA	\$ 257,372	\$ 218,682
Non-cash share-based compensation <sup>(1)</sup>	61,336	3,780
Acquisition, integration, and transaction-related costs <sup>(2)</sup>	31,953	18,035
Restructuring and divestiture-related and other costs <sup>(3)</sup>	61,688	39,055
Legal costs and settlements <sup>(4)</sup>	21,886	127,695
Significant projects <sup>(5)</sup>	2,604	8,379
Management fees <sup>(6)</sup>	23,381	5,631
Unreimbursed COVID-19 related costs	—	88
Total adjustments	\$ 202,848	\$ 202,663
Adjusted EBITDA	\$ 460,220	\$ 421,345

- (1) Represents non-cash share-based compensation to certain members of our management and other full-time employees. The year ended December 31, 2024 includes \$41.4 million of costs related to new equity awards granted upon the completion of our IPO under the 2024 Equity Incentive Plan and \$15.0 million of previously unrecognized share-based compensation expense related to performance-vesting options under the 2017 Stock Plan, a portion of which vested upon completion of the IPO.
- (2) Represents transaction costs incurred in connection with planned, completed, or terminated acquisitions, which include investment banking fees, legal diligence and related documentation costs, finance and accounting diligence and documentation; costs associated with the integration of acquisitions, including any facility consolidation, integration travel, or severance; and costs associated with other planned, completed, or terminated non-routine transactions. The year ended December 31, 2024 includes acquisition and integration related costs of \$17.4 million, earn-out adjustments from previous acquisitions of \$2.4 million, and other non-routine transaction costs of \$5.8 million, as compared to acquisition and integration related costs of \$3.7 million for the year ended December 31, 2023. These costs also included \$6.4 million and \$4.7 million of costs related to the IPO Offerings which were not capitalizable for the years ended December 31, 2024 and 2023, respectively.
- (3) Represents costs associated with restructuring-related activities, including closure costs, and related license impairment, and severance expenses associated with certain enterprise-wide or significant business line cost-savings measures. These costs included \$12.7 million of unamortized debt issuance costs associated with the extinguishment of our Second Lien Facility in the year ended December 31, 2024. These costs also included \$1.7 million and \$1.5 million of intangible asset impairment for the years ended December 31, 2024 and 2023, respectively.
- (4) Represents settlement and defense costs associated with certain historical PharMerica litigation matters, including the Silver matter, all of which were finalized in 2024. See Note 15 "Commitments and Contingencies" within the audited consolidated financial statements and related notes, included elsewhere in this Annual Report on Form 10-K, for additional information.
- (5) Represents costs associated with certain transformational projects and for the periods presented primarily included general ledger system implementation, pharmacy billing system implementation, and ransomware attack response costs, all of which were finalized in 2024. General ledger system migration and related business intelligence system implementation costs, which were capitalized as development costs and are subsequently amortized in accordance with ASC 350-40, *Internal Use Software*, were \$0.7 million and \$2.0 million for the years ended December 31, 2024, and 2023, respectively. Pharmacy billing system implementation costs were \$0.7 million and \$2.2 million for the year

ended December 31, 2024 and 2023, respectively. Ransomware attack response costs were \$1.0 million and \$3.4 million for the years ended December 31, 2024 and 2023.

- (6) Represents annual management fees payable to the Managers under the Monitoring Agreement through the date of the IPO, and \$22.7 million of termination fees resulting from the Monitoring Agreement being terminated upon completion of the IPO Offerings. All management fees have ceased following the completion of the IPO.

The following table reconciles diluted EPS to Adjusted EPS:

<i>(shares in thousands)</i>	<b>For the Years Ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
Diluted EPS	\$ (0.34)	\$ (1.53)
Non-cash share-based compensation <sup>(1)</sup>	0.30	0.03
Acquisition, integration, and transaction-related costs <sup>(1)</sup>	0.16	0.15
Restructuring and divestiture-related and other costs <sup>(1)</sup>	0.31	0.33
Legal costs and settlements <sup>(1)</sup>	0.11	1.08
Significant projects <sup>(1)</sup>	0.01	0.07
Management fee <sup>(1)</sup>	0.12	0.05
Unreimbursed COVID-19 related costs <sup>(1)</sup>	—	0.00
Income tax impact on adjustments <sup>(2)(3)</sup>	(0.32)	(0.20)
Adjusted EPS	\$ 0.35	\$ (0.02)
Weighted average common shares outstanding used in calculating diluted U.S. GAAP net loss per share	192,997	117,868
Weighted average common shares outstanding used in calculating diluted Non-GAAP earnings per share	202,106	117,868

(1) This adjustment reflects the per share impact of the adjustment reflected within the definition of Adjusted EBITDA.

(2) The income tax impact of non-GAAP adjustments is calculated using the estimated tax rate for the respective non-GAAP adjustment.

(3) For the year ended December 31, 2024, the income tax impact on adjustments is inclusive of a discrete tax benefit related to the Silver matter that was finalized in connection with the signing of the settlement agreement during the second fiscal quarter of 2024.

#### **Liquidity and Capital Resources**

Our principal sources of cash have historically been from operating activities. Our principal source of liquidity in excess of cash from operating activities has historically been from proceeds from our debt facilities and issuances of common stock. Our principal uses of cash and liquidity have historically been for acquisitions, debt service requirements, and financing of working capital. We believe that our operating cash flows, available cash on hand, and availability under our Revolving Credit Facility and the LC Facility will be sufficient to meet our cash requirements for the next twelve months and beyond. Our future capital requirements will depend on many factors that are difficult to predict, including the size, timing, and structure of any future acquisitions, future capital investments, and future results of operations. We cannot assure you that cash provided by operating activities or cash and cash equivalents will be sufficient to meet our future needs. If we are unable to generate sufficient cash flows from operations in the future, we may have to obtain additional financing. If we obtain additional capital by issuing equity, the interests of our existing stockholders will be diluted. If we incur additional indebtedness, that indebtedness may contain significant financial and other covenants that may significantly restrict our operations. We cannot assure you that we could obtain refinancing or additional financing on favorable terms or at all.

We evaluate our liquidity based upon the availability we have under our First Lien Facilities, as applicable, in addition to the net cash provided by (used in) operating, investing, and financing activities. Specifically, we review the activity under the Revolving Credit Facility and the LC Facility and consider period end balances outstanding under the Revolving Credit Facility and the LC Facility. Based upon the outstanding borrowings and letters of credit under the Revolving Credit Facility and the LC Facility, we calculate the availability for incremental borrowings under the Revolving Credit Facility and the LC Facility. Such amount, in addition to cash on our balance sheet, is what we consider to be our "Total Liquidity."

The following table provides a calculation of our Total Liquidity:

(\$ in thousands)	For the Years Ended December 31,		
	2024	2023	
<i>Revolving Credit Facility Rollforward</i>			
Beginning Revolving Credit Facility balance	\$ 50,700	\$ 74,800	
Borrowings (repayments) of swingline debt, net	12,600	(24,100)	
Ending Revolving Credit Facility balance	\$ 63,300	\$ 50,700	
<i>Calculation of Revolving Credit Facility and LC Facility availability</i>			
Revolving Credit Facility and LC Facility limit	\$ 540,000	\$ 530,000	
Less: outstanding Revolving Credit Facility balance	63,300	50,700	
Less: outstanding letters of credit subject to LC Sublimit	—	6,632	
Less: outstanding letters of credit under the LC Facility	61,821	54,279	
End of period Revolving Credit Facility and LC Facility availability	414,879	418,389	
End of period cash balance	60,954	12,430	
Total Liquidity, end of period	\$ 475,833	\$ 430,819	

### Cash Flow Activity

The following table sets forth a summary of our cash flows provided by (used in) operating, investing, and financing activities for the periods presented:

(\$ in thousands)	For the Years Ended December 31,		
	2024	2023	Variance
Net cash provided by operating activities	\$ 23,774	\$ 210,783	\$ (187,009)
Net cash used in investing activities	\$ (140,237)	\$ (134,433)	\$ (5,804)
Net cash provided by (used in) financing activities	\$ 164,645	\$ (76,907)	\$ 241,552

### Operating Activities

Net cash provided by operating activities decreased by \$187.0 million, from \$210.8 million for 2023, to \$23.8 million for 2024. The decrease was primarily due to the following:

- a \$114.0 million increase in cash outflows for the payments of legal settlements including the Silver matter in 2024;
- a \$55.0 million increase in cash outflows due to an increase in strategic inventory purchases from 2023;
- a \$35.5 million increase in one-time cash outflows for direct and indirect remuneration (“DIR”) fees paid in connection with the conclusion of the DIR program;
- an approximately \$30 million decrease in cash inflows related to the QIP received in 2023 that was not received in 2024;
- a \$18.8 million decrease in cash inflows related to the PRF general distribution received in 2023 that was not received in 2024;
- a \$17.6 million increase in cash outflows attributable to acquisition and restructuring activities;
- a \$17.3 million increase in cash outflows directly attributable to management fees paid in 2024 as a result of the termination of the Monitoring Agreement in connection with the IPO Offerings; offset by
- a decrease of \$92.1 million in cash outflows for interest, net primarily as a result of paydowns, extinguishments and modifications of debt utilizing proceeds from the IPO Offerings; and
- a decrease of \$12.5 million in cash outflows for income taxes.

### Investing Activities

Net cash used in investing activities increased by \$5.8 million, from \$134.4 million in 2023, to \$140.2 million in 2024. The increase was primarily due to a \$7.4 million increase in purchases of property and equipment and a decrease of \$3.3 million cash paid for acquisitions.

### *Financing Activities*

Net cash provided by financing activities was \$164.6 million for the year ended December 31, 2024, primarily attributable to net proceeds received from the IPO Offerings of \$1,045.5 million, net borrowings on our Revolving Credit Facility of \$12.6 million, partially offset by extinguishment of and net repayments on our long-term debt of \$830.3 million, payment of debt issuance costs of \$47.0 million, payment of finance lease obligations of \$11.6 million, and other financing activities.

Net cash used in financing activities was \$76.9 million for the year ended December 31, 2023, primarily attributable to repayments on our long-term debt of \$30.4 million, net repayments on our Revolving Credit Facility of \$24.1 million, payment of finance lease obligations of \$11.6 million, and other financing activities.

### **Debt**

We typically incur debt to finance mergers and acquisitions, and we borrow under our Revolving Credit Facility for working capital purposes, as well as to finance acquisitions, as needed.

On March 5, 2019, the Company entered into the First Lien Credit Agreement with Morgan Stanley Senior Funding, Inc., as the Administrative Agent and Collateral Agent. The Company also entered into a \$450.0 million Second Lien Facility with certain Lenders and Wilmington Trust, National Association as the Administrative Agent and Collateral Agent, on the same date. The First Lien Credit Agreement, as amended, also extends credit in the form of a Revolving Credit Facility, or the Revolver, which is comprised of Revolving Credit Loans and Swingline Loans. The total borrowing capacity of the Revolver as of December 31, 2024 was \$475.0 million. Additionally, the Letter of Credit Issuer may issue standby Letters of Credit at any time and the Swingline Lender may issue Swingline Loans in an aggregated amount outstanding not in excess of \$65.0 million.

Following our IPO Offerings in January 2024, we used a portion of the net proceeds received to repay all outstanding borrowings under the Second Lien Facility and repay \$343.3 million of borrowings under the First Lien Facility. No remaining obligation exists related to the Second Lien Facility and the transaction was accounted for as a debt extinguishment resulting in a \$12.7 million related to the write-off of unamortized debt issuance costs. At that time, we also established a new Tranche B-4 under the First Lien to refinance the equivalent amount of the remaining First Lien Tranche B-1, B-2 and B-3 borrowings. On December 11, 2024, we again amended the First Lien to establish a new Tranche B-5 Term Loan ("Tranche B-5") in an aggregate principal amount of \$2,553.2 million to refinance the equivalent amount of the remaining Tranche B-4 borrowings at a rate equal to SOFR plus 2.50% or ABR plus 1.50% with a maturity date of February 21, 2031.

Concurrently with the IPO, we issued 8,000,000 TEUs, which have a stated amount of \$50.00 per unit. Each TEU is comprised of a prepaid stock purchase contract ("Purchase Contract") and a senior amortizing note ("Amortizing Note") due February 1, 2027, each issued by the Company. Refer to Note 7 within our consolidated financial statements and related notes in this Annual Report on Form 10-K for further discussion.

Our outstanding debt as of December 31, 2024 was \$2,683.3 million, which is primarily comprised of \$2,546.8 million outstanding under the First Lien Facility, \$63.3 million outstanding under the Revolver, and \$53.8 million outstanding related to Amortizing Notes.

The First Lien Credit Agreement described above contain customary negative covenants, including, but not limited to, restrictions on the Company and its restricted subsidiaries' ability to merge and consolidate with other companies, incur indebtedness, grant liens or security interests on assets, make acquisitions, loans, advances, or investments, pay dividends, sell or otherwise transfer assets, prepay or modify terms of certain junior indebtedness, enter into transactions with affiliates, or change their lines of business or fiscal year. In addition, under the Revolving Credit Facility, the Company will not permit the consolidated first lien secured debt to consolidated EBITDA (as defined in the First Lien Credit Agreement) ratio to be greater than 6.90 to 1.00, which shall be tested as of the end of the most recent quarter at any time when the aggregate revolving credit loans exceed 35% of the total revolving credit commitments. We were in compliance with all applicable financial covenants under the First Lien Facilities as of December 31, 2024.

### *Interest Rate Swap Agreements*

To manage fluctuations in cash flows resulting from changes in the variable rates, the Company entered into three receive-variable, pay-fixed interest rate swap agreements, with a combined notional value of \$2.0 billion, all effective September 30, 2022 with a maturity date of September 30, 2025. The refinancings of existing term debt in 2024, did not result in a change to the terms of the interest rate swap agreements. For years ended December 31, 2024 and 2023, interest

expense, net includes interest income related to cash flow hedges of interest rate risk of \$35.3 million and \$31.4 million, respectively.

The table below summarizes the total outstanding debt of the Company:

(\$ in thousands)	Rate		Long-term obligation and note payable		Interest Expense	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023	Fiscal Year 2024	Fiscal Year 2023
First Lien - payable to lenders at SOFR plus applicable margin	—	8.72%	\$ —	\$ 1,719,360	\$ 18,151	\$ 123,564
First Lien Tranche B-2 and B-3 - payable to lenders at SOFR plus applicable margin	—	8.97%	—	1,189,975	12,923	88,078
First Lien Incremental Term Loan Tranche B-4 - payable to lenders at SOFR plus applicable margin	—	—	—	—	150,759	—
First Lien Incremental Term Loan Tranche B-5 - payable to lenders at SOFR plus applicable margin	6.86%	—	2,546,787	—	8,857	—
Second Lien - payable to lenders at SOFR plus applicable margin	—	13.97%	—	450,000	4,482	52,423
Revolving Credit Loans - payable to lenders at SOFR plus applicable margin	7.61%	9.59%	—	50,000	331	3,371
Swingline Loans and Base Rate Loans - payable to lenders at ABR plus applicable margin	9.75%	11.75%	63,300	700	10,602	10,350
Amortizing Notes			53,804	—	4,899	—
Notes payable and other			19,428	4,356	316	2
Amortization of deferred financing costs & other, net of interest income from cash flow hedges			—	—	(20,774)	(5,889)
Total debt			\$ 2,683,319	\$ 3,414,391	\$ 190,546	\$ 271,899
Less: debt issuance costs, net			72,736	50,177		
Total debt, net of debt issuance costs			2,610,583	3,364,214		
Less: Current portion of long-term debt			48,725	32,273		
Total long-term debt, net of current portion			\$ 2,561,858	\$ 3,331,941		

Our Company leverage, as calculated under our First Lien Credit Facilities, was 4.16x at December 31, 2024. Our Company leverage, as calculated under our First Lien Facilities and the Second Lien Credit Agreement, was 5.86x at December 31, 2023.

#### Off-Balance Sheet Arrangements

As of December 31, 2024 and 2023, we did not have any material off-balance sheet arrangements. As part of our ongoing business, we do not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, or SPEs, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As of December 31, 2024 and 2023, we were not involved in any unconsolidated SPE transactions. We do enter into letters of credit in the normal course of our operations.

#### Critical Accounting Policies and Use of Estimates

In preparing our consolidated financial statements in conformity with U.S. GAAP, we must use estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosures and the reported amounts of revenue and expenses. In general, our estimates are based on historical experience and various other assumptions we believe are reasonable under the circumstances. We evaluate our estimates on an ongoing basis and make changes to the estimates and related disclosures as experience develops or new information becomes known. Actual results could differ from those estimates.

We consider our critical accounting policies and estimates to be those that involve significant judgments and uncertainties and may potentially result in materially different results under different assumptions and conditions. See Note 1 "Significant Accounting Policies" to our audited consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K for a summary of all of our significant accounting policies.

## **Revenue Recognition**

The Company recognizes the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. For transactions involving the transfer of goods, revenues are primarily recognized when the customer obtains control of the products sold, which is generally upon shipment or delivery, depending on the delivery terms specified in the sales agreement. For transactions exclusively involving provision of services, revenues are recognized over time based on an appropriate measure of progress. Additionally, as a policy, where we are required to collect sales taxes from our customers, revenue is recognized net of any taxes collected, and the sales tax amounts are recorded as a liability until remitted to the governmental taxing authorities.

Revenues and the associated receivables are based upon the actual reimbursements to be received and include contractual allowances based upon historical trends, contractual reimbursement terms, and other factors which may impact ultimate reimbursement. Amounts are adjusted to actual reimbursed amounts based upon cash receipts.

### *Pharmacy Solutions*

Pharmacy Solutions revenues are generated from the products and services provided in association with the distribution of prescription drugs to consumers primarily under contracts with Prescription Drug Plans, or PDPs, under Medicare Part D, state Medicaid programs, long-term care institutions, third party insurance companies, and private payors. Services provided include individualized medication management and support, staff and patient support programs and solutions, regulatory support, and product delivery. When an order for a prescription is placed with the Company, it creates the performance obligation to deliver a prescription and related services. The performance obligation is satisfied at a point in time upon shipment for specialty pharmacies and upon delivery for other pharmacies. Revenues are recognized at a point in time when the associated performance obligations are satisfied at the contractual rate established at or before the time the performance obligation is satisfied.

### *Provider Services*

Provider Services revenues are generated from providing care services directly to consumers under contracts with state, local, and other governmental agencies, as well as commercial insurance companies, long-term care insurance policies, private pay customers, and management contracts with private operators. Generally, these contracts, which are negotiated based on current contract practices as appropriate for the payor, establish the terms of a customer relationship, and set the broad range of terms for services to be performed at a stated rate. The contracts do not give rise to rights and obligations until a service request is placed with the Company. Contract terms vary but generally are for one year or less with available renewal options and a 30 – 60-day reimbursement period. When a service request is placed with the Company, it creates the performance obligation to provide a defined quantity of service hours per patient. Performance obligations to deliver patient care services are satisfied over time and revenue is recognized using a time-based input method to measure progress against the contract between the Company and the customer, given that consumers simultaneously receive and consume the benefits provided by the Company as the services are performed. Revenues are recognized over a period of time as the services are rendered at the contractual rate established at or before the time services are rendered; thus, there are no forms of variable consideration associated with the various revenue streams.

## **Accounts Receivable and Allowance for Credit Losses**

Accounts receivable primarily consist of amounts due from PDPs under Medicare Part D, institutional healthcare providers, state Medicaid programs, other government agencies, third-party insurance companies, and private payors. The Company performs a periodic analysis to review the valuation of accounts receivable and collectability of outstanding balances. Management's evaluation takes into consideration factors such as historical bad debt experience, business and economic conditions, trends in healthcare coverage, other collection indicators, and information about specific receivables. The Company's evaluation also considers the age and composition of the outstanding amounts in determining their estimated net realizable value. The Company's ability to collect outstanding receivables is critical to its results of operations and cash flows. To provide for accounts receivable that could become uncollectible in the future, the Company establishes an allowance for credit losses to reduce the carrying value of such receivables to the extent it is probable that a portion or all of a particular account will not be collected, with the related expense recorded as a component of selling, general, and administrative expenses.

## Goodwill and Intangible Assets

Goodwill represents the amount of the purchase price in excess of the fair values assigned to the underlying identifiable net assets of acquired businesses. Goodwill is not amortized, but is subject to an annual impairment test. Tests are performed more frequently if events occur or circumstances change, that would more-likely-than-not reduce the fair value of the reporting unit below its carrying amount.

The Company performs an annual goodwill impairment test on October 1st of each year for each reporting unit. The Company first assesses certain qualitative factors to determine whether the existence of events or circumstances would indicate that it is more-likely-than-not that the fair value of a reporting unit was less than its carrying amount. If after assessing the totality of events and circumstances, we were to determine that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, then we would perform quantitative impairment testing. The quantitative impairment test is a single-step process. The process requires the Company to estimate and compare the fair value of a reporting unit to its carrying amount, including goodwill. If the fair value exceeds the carrying amount, the goodwill is not considered impaired. To the extent a reporting unit's carrying amount exceeds its fair value, the reporting unit's goodwill is deemed impaired, and an impairment charge is recognized based on the excess of a reporting unit's carrying amount over its fair value.

A reporting unit is either an operating segment or one level below the operating segment. The Company has six reporting units: Institutional Pharmacy, Specialty Solutions, Home Infusion, Hospice Pharmacy, Behavioral Health, and Home Health & Therapies. The Community Living business represents a portion of the Behavioral Health reporting unit. Through November 1, 2022, the Company had a seventh reporting unit, Workforce Solutions, which was sold effective November 1, 2022.

In each of 2024, 2023, and 2022, we performed a quantitative assessment of all reporting units as of October 1. We engaged a third-party valuation firm to assist in calculating each reporting unit's fair value, which is derived using a combination of both income and market approaches. The material assumptions underlying the estimate of fair value of each reporting unit included the following:

- Future cash flow assumptions—the projections for future cash flows utilized in the model were derived from historical experience and assumptions regarding future growth and profitability of each reporting unit. These projections are consistent with our operating budget and strategic plan. Beyond the forecasted period, a long-term growth rate was utilized to determine a terminal value that reflects our estimate of stable and perpetual growth.
- Weighted average cost of capital (WACC)—the WACC is the rate used to discount each reporting unit's estimated future cash flows. The WACC is calculated based on a proportionate weighting of the cost of debt and equity. The cost of equity is based on a capital asset pricing model and includes a company-specific risk premium to capture the perceived risks and uncertainties associated with each reporting unit's projected cash flows.
- Market approach—the market approach measures the value of an asset through the analysis of publicly traded companies or present sales of similar businesses. The analysis entails measuring the multiple of sales and/or EBITDA at which the comparables are currently trading or were purchased.
- Equal weighting was applied to the discounted cash flow analysis or income approach (50%) and the market approach (50%).

### *2024 Goodwill Impairment Analysis*

As of October 1, 2024, our six reporting units had an aggregate carrying amount of \$4.3 billion. Our Behavioral Health, Specialty Solutions, and Hospice Pharmacy reporting units had fair values that substantially exceeded their respective carrying amounts and an aggregate goodwill balance of \$599.2 million.

Our Home Infusion, Home Health and Therapies, and Institutional Pharmacy reporting units had fair values that exceeded their carrying amounts by less than 25%, carrying amounts of \$290.0 million, \$1.8 billion, and \$1.1 billion and goodwill balances of \$192.5 million, \$1.4 billion, and \$454.0 million, respectively.

Notwithstanding our belief that the assumptions we used for WACC and long-term growth rates in our impairment testing were reasonable, we performed sensitivity analyses for the Home Infusion, Home Health and Therapies and Institutional Pharmacy reporting units. The results of these sensitivity analyses on our impairment tests revealed that if there was a hypothetical 1% increase in the WACC or a hypothetical 1% decrease in the long-term growth rate, the fair value of the Home Infusion, Home Health and Therapies, and Institutional Pharmacy reporting units each would continue to be in excess of its carrying amount. We believe that our estimates and assumptions used in the 2024 goodwill impairment tests are reasonable but are subject to change from period to period. Actual results of operations and other factors may differ from the

estimates used and it is possible that differences could be significant. A change in the estimates we use could result in a decline in the estimated fair values derived in the 2024 impairment testing.

We then conducted an analysis of market data inputs and risk considerations in the period since the 2024 impairment test date and do not believe that market or risk considerations changed materially. Further, we had no substantial changes in our long-term projections between those used in the 2024 impairment test. Therefore, we do not believe there were any material changes to the conclusions reached with no impairment of goodwill and indefinite-lived intangible assets.

#### *2023 and 2022 Goodwill Impairment Analyses*

Our 2023 goodwill impairment analysis concluded that the fair value of the Behavioral Health, Specialty Solutions, Hospice Pharmacy, and Home Infusion reporting units were each substantially in excess of carrying value. Our Home Health and Therapies and Institutional Pharmacy reporting units had fair values that exceeded their carrying amounts by less than 10%, carrying amounts of \$1.6 billion and \$1.2 billion, and goodwill balances of \$1.4 billion, and \$447.0 million, respectively.

Our 2022 goodwill impairment analysis concluded that the fair value of the Home Health and Therapies, Behavioral Health, Institutional Pharmacy, Specialty Pharmacy and Home Infusion reporting units were each substantially in excess of carrying value. Our Hospice Pharmacy and Workforce Solutions reporting units had carrying amounts that exceeded their respective fair values, and an aggregate carrying amount of \$332.1 million. We recognized non-cash goodwill impairment charges of \$25.5 million and \$15.4 million related to the Hospice Pharmacy and Workforce Solutions reporting units, respectively, during the year ended December 31, 2022. Following the goodwill impairment charges, the Hospice Pharmacy and Workforce Solutions reporting units had goodwill balances of \$92.1 million and \$77.4 million, respectively.

The Company's intangible assets are comprised primarily of trade names, customer contracts and relationships, and licenses, which are amortized on a straight-line basis over their estimated useful lives, which is generally two to twenty years. The Company's indefinite-lived intangible assets are comprised of indefinite lived licenses, which are reviewed for impairment annually or more frequently if events occur or circumstances change that would more-likely-than-not reduce the fair value of the intangible asset below its carrying amount. We elected to perform a qualitative assessment for our intangible assets for our annual impairment test in the fourth quarter of 2024, 2023 and 2022. As a result of our qualitative analyses, we determined that it was more-likely-than-not that the fair values of our indefinite-lived intangible assets were greater than their carrying values. We recorded intangible impairment of \$1.7 million, \$1.5 million, and \$0.4 million related to definite-lived intangible licenses for the years ended December 31, 2024, 2023, and 2022 respectively.

The estimates and assumptions we use to estimate fair values when performing quantitative assessments are highly subjective judgments based on our experience and knowledge of our operations. Significant changes in the assumptions used in our analysis could result in an impairment charge related to goodwill or the indefinite-lived intangible assets. Circumstances that could result in changes to future estimates and assumptions include, but are not limited to, expectations of lower revenue growth, which can be caused by a variety of factors, fluctuations in comparable company and acquisition market multiples, increases in income tax rates, and increases in discount rates.

#### **Self-insurance**

The Company is self-insured for a substantial portion of the Company's general and professional liability, automobile liability, workers' compensation risks, and health benefits, subject to certain stop loss coverage at a high level of losses. Given the policy limits and high deductibles and/or self-insured retentions on many of the Company's insurance programs, the vast majority of claims may not be paid by third-party insurance.

The Company's self-insured liabilities contain uncertainties because management must make assumptions and apply judgment to estimate the ultimate cost of reported claims and claims incurred but not reported as of the balance sheet date. The Company's provisions for losses for workers' compensation and health benefit risks are based upon actuarially determined estimates and include an amount determined from reported claims and an amount based on past experiences for losses incurred but not reported. The Company's provisions for general and professional and automobile liabilities are recorded on a claims-made basis, which includes estimates of fully developed losses for both reported and unreported claims. Accruals for general and professional and automobile liabilities are based on analyses performed internally by management.

On a quarterly basis, the Company evaluates the assumptions and the valuations to determine the adequacy of the self-insurance liabilities. The following are certain of the key assumptions and other factors that significantly influence the Company's estimate of self-insurance liabilities: historical claims experience; trending of loss development factors; trends in the frequency and severity of claims; coverage limits of third-party insurance; demographic information; medical cost inflation; and payroll dollars. Any adjustments to the liabilities are reflected in earnings in the period identified.

The time period to resolve claims can vary depending upon the jurisdiction, the nature, and the form of resolution of the claims. The estimation of the timing of payments beyond a year can vary significantly. In addition, if current and future claims differ from historical trends, our estimated liabilities for self-insured claims may be significantly affected. The Company's self-insurance liabilities for workers' compensation are discounted based on actuarial estimates of claim payment patterns.

The Company believes the provision for loss is adequate for claims that have been reported but not paid and for claims that have been incurred but not reported. Due to the considerable variability that is inherent in such estimates, there can be no assurance the ultimate liability will not exceed management's estimates. If actual results are not consistent with the assumptions and judgments, the Company may be exposed to gains or losses that could be material.

**Recent Accounting Pronouncements**

Refer to Note 1 "Significant Accounting Policies" within our audited consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K for further discussion.

**Item 8. Financial Statements and Supplementary Data**

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

<a href="#">Report of Independent Registered Public Accounting Firm</a> (PCAOB ID: 185)	2
<a href="#">Consolidated Balance Sheets as of December 31, 2024 and 2023</a>	4
<a href="#">Consolidated Statements of Operations for the years ended December 31, 2024, 2023, and 2022</a>	5
<a href="#">Consolidated Statements of Comprehensive Loss for the years ended December 31, 2024, 2023, and 2022</a>	6
<a href="#">Consolidated Statements of Shareholders' Equity for the years ended December 31, 2024, 2023 and 2022</a>	7
<a href="#">Consolidated Statements of Cash Flows for the years ended December 31, 2024, 2023, and 2022</a>	8
<a href="#">Notes to Consolidated Financial Statements</a>	10

## Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors  
BrightSpring Health Services, Inc.:

### *Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated balance sheets of BrightSpring Health Services, Inc. and subsidiaries (the Company) as of December 31, 2024 and 2023, the related consolidated statements of operations, comprehensive loss, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2024, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2024, in conformity with U.S. generally accepted accounting principles.

### *Basis for Opinion*

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

### *Critical Audit Matter*

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

#### *Valuation of self-insurance liabilities*

As discussed in Note 1 to the consolidated financial statements, the Company is self-insured for a substantial portion of its general and professional liabilities, automobile liabilities, and workers' compensation liabilities. As discussed in Note 9 to the consolidated financial statements, accrued expenses include workers' compensation insurance reserves, general and professional liability insurance reserves, and automobile insurance reserves of \$19,966 thousand, \$8,328 thousand, and \$21,353 thousand, respectively, and long-term liabilities include workers' compensation insurance reserves, general and professional liability insurance reserves, and automobile insurance reserves of \$25,360 thousand, \$21,182 thousand, and \$9,034 thousand, respectively, as of December 31, 2024. The liabilities recognized for workers' compensation are actuarially determined estimates, while the other reserves are based on analyses performed by management.

We identified the evaluation of the self-insurance liabilities noted above as a critical audit matter. Specifically, evaluation of the Company's determination of the claims incurred but not reported for workers' compensation

liabilities involved auditor judgment due to significant measurement uncertainty. In addition, evaluation of the Company's estimates of the ultimate cost of reported claims related to general and professional liabilities, automobile liabilities, and workers' compensation liabilities involved actuarial professionals with specialized skills and knowledge. The following are the primary procedures we performed to address this critical audit matter. We evaluated the Company's ability to estimate self-insurance reserves, and assessed potential management bias, by comparing the prior year estimated reserves to subsequent adjustments to those reserves recorded in the current year. We involved actuarial professionals with specialized skills and knowledge, who assisted in:

- evaluating the Company's expected loss rates used to determine claims incurred but not reported for workers' compensation liabilities by developing an independent expectation of the loss rates using actuarial methodologies and independent assumptions and comparing them to the Company's expected loss rates
- evaluating the Company's determination of the ultimate cost of reported claims by developing an independent estimate of the Company's loss development factors and comparing them to the Company's loss development factors used to determine the ultimate cost of reported claims.

/s/ KPMG LLP

We have served as the Company's auditor since 2019.

Louisville, Kentucky

March 6, 2025, except for the effects of discontinued operations as discussed in Notes 1 and 2, as to which the date is June 10, 2025

**BrightSpring Health Services, Inc. and Subsidiaries**  
**Consolidated Balance Sheets**  
*(In thousands, except share and per share data)*

	December 31, 2024	December 31, 2023
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 60,954	\$ 12,430
Accounts receivable, net of allowance for credit losses	902,782	766,900
Inventories	636,561	398,875
Prepaid expenses and other current assets	161,310	157,860
Current assets held for sale	131,447	120,576
<b>Total current assets</b>	<b>1,893,054</b>	<b>1,456,641</b>
Property and equipment, net of accumulated depreciation of \$339,892 and \$276,134 at December 31, 2024 and 2023, respectively	180,570	175,465
Goodwill	2,363,884	2,300,772
Intangible assets, net of accumulated amortization	595,224	640,255
Operating lease right-of-use assets, net	161,032	166,140
Deferred income taxes, net	5,288	—
Other assets	39,128	68,354
Non-current assets held for sale	687,960	725,094
<b>Total assets</b>	<b>\$ 5,926,140</b>	<b>\$ 5,532,721</b>
<b>Liabilities, Redeemable Noncontrolling Interests, and Equity</b>		
<b>Current liabilities:</b>		
Trade accounts payable	\$ 923,926	\$ 624,833
Accrued expenses	295,746	414,676
Current portion of obligations under operating leases	38,910	37,011
Current portion of obligations under financing leases	3,463	3,235
Current portion of long-term debt	48,725	32,273
Current liabilities held for sale	117,563	136,409
<b>Total current liabilities</b>	<b>1,428,333</b>	<b>1,248,437</b>
Obligations under operating leases, net of current portion	129,467	134,823
Obligations under financing leases, net of current portion	6,530	5,754
Long-term debt, net of current portion	2,561,858	3,331,941
Deferred income taxes, net	—	23,031
Long-term liabilities	71,190	91,305
Non-current liabilities held for sale	77,177	84,881
<b>Total liabilities</b>	<b>4,274,555</b>	<b>4,920,172</b>
Redeemable noncontrolling interests	3,730	27,139
<b>Shareholders' equity:</b>		
Common stock, \$0.01 par value, 1,500,000,000 and 137,398,625 shares authorized, 174,245,990 and 117,857,055 shares issued and outstanding at December 31, 2024 and 2023, respectively	\$ 1,742	\$ 1,179
Preferred stock, \$0.01 par value, 250,000,000 authorized; no shares issued and outstanding at December 31, 2024; no shares authorized, issued or outstanding at December 31, 2023	—	—
Additional paid-in capital	1,866,850	771,336
Accumulated deficit	(222,155)	(200,319)
Accumulated other comprehensive income	1,418	12,544
<b>Total shareholders' equity</b>	<b>1,647,855</b>	<b>584,740</b>
Noncontrolling interest	—	670
<b>Total equity</b>	<b>1,647,855</b>	<b>585,410</b>
<b>Total liabilities, redeemable noncontrolling interests, and equity</b>	<b>\$ 5,926,140</b>	<b>\$ 5,532,721</b>

See accompanying notes to the consolidated financial statements.

**BrightSpring Health Services, Inc. and Subsidiaries**  
**Consolidated Statements of Operations**  
*(In thousands, except per share amounts)*

	For the Years Ended December 31,		
	2024	2023	2022
Revenues:			
Products	\$ 8,754,282	\$ 6,522,450	\$ 5,264,423
Services	1,317,932	1,168,566	1,373,033
Total revenues	10,072,214	7,691,016	6,637,456
Cost of goods	8,008,501	5,840,716	4,635,404
Cost of services	797,286	711,304	917,140
Gross profit	1,266,427	1,138,996	1,084,912
Selling, general, and administrative expenses	1,158,473	1,080,871	925,194
Goodwill impairment loss	—	—	40,856
Operating income	107,954	58,125	118,862
Loss on extinguishment of debt	12,726	—	—
Interest expense, net	190,546	271,899	199,813
Loss from continuing operations before income taxes	(95,318)	(213,774)	(80,951)
Income tax benefit	(26,387)	(31,508)	(390)
Loss from continuing operations, net of income taxes	(68,931)	(182,266)	(80,561)
Income from discontinued operations, net of income taxes	48,410	25,431	26,342
Net loss	(20,521)	(156,835)	(54,219)
Net loss attributable to noncontrolling interests included in continuing operations	(2,459)	(2,232)	(312)
Net loss attributable to BrightSpring Health Services, Inc. and subsidiaries	\$ (18,062)	\$ (154,603)	\$ (53,907)
Net (loss) income per common share (Note 10):			
Basic (loss) income per share attributable to common shareholders:			
Continuing operations	\$ (0.34)	\$ (1.53)	\$ (0.68)
Discontinued operations	\$ 0.25	\$ 0.22	\$ 0.22
Net loss	\$ (0.09)	\$ (1.31)	\$ (0.46)
Diluted (loss) income per share attributable to common shareholders:			
Continuing operations	\$ (0.34)	\$ (1.53)	\$ (0.68)
Discontinued operations	\$ 0.25	\$ 0.22	\$ 0.22
Net loss	\$ (0.09)	\$ (1.31)	\$ (0.46)
Weighted average shares outstanding:			
Basic	192,997	117,868	117,840
Diluted	192,997	117,868	117,840

See accompanying notes to the consolidated financial statements.

**BrightSpring Health Services, Inc. and Subsidiaries**  
**Consolidated Statements of Comprehensive Loss**  
*(In thousands)*

	<u>For the Years Ended December 31,</u>		
	<u>2024</u>	<u>2023</u>	<u>2022</u>
Net loss	\$ (20,521)	\$ (156,835)	\$ (54,219)
Other comprehensive (loss) income, net of tax:			
Foreign currency translation adjustments	(309)	131	(353)
Cash flow hedges:			
Net change in fair value, net of tax <sup>(1)</sup>	15,826	14,948	28,128
Amounts reclassified to earnings, net of tax <sup>(2)</sup>	(26,643)	(23,727)	(503)
Total other comprehensive (loss) income	<u>(11,126)</u>	<u>(8,648)</u>	<u>27,272</u>
Total comprehensive loss	<u>(31,647)</u>	<u>(165,483)</u>	<u>(26,947)</u>
Comprehensive loss attributable to redeemable noncontrolling interests	(1,789)	(2,167)	(312)
Comprehensive loss attributable to noncontrolling interest	(670)	(65)	—
Comprehensive loss attributable to BrightSpring Health Services, Inc. and subsidiaries	<u>\$ (29,188)</u>	<u>\$ (163,251)</u>	<u>\$ (26,635)</u>

<sup>(1)</sup> The income tax effects of the net change in fair value were \$(5,149), \$(4,591), and \$(9,026) for the years ended December 31, 2024, 2023, and 2022, respectively.

<sup>(2)</sup> The income tax effects of amounts reclassified to earnings were \$8,646, \$7,683, and \$167 for the years ended December 31, 2024, 2023, and 2022, respectively.

See accompanying notes to the consolidated financial statements.

**BrightSpring Health Services, Inc. and Subsidiaries**  
**Consolidated Statements of Shareholders' Equity**  
*(In thousands, except share data or otherwise indicated)*

	Common Stock		Additional Paid-In Capital	(Accumulated Deficit) Retained Earnings	Accumulated Other Comprehensive Income	Noncontrolling Interest	Total
	Shares	Amount					
Balances at January 1, 2022	117,824,173	\$ 1,178	\$ 772,451	\$ 971	\$ 217	\$ —	\$ 774,817
Net loss <sup>(1)</sup>	—	—	—	(53,907)	—	—	(53,907)
Other comprehensive income, net of tax	—	—	—	—	27,272	—	27,272
Share-based compensation	—	—	3,547	—	—	—	3,547
Acquisition of noncontrolling interest	—	—	1,890	—	—	—	1,890
Adjustments to redemption value of redeemable noncontrolling interest	—	—	—	923	—	—	923
Shares issued under share-based compensation plan, including tax effects	36,666	1	233	—	—	—	234
Other	—	—	—	6,297	(6,297)	—	—
Balances at December 31, 2022	<u>117,860,839</u>	<u>\$ 1,179</u>	<u>\$ 778,121</u>	<u>\$ (45,716)</u>	<u>\$ 21,192</u>	<u>\$ —</u>	<u>\$ 754,776</u>
Net loss <sup>(1)</sup>	—	—	—	(154,538)	—	(65)	(154,603)
Other comprehensive loss, net of tax	—	—	—	—	(8,648)	—	(8,648)
Share-based compensation	—	—	3,917	—	—	—	3,917
Repurchase of shares of common stock	(81,654)	(1)	(1,299)	—	—	—	(1,300)
Shares issued under share-based compensation plan, including tax effects	77,870	1	597	—	—	—	598
Repurchase of stock options	—	—	(10,000)	—	—	—	(10,000)
Investment in noncontrolling interest	—	—	—	(65)	—	735	670
Balances at December 31, 2023	<u>117,857,055</u>	<u>\$ 1,179</u>	<u>\$ 771,336</u>	<u>\$ (200,319)</u>	<u>\$ 12,544</u>	<u>\$ 670</u>	<u>\$ 585,410</u>
Net loss <sup>(1)</sup>	—	—	—	(18,062)	—	(670)	(18,732)
Other comprehensive loss, net of tax	—	—	—	—	(11,126)	—	(11,126)
Share-based compensation	—	—	69,174	—	—	—	69,174
Exercise of stock options	234,608	2	1,533	—	—	—	1,535
Issuance of common stock for settlement of RSUs	241,971	2	(2)	—	—	—	—
Shares withheld related to net share settlement	(93,678)	(1)	(1,195)	—	—	—	(1,196)
Shares issued for payment of acquisition	2,570,503	26	31,055	—	—	—	31,081
Derecognition of redeemable noncontrolling interest, net of tax	—	—	12,439	(3,774)	—	—	8,665
Issuance of common stock on initial public offering, net <sup>(2)</sup>	53,333,334	533	661,244	—	—	—	661,777
Proceeds from stock purchase contract issued under tangible equity units, net <sup>(3)</sup>	—	—	321,611	—	—	—	321,611
Other	102,197	1	(345)	—	—	—	(344)
Balances at December 31, 2024	<u>174,245,990</u>	<u>\$ 1,742</u>	<u>\$ 1,866,850</u>	<u>\$ (222,155)</u>	<u>\$ 1,418</u>	<u>\$ —</u>	<u>\$ 1,647,855</u>

<sup>(1)</sup> Net loss to the Company for the years ended December 31, 2024, 2023, and 2022 excludes \$(1,789), \$(2,167), and \$(312), respectively, allocable to the redeemable noncontrolling interests for our joint venture arrangements.

<sup>(2)</sup> Issuance of common stock on initial public offering is presented net of underwriting discounts and commissions, and offering-related expenses of \$36.8 million and tax benefit of \$5.3 million.

<sup>(3)</sup> Proceeds from stock purchase contract issued under tangible equity units is presented net of underwriting discounts and commissions of \$9.1 million.

See accompanying notes to the consolidated financial statements.

**BrightSpring Health Services, Inc. and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
*(In thousands)*

	<u>For the Years Ended December 31,</u>		
	<u>2024</u>	<u>2023</u>	<u>2022</u>
<b>Operating activities:</b>			
Net loss	\$ (20,521)	\$ (156,835)	\$ (54,219)
Adjustments to reconcile net loss to cash provided by (used in) operating activities:			
Depreciation and amortization	204,482	202,336	203,970
Impairment of long-lived assets	10,235	10,631	10,821
Change in fair value of contingent consideration, net	2,261	—	—
Payment of contingent consideration in excess of acquisition date fair value	(2,351)	—	—
Goodwill impairment	—	—	40,856
Provision for credit losses	33,998	23,237	15,065
Amortization of deferred debt issuance costs	12,108	20,916	20,439
Share-based compensation	69,174	3,917	3,547
Deferred income taxes, net	(25,914)	(52,632)	(27,962)
Loss on divestiture	—	—	5,502
Loss on extinguishment of debt	12,726	—	—
Loss (gain) on disposition of fixed assets	101	349	(903)
Other	(2,451)	(572)	2,696
Change in operating assets and liabilities, net of acquisitions and dispositions:			
Accounts receivable	(179,040)	(127,246)	(150,466)
Prepaid expenses and other current assets	7,595	(34,899)	(24,280)
Inventories	(236,514)	28,660	(131,833)
Trade accounts payable	303,209	105,649	133,466
Accrued expenses	(144,580)	193,633	(46,035)
Other assets and liabilities	(20,744)	(6,361)	(5,317)
Net cash provided by (used in) operating activities	<u>\$ 23,774</u>	<u>\$ 210,783</u>	<u>\$ (4,653)</u>

**BrightSpring Health Services, Inc. and Subsidiaries**  
**Consolidated Statements of Cash Flows (continued)**  
*(In thousands)*

	For the Years Ended December 31,		
	2024	2023	2022
<b>Investing activities:</b>			
Purchases of property and equipment	\$ (80,913)	\$ (73,527)	\$ (70,113)
Acquisitions of businesses, net of cash acquired	(59,797)	(63,058)	(42,459)
Proceeds from sale of business, net of cash divested	—	—	155,793
Other	473	2,152	2,135
Net cash (used in) provided by investing activities	<u>\$ (140,237)</u>	<u>\$ (134,433)</u>	<u>\$ 45,356</u>
<b>Financing activities:</b>			
Long-term debt borrowings	\$ 2,566,000	\$ —	\$ —
Long-term debt repayments	(3,396,334)	(30,441)	(40,721)
Proceeds from issuance of common stock on initial public offering, net	656,485	—	—
Proceeds from issuance of tangible equity units, net	389,000	—	—
Borrowings (repayments) of the Revolving Credit Facility, net	12,600	(24,100)	(17,300)
Payment of debt issuance costs	(47,045)	—	—
Repurchase of shares of common stock	(650)	(650)	—
Proceeds from shares issued under share-based compensation plan	1,535	598	234
Taxes paid related to net share settlement of equity awards	(1,196)	—	—
Repurchase of stock options	—	(10,000)	—
Payment of contingent consideration up to acquisition date fair value	(1,805)	(1,453)	(4,364)
Distributions to redeemable noncontrolling interests	—	—	(750)
Purchase of redeemable noncontrolling interest	(2,316)	—	—
Investment in noncontrolling interests	—	735	—
Payment of financing lease obligations	(11,629)	(11,596)	(10,909)
Net cash provided by (used in) financing activities	<u>\$ 164,645</u>	<u>\$ (76,907)</u>	<u>\$ (73,810)</u>
Net increase (decrease) in cash and cash equivalents	48,182	(557)	(33,107)
Cash and cash equivalents at beginning of year	13,071	13,628	46,735
Cash and cash equivalents at end of year	<u>\$ 61,253</u>	<u>\$ 13,071</u>	<u>\$ 13,628</u>
Cash and cash equivalents included in assets held for sale at end of year	299	641	419
Cash and cash equivalents included in continuing operations at end of year	<u>\$ 60,954</u>	<u>\$ 12,430</u>	<u>\$ 13,209</u>
<b>Supplemental disclosures of cash flow information:</b>			
Cash paid for:			
Interest, net	\$ 211,387	\$ 303,530	\$ 213,308
Income taxes, net of refunds	\$ 24,953	\$ 37,499	\$ 28,851
<b>Supplemental schedule of non-cash investing and financing activities:</b>			
Notes issued and contingent liabilities assumed in connection with acquisitions	\$ 22,302	\$ 7,519	\$ 5,134
Financing lease obligations (Note 13)	\$ 13,095	\$ 11,562	\$ 10,652
Repurchases of common stock in accounts payable	\$ —	\$ 650	\$ —
Purchases of property and equipment in accounts payable	\$ 12,136	\$ 12,981	\$ 4,597
Acquisition consideration in accounts payable	\$ —	\$ 2,500	\$ —
Consideration for purchase of redeemable noncontrolling interest in accounts payable	\$ 5,100	\$ —	\$ —
Shares issued in connection with acquisitions	\$ 31,081	\$ —	\$ —

See accompanying notes to the consolidated financial statements.

**BrightSpring Health Services, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**

**1. Significant Accounting Policies**

*Description of Business*

BrightSpring Health Services, Inc. and its subsidiaries (“BrightSpring,” the “Company,” “we,” “us,” or “our”) is a leading home and community-based healthcare services platform, focused on delivering complementary pharmacy and provider services to complex patients. Our platform delivers clinical services and pharmacy solutions across Medicare, Medicaid, and commercially-insured populations.

On December 7, 2017, affiliates of Kohlberg Kravis Roberts & Co. L.P. (“KKR”) and Walgreens Boots Alliance, Inc. (“WBA”) purchased PharMerica Corporation (“PharMerica”) and on March 5, 2019, expanded with the acquisition of BrightSpring Health Holdings Corp. (“BrightSpring Corp. Acquisition”). The surviving entity was renamed BrightSpring Health Services, Inc.

BrightSpring Health Services, Inc. completed its initial public offering (“IPO”) of 53,333,334 shares of its common stock at a price of \$13.00 per share and its concurrent offering of 8,000,000 6.75% tangible equity units (“TEUs”) with a stated amount of \$50.00 per unit in January 2024 (collectively, “the IPO Offerings”). The net proceeds from the IPO Offerings amounted to \$656.5 million and \$389.0 million for the common stock and TEUs, respectively, after deducting underwriting discounts, commissions, and offering-related expenses. The common stock and TEUs began trading on the Nasdaq Global Select Market on January 26, 2024 under the ticker symbols “BTSG” and “BTSGU,” respectively. BrightSpring Health Services, Inc. used a portion of the net proceeds received from the IPO Offerings to repay certain indebtedness (see Note 6) and pay termination fees in connection with the termination of our monitoring agreement with KKR and WBA (the “Monitoring Agreement”) (see Note 17). The remaining proceeds were retained for general corporate purposes.

On January 17, 2025, the Company entered into a purchase agreement to divest its community living services, home and community based waiver programs, and intermediate care facilities (the “Community Living business”). The transaction is subject to customary closing conditions and certain other antitrust laws and is expected to close in 2025.

*Principles of Consolidation*

The accompanying consolidated financial statements include the accounts of BrightSpring Health Services, Inc. and its subsidiaries. The Company consolidates its majority-owned and controlled entities, including variable interest entities (“VIEs”) for which the Company is the primary beneficiary. All intercompany balances and transactions have been eliminated.

We record a noncontrolling interest for the allocable portion of income or loss and comprehensive income or loss to which the noncontrolling interest holders are entitled based upon their ownership share of the affiliate. The Company determined noncontrolling interests for certain of these VIEs to be redeemable noncontrolling interests, which are presented on the consolidated balance sheets as redeemable noncontrolling interests (see Note 16).

*Basis of Presentation*

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”).

As a result of the Company’s plan to divest the Community Living business, discussed further in Note 2, the Community Living business met the criteria to be reported as discontinued operations and held for sale. The Company has retrospectively revised and recast the historical results of the Community Living business, including the results of operations, cash flows, and related assets and liabilities, as discontinued operations and held for sale for all periods presented herein. Unless otherwise noted, all activities and amounts reported in the accompanying notes to the consolidated financial statements relate to the continuing operations of the Company and exclude activities and amounts related to the Community Living business.

*Use of Estimates*

The preparation of consolidated financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts and related disclosures. We rely on historical experience and on various other assumptions that we believe to be reasonable under the circumstances to make judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Significant estimates are involved in the valuation of accounts receivable, inventory, long-lived assets, intangible assets, derivatives, contingent consideration, taxes, insurance reserves, share-based compensation, and goodwill. Actual amounts may differ from these estimates.

### *Revenue Recognition*

The Company recognizes the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. For transactions involving the transfer of goods, revenues are primarily recognized when the customer obtains control of the products sold, which is generally upon shipment or delivery, depending on the delivery terms specified in the sales agreement. For transactions exclusively involving provision of services, revenues are recognized over time based on an appropriate measure of progress. Additionally, where we are required to collect sales taxes from our customers, revenue is recognized net of any taxes collected, and the sales tax amounts are recorded as a liability until remitted to the governmental taxing authorities. The Company's revenue recognition policy by reportable segment is as follows:

#### *Provider Services*

Provider Services revenues are generated from providing care services directly to consumers under contracts with state, local and other governmental agencies, as well as commercial insurance companies, long-term care insurance policies, private pay customers, and management contracts with private operators. Generally, these contracts, which are negotiated based on current contract practices as appropriate for the payor, establish the terms of a customer relationship and set the broad range of terms for services to be performed at stated rates. The contracts do not give rise to rights and obligations until a service request is placed with the Company. Contract terms vary but generally are for one year or less with available renewal options and a thirty-to-sixty-day reimbursement period. When a service request is placed with the Company, it creates the performance obligation to provide a defined quantity of service hours per patient. Performance obligations to deliver patient care services are satisfied over time and revenue is recognized using a time-based input method to measure progress against the contract between the Company and the customer, given that consumers simultaneously receive and consume the benefits provided by the Company as the services are performed. Revenues are recognized over a period of time as the services are rendered at the contractual rate established at or before the time services are rendered; thus, there are no forms of variable consideration associated with the various revenue streams.

#### *Pharmacy Solutions*

Pharmacy Solutions revenues are generated from the products and services provided in association with the distribution of prescription drugs to consumers primarily under contracts with Prescription Drug Plans ("PDPs") under Medicare Part D, state Medicaid programs, long-term care institutions, third party insurance companies and private payors. Services provided include individualized medication management and support, staff and patient support programs and solutions, regulatory support, and product delivery. When an order for a prescription is placed with the Company, it creates the performance obligation to deliver a prescription and related services. The performance obligation is satisfied at a point in time upon shipment for specialty pharmacies and upon delivery for home and community-based pharmacies and facility-based pharmacies. Revenues are recognized at a point in time when the associated performance obligations are satisfied at the contractual rate established at or before the time the performance obligation is satisfied.

#### *Contractual Allowances*

Revenues and the associated receivables are based upon the actual reimbursements expected to be received and include contractual allowances based upon historical trends, contractual reimbursement terms, and other factors which may impact ultimate reimbursement. Amounts are adjusted to actual reimbursed amounts based upon cash receipts.

#### *Cost of Goods and Cost of Services*

We classify expenses directly related to providing goods and services, including associated depreciation and amortization expense, as cost of goods and cost of services, respectively. Direct costs and expenses primarily include cost of drugs, salaries and benefits for direct care and service professionals, contracted labor costs, insurance costs, transportation costs for clients requiring services, certain client expenses such as supplies and medicine, facility occupancy expenses, which primarily comprise rent and utilities, and other miscellaneous direct goods or service-related expenses.

#### *Supplier Rebates*

Pharmacy Solutions receives rebates on purchases from select vendors and suppliers for achieving purchase volumes, primarily through agreements with or between WBA, certain of its affiliates, and AmerisourceBergen Drug Corporation ("ABDC"). Rebates for brand name products are generally based on purchasing volumes or actual prescriptions dispensed. Rebates for generic products are primarily based on achieving purchasing volume requirements or other contractually based requirements. The Company considers these rebates product discounts, and as a result, the rebates are recorded as a reduction of product cost and relieved through cost of goods upon the sale of the related inventory or as a reduction of inventory for drugs which have not yet been sold. The rebate recorded is adjusted, if necessary, after the third party validates the appropriate data and notifies the Company of its agreement under the terms of the contract.

#### *Cash and Cash Equivalents*

Cash and cash equivalents consist of cash on hand and cash equivalents with original maturities of three months or less. The Company places its cash in financial institutions that are federally insured. The majority of the Company's bank accounts are zero balance accounts where cash needs are funded as checks are presented for payment by the holder. Checks issued pending clearance that result in overdraft balances for accounting purposes are included in accrued expenses in our consolidated balance sheets, and the change in the related balances are reflected in operating activities in the Company's consolidated statements of cash flows.

#### *Accounts Receivable*

Accounts receivable primarily consist of amounts due from PDPs under Medicare Part D, institutional healthcare providers, state Medicaid programs, other government agencies, third party insurance companies, and private payors. To provide for accounts receivable that could become uncollectible in the future, the Company establishes an allowance for credit losses to reduce the carrying value of such receivables to the extent it is probable that a portion or all of a particular account will not be collected, with the related expense recorded as a component of selling, general, and administrative expenses. The allowance for credit losses totaled \$45.0 million, \$45.9 million and \$47.4 million as of December 31, 2024, 2023, and 2022, respectively, and is reflected in accounts receivable, net of allowance for credit losses in our consolidated balance sheets.

We regularly monitor past due accounts and establish appropriate reserves to cover potential losses and consider historical experience, pricing discrepancies, the current economic environment, customer credit ratings and/or bankruptcies to develop our allowance for credit losses. We review these factors quarterly to determine if any adjustments are needed to the allowance and write off any amounts deemed uncollectible against the established allowance for credit losses. Activity in the allowance for credit losses for the years ended December 31, 2024 and 2023 included provisions of credit losses of \$34.0 million and \$23.3 million, respectively; write offs of \$40.7 million and \$26.3 million, respectively; and recoveries and other changes of \$5.8 million and \$1.5 million, respectively.

#### *Inventories*

Inventory is primarily located at the Company's pharmacy locations. Inventory consists solely of finished products (primarily prescription drugs) and is valued at the lower of first-in, first-out ("FIFO") cost or net realizable value. Physical inventory counts are performed, at a minimum, on a quarterly basis at all pharmacy sites. Inventory and cost of goods are adjusted based upon the results of the physical inventory counts.

#### *Investments*

We consolidate investments when the entity is a VIE and we are the primary beneficiary, or if we have controlling interests in the entity, which is generally ownership in excess of 50%. Third party equity interests in our consolidated joint ventures are reflected as noncontrolling interests or redeemable noncontrolling interests in our consolidated financial statements.

We account for investments in entities in which we have the ability to exercise significant influence under the equity method if we hold 50% or less of the voting stock and the entity is not a VIE in which we are the primary beneficiary. The book value of investments that we account for under the equity method of accounting totaled \$0.7 million as of December 31, 2024 and 2023, and is reflected in other assets within our consolidated balance sheets.

#### *Goodwill and Intangible Assets*

The Company tests goodwill for impairment annually as of October 1, or more frequently if impairment indicators arise. The Company had six reporting units for the purpose of goodwill testing in 2024 and 2023: Institutional Pharmacy, Home Infusion, Specialty Solutions, Hospice Pharmacy, Behavioral Health, and Home Health and Therapies. The Community Living business represents a portion of the Behavioral Health reporting unit. In 2022, the Company had a seventh reporting unit, Workforce Solutions, which was sold effective November 1, 2022. In 2024, 2023 and 2022, the Company performed a quantitative assessment of all reporting units as of October 1. Refer to Note 5 for discussion of results.

Our intangible assets consist primarily of customer relationships, trade names, and definite-lived licenses, which are amortized over two to twenty years, based on their estimated useful lives. We also have indefinite-lived intangible licenses. The Company tests all intangible assets for impairment at least annually, and more frequently if impairment indicators arise. If the carrying amount of an intangible asset exceeds its fair value, an impairment loss is recognized. We elected to perform a qualitative assessment for all intangible assets for our annual impairment test in the fourth quarter of 2024, 2023 and 2022. As a result of our qualitative analyses, we determined that it was more-likely-than-not that the fair values of our indefinite-lived intangible assets were greater than their carrying values. We recorded impairment related to definite-lived intangible licenses of \$1.7 million, \$1.5 million, and \$0.4 million for the years ended December 31, 2024, 2023 and 2022, respectively.

#### *Debt Issuance Costs*

The Company capitalizes financing fees related to acquiring or issuing new debt instruments. These expenditures include bank fees and premiums, legal costs, and filing fees. Debt issuance costs are capitalized and amortized as interest expense over the terms of the related debt using the effective interest rate method. Debt issuance costs related to term loans and specified maturity borrowings are presented as a direct reduction of the carrying value of the debt. Debt issuance costs related to revolving credit facilities and lines of credit are presented as other assets in our consolidated balance sheets.

#### *Deferred Offering Costs*

Deferred offering costs of \$5.6 million, which consist of legal, accounting, filing, and other fees and costs directly attributable to the Company's IPO, were capitalized, and upon completion of the IPO in January 2024, were subsequently recorded in shareholders' equity as a reduction of proceeds during the first fiscal quarter. As of December 31, 2023, deferred offering costs of \$3.9 million were capitalized and included in other assets in our consolidated balance sheets. There were no deferred offering costs as of December 31, 2024.

#### *Derivative Financial Instruments*

The Company has interest rate swap agreements to manage its interest rate exposure. The Company does not use financial instruments for trading or other speculative purposes.

The interest rate swap agreements are designated as qualifying cash flow hedging relationships and changes in the fair values that are included in the assessment of effectiveness are recognized in accumulated other comprehensive income ("AOCI") until the hedged items affect earnings. The Company formally assesses, both at the inception of the hedging relationship and on an ongoing basis, whether the derivatives that are used in hedging relationships are highly effective in offsetting changes in cash flows of hedged transactions. The gain or loss on the derivative included in the assessment of effectiveness is reported as a component of other comprehensive income ("OCI") and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings.

The Company's policy for treatment of discontinued derivative instruments states that the Company will discontinue hedge accounting prospectively when it determines that the derivative is no longer effective in offsetting cash flows attributable to the hedged risk, the derivative expires or is sold, terminated, or exercised, the cash flow hedge is de-designated because a forecasted transaction is not probable of occurring, or management determines to remove the designation of the cash flow hedge. Additionally, if it becomes probable that a forecasted transaction will not occur, the Company will recognize immediately in earnings gains and losses that were accumulated in OCI related to the hedging relationship. In all situations in which hedge accounting is discontinued and the derivative remains outstanding, the Company would continue to carry the derivative at its fair value on the consolidated balance sheets and recognize any subsequent changes in its fair value in earnings.

#### *Income Taxes*

Our provision for income taxes is based on expected book income, permanent book/tax differences, discrete items, and statutory tax rates in the various jurisdictions in which we operate. Income tax (benefit) expense includes the recognized portion of current and deferred income taxes at a federal, state, and local level. Significant estimates and judgments are required in determining the provision for income taxes.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. A valuation allowance is provided for deferred assets if it is more-likely-than-not that some portion or all of the net deferred tax assets will not be realized.

The Company recognizes tax benefits that are considered more-likely-than-not to be sustained. Recognized income tax positions are measured at the largest amount that is more-likely-than-not of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

Our policy is to recognize interest related to unrecognized tax benefits as interest expense, and penalties as selling, general, and administrative expenses in the consolidated statements of operations.

### *Legal Contingencies*

We are a party to numerous claims and lawsuits with respect to various matters. Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. See Note 15.

### *Insurance Losses*

We self-insure a substantial portion of our general and professional liability, automobile liability, workers' compensation risks, and health benefits, subject to certain stop loss coverage at a high level of losses. Provisions for losses for workers' compensation risks and health benefits are based upon actuarially determined estimates and include an amount determined from reported claims and an amount based on past experiences for losses incurred but not reported. Estimates of workers' compensation claims reserves have been discounted using a discount rate of 4.5% and 4.0% at December 31, 2024 and 2023, respectively. Provisions for general and professional and automobile liabilities are recorded on a claims-made basis, which includes estimates of fully developed losses for both reported and unreported claims. Accruals for general and professional and automobile liabilities are based on analyses performed internally by management. The liabilities are evaluated quarterly, and any adjustments are reflected in earnings in the period identified. These liabilities are necessarily based on estimates and, while we believe that the provision for loss is adequate, the ultimate liability may differ than the amounts recorded.

### *Transition Services Agreement ("TSA")*

In conjunction with the divestiture of Workforce Solutions on November 1, 2022, BrightSpring entered into a TSA with the buyer to provide certain transition services in exchange for service fees totaling \$15.0 million over the 36 months following the close of the transaction. Services provided primarily include business development, finance and accounting, human resources, IT, facilities management, and compliance. For the years ended December 31, 2024 and 2023, the Company recognized \$5.0 million and \$7.1 million of other income within selling, general, and administrative expenses in our consolidated statements of operations related to services rendered under the TSA. For the year ended December 31, 2022, other income related to the TSA was not significant.

### *Fair Value of Financial Instruments*

The Company uses valuation approaches that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- (a) Level 1 Quoted prices in active markets for identified assets or liabilities.
- (b) Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability.
- (c) Level 3 Unobservable inputs used in valuations in which there is little market activity for the asset or liability at the measurement date.

At December 31, 2024 and 2023, the fair value of cash and cash equivalents, accounts receivable, trade accounts payable, and accrued expenses approximated their carrying values because of the short-term nature of these instruments. The carrying amounts of the Company's long-term debt approximated fair value as interest rates and negotiated terms and conditions are consistent with current market rates due to the close proximity of recent refinancing transactions to the dates of these consolidated financial statements. All debt classifications and interest rate swaps represent Level 2 fair value measurements. Contingent consideration, which is comprised of future earn-outs and a post-closing equity adjustment feature associated with an acquisition, represents a Level 3 fair value measurement as there is little or no market data available. Refer to Note 14.

### *Leases*

We determine if an arrangement is, or contains, a lease at contract inception and recognize a right-of-use asset and a lease liability at the lease commencement date. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheet for select asset classes. The lease liability is measured at the present value of future lease payments as of the lease commencement date. The right-of-use asset recognized is based on the lease liability adjusted for prepaid and deferred rent and unamortized lease incentives. Amortization of the right-of-use asset and accretion of the lease liability for an operating lease are recognized as a single lease cost, on a straight-line basis, over the lease term and included

in cost of goods, cost of services, or selling, general, and administrative expenses on our consolidated statements of operations. A finance lease right-of-use asset is amortized on a straight-line basis over the lesser of the useful life of the leased asset or lease term, with interest costs reported separately. Variable common area maintenance and property tax expenses are expensed as incurred. Reductions of the right-of-use asset and the change in the lease liability are included within the changes in other assets and liabilities within operating activities on our consolidated statements of cash flows.

As our leases do not provide an implicit discount rate, we use our incremental borrowing rate as the discount rate for our leases, which is equal to the rate of interest the Company would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms. We determine the incremental borrowing rate applicable to each lease by reference to our outstanding secured borrowings. We then obtain a corporate yield curve with the same rating from an external source to adjust for differing tenors to reflect differing lease terms. We have elected to use the portfolio approach in determining our incremental borrowing rate. The incremental borrowing rate for all new or amended leases is based upon the lease terms. The lease terms for all the Company's leases include the contractually obligated period of the leases, plus any additional periods covered by Company options to extend the leases that the Company is reasonably certain to exercise.

Certain leases provide that the lease payments may be increased annually based on the fixed rate terms or adjustable terms such as the Consumer Price Index. Future base rent escalations that are not contractually quantifiable as of the lease commencement date are not included in our lease liability.

We regularly review the carrying value of our right-of-use assets with respect to any events or circumstances that indicate a possible inability to recover their carrying amount. Indicators of impairment include, but are not limited to, loss of contracts, significant census declines, reductions in reimbursement levels, significant litigation, and impact of economic conditions on service demands and levels. Our evaluation is based on undiscounted cash flows, operating results, as well as significant events or changes in the reimbursement or regulatory environment. If the undiscounted cash flows suggest the recorded amounts cannot be recovered, the carrying values of such assets are reduced to fair value. We recorded a right-of-use asset impairment of \$2.3 million, \$1.0 million and \$1.6 million for the years ended December 31, 2024, 2023 and 2022, respectively, included within selling, general, and administrative expenses on the consolidated statements of operations.

#### *Property and Equipment*

Property and equipment are recorded at cost. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets (generally, three to ten years for equipment and software and twenty years for buildings). Leasehold improvements are depreciated over the shorter of their estimated useful lives or the terms of their respective leases (generally, one to fifteen years).

We regularly review the carrying value of long-lived assets, with respect to any events or circumstances that indicate a possible inability to recover their carrying amount. Indicators of impairment include, but are not limited to, loss of contracts, significant census declines, reductions in reimbursement levels, significant litigation, and impact of economic conditions on service demands and levels. Our evaluation is based on undiscounted cash flows, operating results, as well as significant events or changes in the reimbursement or regulatory environment. If the undiscounted cash flows suggest the recorded amounts cannot be recovered, the carrying values of such assets are reduced to fair value. There was no impairment for the years ended December 31, 2024, 2023 and 2022.

#### *Segments*

Operating segments are defined as components of a company that engage in business activities from which it may earn revenues and incur expenses, and for which separate financial information is available and is regularly reviewed by the Company's chief operating decision maker ("CODM") to assess the performance of the individual segments and make decisions about resources to be allocated to the segments. The Company's operating segments have been identified based upon similar economic characteristics, nature of services, types of customers, and how the CODM manages the business and allocates resources in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 280, *Segment Reporting*. The Company has identified three operating segments and has aggregated two of these operating segments into the Provider Services reportable segment. The Pharmacy Solutions operating segment is also a reportable segment.

In our Provider Services reportable segment, we provide a variety of services to help manage the whole-person health of our patients in their homes and communities through services such as home health care and hospice care and long-term specialty care. This includes providing services to support individuals who need assistance with daily living due to an intellectual, developmental or cognitive disability.

Our Pharmacy Solutions segment operates long-term institutional pharmacies, hospice pharmacies, specialty oncology pharmacies, and home infusion centers. Our service offerings are impacted by medication availability and reliability, cost

containment, staff and patient support solutions, and regulatory support. Our Pharmacy Solutions segment is designed to drive medication adherence, patient outcomes, process efficiency, and compliance in a number of areas.

Substantially all of the Company's revenues are generated inside the United States, with the Provider Services segment generating insignificant amounts of revenue in Canada. Refer to Note 18 for additional information on the Company's segments.

#### *Share-Based Compensation*

The Company measures and recognizes compensation expense for share-based compensation awards based on the fair value of each award at its grant date and recognizes expense over the related service period on a straight-line basis. The Company accounts for forfeitures of share-based compensation awards as they occur. Compensation expense for share-based payments is included in cost of goods, cost of services, and selling, general, and administrative expenses in our consolidated statements of operations.

#### *Foreign Currency Translation*

BrightSpring's Canadian subsidiary designates its local currency as its functional currency. Operating results are translated into U.S. dollars using monthly average exchange rates, while balance sheet accounts are translated using period-end exchange rates. The resulting translation adjustments are included as a component of AOCI in shareholders' equity. Operating results from foreign operations are not material to our consolidated financial statements.

#### *Government Actions to Mitigate COVID-19's Impact*

On May 11, 2023, the Department of Health and Human Services declared that the COVID-19 pandemic is no longer a public health emergency. Through the Coronavirus Aid, Relief, and Economic Security Act, the Paycheck Protection Program and Health Care Enhancement Act, and the Consolidated Appropriations Act, \$178 billion of funding was authorized to be distributed to health care providers through the Provider Relief Fund ("PRF") in response to COVID-19. The Company did not receive or recognize into income any funds from the PRF during the year ended December 31, 2024. The Company received and recognized into income \$18.8 million in the year ended December 31, 2023, as compared with receiving no funds and recognizing \$29.8 million into income during the year ended December 31, 2022. The income recognized in each period was offset directly by expenses incurred within selling, general, and administrative expenses in our consolidated statements of operations, resulting in no net financial impact to the Company.

#### *Recently Adopted Accounting Standards*

In November 2023, the FASB issued Accounting Standards Update ("ASU") 2023-07, *Segment Reporting*. This ASU requires the following disclosures on an annual and interim basis:

- Significant segment expenses that are regularly provided to the CODM and included with each reported measure of segment profit/loss;
- Other segment items by reportable segment, consisting of differences between segment revenue and segment profit/loss not already disclosed above;
- Other information by reportable segment, including total assets, depreciation and amortization, and capital expenditures; and
- The title of the CODM and an explanation of how the CODM uses the reported measures of segment profit/loss in assessing segment performance and deciding how to allocate resources.

The amendments in this ASU are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted, and should be applied on a retrospective basis. The Company adopted the ASU for the year ended December 31, 2024. This ASU had no impact on the Company's consolidated financial condition or results of operations. Refer to Note 18 for the related segment disclosures.

#### *Recently Issued Accounting Standards*

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. This ASU requires the following disclosures on an annual basis:

- A tabular rate reconciliation using both percentages and amounts, broken out into specific categories with certain reconciling items at or above 5% of the statutory tax further broken out by nature and/or jurisdiction;

- Qualitative disclosure of the nature and effect of significant reconciling items by specific categories and individual jurisdictions; and
- Income taxes paid (net of refunds received), broken out between federal, state/local and foreign, and amounts paid to an individual jurisdiction when 5% or more of the total income taxes paid.

The amendments in this ASU are effective for annual periods beginning after December 15, 2024, with early adoption permitted, and should be applied on a prospective basis. This ASU will have no impact on the Company's consolidated financial condition or results of operations. The Company is currently evaluating the impact to the income tax disclosures.

In November 2024, the FASB issued ASU 2024-03, *Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*, which was further clarified in January 2025 through the issuance of ASU 2025-01. These ASUs require new financial statement disclosures to provide disaggregated information for certain types of expenses, including purchases of inventory, employee compensation, depreciation, and amortization in commonly presented expense captions such as cost of goods and services and selling, general and administrative expenses. The amendments in this ASU are effective for annual periods beginning after December 15, 2026, with early adoption permitted. The adoption of this guidance will have no impact on the Company's consolidated financial condition or results of operations. The Company is currently evaluating the impact to the related disclosures.

## 2. Discontinued Operations

On January 17, 2025, BrightSpring entered into a definitive agreement to sell its Community Living business to National Mentor Holdings, Inc. (the "Purchaser"), for \$835.0 million in cash upon closing, subject to certain post-closing adjustments. We entered into the transaction in order to streamline our service offerings and further focus on the senior and specialty populations. The transaction is currently expected to close in 2025, subject to receipt of customary regulatory approvals and satisfaction of other closing conditions.

The Company has determined the divestiture of the Community Living business represents a strategic shift that will have a major effect on its business and has concluded the criteria for classification as discontinued operations were met. Accordingly, the Community Living business is reported as discontinued operations in accordance with Accounting Standards Codification ("ASC") 205-20, *Discontinued Operations*. The related assets and liabilities of the Community Living business are classified as assets and liabilities held for sale in the accompanying consolidated balance sheets and the results of operations from the Community Living business are classified as discontinued operations in the consolidated statements of operations. Applicable amounts in prior years have been retrospectively revised and recast to conform to this discontinued operations presentation. The Community Living business was historically presented as a part of the Provider Services reportable segment.

In accordance with ASC 205-20, *Allocation of Interest to Discontinued Operations*, the Company elected to allocate interest expense to discontinued operations for the Company's debt that is not directly attributed to the Community Living business. Interest expense was allocated based on a ratio of net assets held for sale to the sum of consolidated net assets and consolidated debt. In addition, upon closing of the divestiture, we will enter into a transition services agreement with the Purchaser to support the Purchaser's post-closing operations of the Community Living business by providing the Purchaser with certain transition services in exchange for service fees in the form of both fixed-price and pass through costs. Transition services will primarily include finance and accounting, human resources, IT, facilities management, and compliance.

The financial results of the Community Living business are presented as income from discontinued operations on our consolidated statements of operations. The following table presents the financial results of the Community Living business (in thousands):

	For the Years Ended December 31,		
	2024	2023	2022
Services revenue	\$ 1,194,258	\$ 1,135,159	\$ 1,083,104
Cost of services	872,250	840,361	813,772
Gross profit	322,008	294,798	269,332
Selling, general, and administrative expenses	223,588	205,743	200,364
Operating income of discontinued operations	98,420	89,055	68,968
Interest expense, net	37,840	52,694	33,771
Income from discontinued operations before incomes taxes	60,580	36,361	35,197
Income tax expense from discontinued operations	12,170	10,930	8,855
Income from discontinued operations, net of income taxes	\$ 48,410	\$ 25,431	\$ 26,342

The following table presents the aggregate carrying amounts of assets and liabilities held for sale for the Community Living business in the consolidated balance sheets (in thousands):

	December 31, 2024	December 31, 2023
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 299	\$ 641
Accounts receivable, net of allowance for credit losses	125,872	114,727
Inventories	4,007	3,901
Prepaid expenses and other current assets	1,269	1,307
<b>Total current assets held for sale</b>	<b>131,447</b>	<b>120,576</b>
Property and equipment, net of accumulated depreciation of \$110,417 and \$91,955 at December 31, 2024 and December 31, 2023, respectively	69,715	70,443
Goodwill	307,640	307,640
Intangible assets, net of accumulated amortization	216,258	241,221
Operating lease right-of-use assets, net	88,717	101,306
Deferred income taxes, net	287	—
Other assets	5,343	4,484
<b>Total assets held for sale</b>	<b>\$ 819,407</b>	<b>\$ 845,670</b>
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Trade accounts payable	\$ 17,366	\$ 16,774
Accrued expenses	60,791	77,687
Current portion of obligations under operating leases	30,755	34,042
Current portion of obligations under financing leases	8,651	7,906
<b>Total current liabilities held for sale</b>	<b>117,563</b>	<b>136,409</b>
Obligations under operating leases, net of current portion	58,147	66,832
Obligations under financing leases, net of current portion	18,461	16,774
Deferred income taxes, net	—	637
Long-term liabilities	569	638
<b>Total liabilities held for sale</b>	<b>\$ 194,740</b>	<b>\$ 221,290</b>

The following table presents the significant non-cash items and purchases of property and equipment for the discontinued operations that are included in the accompanying consolidated statements of cash flows (in thousands):

	For the Years Ended December 31,		
	2024	2023	2022
<b>Cash flows from discontinued operations operating activities:</b>			
Depreciation and amortization	\$ 42,338	\$ 41,779	\$ 43,637
Share-based compensation	7,838	137	183
Impairment of long-lived assets	6,238	8,134	8,898
<b>Cash flows from discontinued operations investing activities:</b>			
Purchases of property and equipment	10,429	11,983	17,326

### 3. Revenues

The Company is substantially dependent on revenues received under contracts with federal, state, and local government agencies. Operating funding sources are generally earned from Medicaid, Medicare, commercial insurance reimbursement, and private and other payors. There is no single customer whose revenue was 10% or more of our consolidated revenue. The following tables set forth revenue by payor type for the years ended December 31, 2024, 2023 and 2022 (in millions):

Pharmacy Solutions						
For the Years Ended December 31,						
	2024		2023		2022	
	Revenue	% of Revenue	Revenue	% of Revenue	Revenue	% of Revenue
Commercial insurance	\$ 2,360.0	23.4%	\$ 1,657.7	21.6%	\$ 1,339.4	20.2%
Medicaid	829.1	8.2%	656.1	8.5%	517.1	7.8%
Medicare A	546.4	5.4%	549.3	7.1%	481.2	7.2%
Medicare B	70.3	0.7%	61.2	0.8%	42.1	0.6%
Medicare C	1,547.1	15.4%	1,384.3	18.0%	1,243.5	18.7%
Medicare D	3,202.0	31.8%	2,031.9	26.4%	1,482.4	22.4%
Private & other	199.4	2.0%	182.0	2.4%	158.7	2.4%
	<u>\$ 8,754.3</u>	<u>86.9%</u>	<u>\$ 6,522.5</u>	<u>84.8%</u>	<u>\$ 5,264.4</u>	<u>79.3%</u>

Provider Services						
For the Years Ended December 31,						
	2024		2023		2022	
	Revenue	% of Revenue	Revenue	% of Revenue	Revenue	% of Revenue
Commercial insurance	\$ 168.1	1.7%	\$ 152.5	2.0%	\$ 129.7	2.0%
Medicaid	337.4	3.3%	323.0	4.2%	311.6	4.7%
Medicare A	453.2	4.5%	409.3	5.3%	456.9	6.9%
Medicare B	25.6	0.3%	21.6	0.3%	15.4	0.2%
Medicare C	117.9	1.2%	66.1	0.9%	9.0	0.1%
Private & other	215.7	2.1%	196.0	2.5%	175.8	2.7%
	<u>\$ 1,317.9</u>	<u>13.1%</u>	<u>\$ 1,168.5</u>	<u>15.2%</u>	<u>\$ 1,098.4</u>	<u>16.6%</u>

Other						
For the Years Ended December 31,						
	2024		2023		2022	
	Revenue	% of Revenue	Revenue	% of Revenue	Revenue	% of Revenue
Department of Labor	\$ —	—	\$ —	—	\$ 273.4	4.1%
Private & other	—	—	—	—	1.3	0.0%
	<u>\$ —</u>	<u>—</u>	<u>\$ —</u>	<u>—</u>	<u>\$ 274.7</u>	<u>4.1%</u>

Consolidated						
For the Years Ended December 31,						
	2024		2023		2022	
	Revenue	% of Revenue	Revenue	% of Revenue	Revenue	% of Revenue
Commercial insurance	\$ 2,528.1	25.1%	\$ 1,810.2	23.6%	\$ 1,469.1	22.2%
Medicaid	1,166.5	11.5%	979.1	12.7%	828.7	12.5%
Medicare A	999.6	9.9%	958.6	12.4%	938.1	14.1%
Medicare B	95.9	1.0%	82.8	1.1%	57.5	0.8%
Medicare C	1,665.0	16.6%	1,450.4	18.9%	1,252.5	18.8%
Medicare D	3,202.0	31.8%	2,031.9	26.4%	1,482.4	22.4%
Department of Labor	—	—	—	—	273.4	4.1%
Private & other	415.1	4.1%	378.0	4.9%	335.8	5.1%
	<u>\$ 10,072.2</u>	<u>100.0%</u>	<u>\$ 7,691.0</u>	<u>100.0%</u>	<u>\$ 6,637.5</u>	<u>100.0%</u>

Refer to Note 18 for the disaggregation of revenues by segment.

#### 4. Acquisitions

##### *2024 Acquisitions*

During the year ended December 31, 2024, we completed eight acquisitions within the Pharmacy Solutions and Provider Services segments. We entered these transactions in order to expand our services and geographic offerings. Aggregate consideration net of cash acquired for these acquisitions was approximately \$110.9 million. The operating results of these acquisitions are included in our consolidated financial statements from the respective dates of the acquisition.

##### *Haven Hospice*

The following table summarizes the consideration paid (in thousands) for the September 1, 2024 acquisition of North Central Florida Hospice, Inc. ("Haven Hospice") and the fair value of the assets acquired and the liabilities assumed at the acquisition date, which has been adjusted for immaterial measurement-period adjustments through December 31, 2024. Haven Hospice provides hospice and palliative care services in the state of Florida. Its results are consolidated within the Provider Services segment.

Inventories	\$	45
Property and equipment		495
Goodwill		45,114
Intangible assets		19,860
Operating lease right-of-use assets		7,157
Trade accounts payable		764
Current portion of obligations under operating leases		2,235
Obligations under operating leases, net of current portion		4,922
Aggregate purchase price	\$	<u>64,750</u>

The Company is in the process of reviewing the fair value of the assets acquired and liabilities assumed. We have estimated the fair value of acquired intangible assets based upon a third-party valuation. Based on the Company's preliminary valuations, the total estimated consideration has been allocated to assets acquired and liabilities assumed as of the acquisition date.

Consideration for the Haven Hospice acquisition included a \$15.0 million cash payment, \$15.0 million seller note payable in 2028, and \$30.0 million of the Company's common stock equal to 2,471,251 shares. The number of shares was calculated by dividing \$30.0 million by a price per share equal to the average of the volume weighted average trading price of the Company's common stock on each of the fifteen consecutive trading days ending on and including the trading day that is three trading days prior to the closing date, as required by the asset purchase agreement. The sellers are restricted from trading during a 180-day lock-up period from closing with agreed-upon sale volume limitations for four years thereafter. The asset purchase agreement also includes a post-closing adjustment feature to the extent any losses are incurred by the sellers in the sale of their common stock for four years following closing with a final equity adjustment feature (see Note 14).

The estimated intangible assets consist of \$14.8 million in indefinite-lived licenses and \$5.1 million of trade name. The trade name has an estimated useful life of 10.0 years. We expect all of the goodwill will be deductible for tax purposes. The Company believes the resulting amount of goodwill reflects its expectation of synergistic benefits of the acquisition.

Haven Hospice contributed \$19.8 million in revenue and \$1.0 million of operating income during the year ended December 31, 2024. Pro forma financial data for the Haven Hospice acquisition has not been included as the results of the operations are not material to our consolidated financial statements.

##### *Others*

The following table summarizes the consideration paid (in thousands) for 2024 acquisitions, excluding Haven Hospice, and the estimated fair value of the assets acquired and the liabilities assumed at the acquisition dates, which are adjusted for immaterial measurement-period adjustments through December 31, 2024. Consideration for acquisitions by the Pharmacy Solutions and Provider Services segments was \$27.0 million and \$19.2 million, respectively.

Accounts receivable	\$ 3,749
Inventories	1,234
Prepaid expenses and other current assets	174
Property and equipment	398
Goodwill	18,093
Intangible assets	31,233
Operating lease right-of-use assets	364
Other assets	1,438
Trade accounts payable	650
Accrued expenses	7,742
Current portion of obligations under operating leases	56
Current portion of obligations under financing leases	53
Obligations under operating leases, net of current portion	308
Obligations under financing leases, net of current portion	8
Deferred income taxes, net	1,686
Aggregate purchase price, net of cash acquired	<u>\$ 46,180</u>

The Company is in the process of reviewing the fair value of the assets acquired and liabilities assumed. We have estimated the fair value of acquired intangible assets based upon third-party valuations and/or the values assigned in prior acquisitions that were deemed comparable in nature. Based on the Company's preliminary valuations, the total estimated consideration has been allocated to assets acquired and liabilities assumed as of the acquisition dates.

The estimated intangible assets consist primarily of \$22.3 million in customer relationships, \$5.7 million in definite-lived licenses, \$2.1 million in indefinite-lived licenses, \$0.6 million in covenants not to compete, and \$0.5 million in trade names. Definite-lived intangible assets have an estimated weighted average useful life of 14.9 years. We expect \$12.3 million of the goodwill will be deductible for tax purposes. The Company believes the resulting amount of goodwill reflects its expectation of synergistic benefits of the acquisitions.

The above acquisitions contributed approximately \$59.9 million in revenue and \$5.0 million in operating income during the year ended December 31, 2024. Pro forma financial data for the 2024 acquisitions has not been included as the results of the operations are not material to our consolidated financial statements.

During the year ended December 31, 2024, the Company incurred approximately \$3.4 million in transaction costs related to all aforementioned acquisitions completed in 2024. These costs are included in selling, general, and administrative expenses in our consolidated statements of operations.

The Company also purchased the remaining 30% noncontrolling interest in Gateway Pediatric Therapy, LLC during the first fiscal quarter of 2024 and the remaining 45% noncontrolling interest in Harvest Grove LTC, LLC during the third fiscal quarter of 2024. These transactions did not meet the definition of a business combination in accordance with ASC 805, *Business Combinations* (refer to Note 16).

#### *2023 Acquisitions*

During the year ended December 31, 2023, we completed five acquisitions within the Pharmacy Solutions and Provider Services segments. We entered these transactions in order to expand our services and geographic offerings. Aggregate consideration for these acquisitions was approximately \$73.1 million. No cash was acquired as a part of these transactions. The operating results of these acquisitions are included in our consolidated financial statements from the respective dates of the acquisition.

The following table summarizes the consideration paid (in thousands) for 2023 acquisitions, and the estimated fair value of the assets acquired and the liabilities assumed at the acquisition dates, which are adjusted for immaterial measurement-period adjustments through December 31, 2023. Consideration for acquisitions by the Pharmacy Solutions and Provider Services segments was \$29.8 million and \$43.3 million, respectively.

Accounts receivable	\$	2,500
Inventories		919
Property and equipment		13
Intangible assets		37,914
Goodwill		31,931
Operating lease right-of-use assets		530
Accrued expenses		200
Current portion of obligations under operating leases		207
Obligations under operating leases, net of current portion		323
Aggregate purchase price	\$	<u>73,077</u>

The intangible assets consist primarily of \$18.9 million in indefinite-lived licenses, \$14.0 million in customer relationships, \$3.9 million in trade names, and \$1.1 million in covenants not to compete. Definite-lived intangible assets have an estimated weighted average useful life of 11.2 years. We expect all of the goodwill will be deductible for tax purposes. The Company believes the resulting amount of goodwill reflects its expectation of synergistic benefits of the acquisitions.

Measurement period adjustments for 2023 acquisitions recorded in the year ended December 31, 2024 were not material to the consolidated financial statements. The Company finalized the purchase price allocation for the 2023 acquisitions prior to the one-year anniversary date of each acquisition.

The above acquisitions contributed approximately \$119.3 million and \$55.1 million in revenue and approximately \$5.7 million and \$4.5 million in operating income during the years ended December 31, 2024 and 2023, respectively. Pro forma financial data for 2023 acquisitions has not been included as the results of the operations are not material to our consolidated financial statements.

During the year ended December 31, 2023, the Company incurred approximately \$2.5 million in transaction costs related to completed 2023 acquisitions. These costs are included in selling, general, and administrative expenses in our consolidated statements of operations.

## 5. Goodwill and Intangible Assets

In 2024, 2023 and 2022, the Company performed a quantitative assessment of all reporting units as of October 1. We utilized a combination of the discounted cash flow analysis or “income approach” (50%) and the “market approach” (50%).

Our 2024 and 2023 goodwill impairment analyses concluded that the fair values of all reporting units were in excess of their carrying amounts. Subsequent to completing our goodwill impairment tests, no further indicators of impairment were identified. Based on these analyses, we recorded no goodwill impairment for the years ended December 31, 2024 and 2023.

Our 2022 goodwill impairment analysis concluded that the fair values of the Institutional Pharmacy, Specialty Solutions, Home Infusion, Home Health and Therapies, and Behavioral Health reporting units were in excess of their carrying amounts, and that the fair values of the Hospice Pharmacy and Workforce Solutions reporting units were less than their carrying amounts. We recognized non-cash goodwill impairment charges of \$25.5 million related to the Hospice Pharmacy reporting unit and \$15.4 million related to the Workforce Solutions reporting unit during 2022, which represent the excess of the reporting units’ carrying values over their respective estimated fair values at October 1, 2022. Subsequent to completing our goodwill impairment tests, no further indicators of impairment were identified. Neither reporting unit includes indefinite-lived intangible assets. The Workforce Solutions reporting unit was subsequently sold effective November 1, 2022.

The determination of whether the carrying value of the reporting unit exceeds its fair value involves a high degree of estimation and can be affected by a number of industry and company-specific risk factors that are subject to change over time. If actual performance does not achieve the projections, or if the assumptions used change in the future, we may be required to recognize additional impairment charges in future periods.

A summary of changes to goodwill is as follows (in thousands):

	Goodwill		
	Pharmacy Solutions	Provider Services	Total
Goodwill at January 1, 2023*	\$ 821,406	\$ 1,447,035	\$ 2,268,441
Goodwill added through acquisitions	12,583	19,111	31,694
Measurement period adjustments	—	540	540
Foreign currency adjustments	—	97	97
Goodwill at December 31, 2023*	\$ 833,989	\$ 1,466,783	\$ 2,300,772
Goodwill added through acquisitions	7,063	56,144	63,207
Measurement period adjustments	—	237	237
Foreign currency adjustments	—	(332)	(332)
Goodwill at December 31, 2024*	\$ 841,052	\$ 1,522,832	\$ 2,363,884

\* For the periods presented, the carrying amount of goodwill is presented net of accumulated impairment losses of \$40.9 million.

Intangible assets are as follows (in thousands):

	December 31, 2024			December 31, 2023			Life (Years)
	Gross	Accumulated Amortization	Net Carrying Value	Gross	Accumulated Amortization	Net Carrying Value	
Customer relationships	\$ 542,137	\$ 335,647	\$ 206,490	\$ 539,173	\$ 293,648	\$ 245,525	5-20
Trade names	332,977	140,020	192,957	328,089	116,644	211,445	2-20
Licenses	68,425	17,528	50,897	64,340	13,964	50,376	10-20
Doctor/payor network	12,730	10,965	1,765	12,730	8,800	3,930	5-8
Covenants not to compete	8,790	5,886	2,904	13,084	8,504	4,580	2-7
Other intangible assets	10,940	6,362	4,578	10,949	4,808	6,141	5-7
Total definite-lived assets	\$ 975,999	\$ 516,408	\$ 459,591	\$ 968,365	\$ 446,368	\$ 521,997	
Licenses	135,633	—	135,633	118,258	—	118,258	Indefinite
Total intangible assets	\$ 1,111,632	\$ 516,408	\$ 595,224	\$ 1,086,623	\$ 446,368	\$ 640,255	

Amortization expense for the years ended December 31, 2024, 2023 and 2022 was \$95.3 million, \$103.3 million, and \$105.2 million, respectively.

As of December 31, 2024, total estimated amortization expense for the Company's definite-lived intangible assets for the next five years and thereafter is as follows (in thousands):

2025	\$ 89,795
2026	80,775
2027	47,821
2028	40,774
2029	34,717
Thereafter	165,709
	<u>\$ 459,591</u>

## 6. Debt and Derivatives

The table below summarizes the total outstanding debt of the Company (in thousands):

	December 31, 2024		December 31, 2023	
	Rate	Amount	Rate	Amount
First Lien - payable to lenders at SOFR plus applicable margin	—	\$ —	8.72%	\$ 1,719,360
First Lien Incremental Term Loans Tranches B-2 and B-3 - payable to lenders at SOFR plus applicable margin	—	—	8.97%	1,189,975
First Lien Incremental Term Loan Tranche B-5 - payable to lenders at SOFR plus applicable margin	6.86%	2,546,787	—	—
Second Lien - payable to lenders at SOFR plus applicable margin	—	—	13.97%	450,000
Revolving Credit Loans - payable to lenders at SOFR plus applicable margin	7.61%	—	9.59%	50,000
Swingline Loans and Base Rate Loans - payable to lenders at ABR plus applicable margin	9.75%	63,300	11.75%	700
Amortizing Notes <sup>(1)</sup>		53,804		—
Notes payable and other		19,428		4,356
<b>Total debt</b>		<b>2,683,319</b>		<b>3,414,391</b>
Less: debt issuance costs, net		72,736		50,177
<b>Total debt, net of debt issuance costs</b>		<b>2,610,583</b>		<b>3,364,214</b>
Less: current portion of long-term debt		48,725		32,273
<b>Total long-term debt, net of current portion</b>		<b>\$ 2,561,858</b>		<b>\$ 3,331,941</b>

<sup>(1)</sup> See Note 7 for discussion of Amortizing Notes.

As of December 31, 2024, maturities of long-term debt for the next five years and thereafter are as follows (in thousands):

2025	\$ 48,725
2026	48,462
2027	37,562
2028	103,848
2029	25,548
Thereafter	2,419,174
	<b>\$ 2,683,319</b>

See Note 13 for maturities of obligations under financing leases.

The following discussion summarizes the debt agreements and related extinguishments and modifications for the years ended December 31, 2024 and 2023.

Obligations under the First Lien and Second Lien Facility are guaranteed by Phoenix Guarantor, Inc., a subsidiary of the Company, and each of its current and future direct and indirect subsidiaries other than (among others) (i) foreign subsidiaries, (ii) unrestricted subsidiaries, (iii) non-wholly owned subsidiaries, (iv) certain receivables financing subsidiaries, (v) certain immaterial subsidiaries and (vi) certain holding companies of foreign subsidiaries, and are secured by a first lien on substantially all of their assets, including capital stock of subsidiaries.

The current credit facilities described below contain customary negative covenants, including, but not limited to, restrictions on the Company and its restricted subsidiaries' ability to merge and consolidate with other companies, incur indebtedness, grant liens or security interests on assets, make acquisitions, loans, advances or investments, pay dividends, sell or otherwise transfer assets, prepay or modify terms of certain junior indebtedness, enter into transactions with affiliates, or change their lines of business or fiscal year. In addition, the terms of the credit facilities will not permit the consolidated First Lien secured debt to consolidated earnings before interest, taxes, depreciation, and amortization ("EBITDA") to be greater than 6.90 to 1.00, which shall be tested as of the end of the most recent quarter at any time when the aggregate Revolving Credit Facility loans exceed 35% of the total revolving credit commitments.

We were in compliance with all applicable financial debt covenants at December 31, 2024 and 2023.

#### *First Lien Credit Agreement*

On March 5, 2019, the Company entered into a First Lien Credit Agreement (the “First Lien”), with Morgan Stanley Senior Funding, Inc., as the Administrative Agent and the Collateral Agent. The First Lien originally consisted of a principal amount of \$1,650.0 million. In 2019, an additional delayed draw of \$150.0 million was made on the First Lien, resulting in a gross borrowing of \$1,800.0 million (“Tranche B-1”). Borrowings of Tranche B-1 Term Loans (as defined in the First Lien) under the First Lien bore interest at a rate equal to, at our option, (a) Secured Overnight Financing Rate (“SOFR”) (with a floor of 0.00%) plus 3.25% or (b) Alternate Base Rate (“ABR”) plus 2.25%. Principal payments were due on the last business day of each quarter, commencing in September 2019 at 0.25% of the aggregate principal of the original loan amount, with a balloon payment due in March 2026.

The First Lien, as amended in 2020, established a Tranche B-2 Term Loan (“Tranche B-2”) in an aggregate principal amount equal to \$550.0 million. The First Lien, as amended in 2021, established a Tranche B-3 Term Loan (“Tranche B-3”) in an aggregate principal amount equal to \$675.0 million. Borrowings under Tranche B-2 and Tranche B-3, bore interest at a rate equal to, at our option, (a) SOFR (with a floor of 0.00%) plus 3.50% or (b) ABR plus 2.50%. Principal payments were due on the last business day of each fiscal quarter, commencing in June 2021 at 0.25% of the aggregate principal of the original loan amount, with a balloon payment due in March 2026.

On February 21, 2024, we used a portion of the net proceeds received from the IPO Offerings to repay \$343.3 million of the borrowings under the First Lien, and amended the First Lien to establish a new Tranche B-4 Term Loan (“Tranche B-4”) in an aggregate principal amount of \$2,566.0 million. The proceeds from Tranche B-4 borrowings were used to refinance the equivalent amount of the remaining First Lien Tranches B-1, B-2, and B-3 borrowings at a rate equal to SOFR plus 3.25% with a maturity date of February 21, 2031. The transaction was accounted for as a debt modification. Principal payments were due on the last business day of each quarter, which commenced in the second fiscal quarter of 2024 and equated to 0.25% of the principal at issuance, with a balloon payment due February 21, 2031.

On December 11, 2024, we amended the First Lien to refinance Tranche B-4 by establishing a Tranche B-5 Term Loan (“Tranche B-5”) in an aggregate principal amount of \$2,553.2 million at a rate equal to SOFR plus 2.50% or ABR plus 1.50% with a maturity date of February 21, 2031. The non-cash transaction was accounted for as a debt modification. Principal payments are due on the last business day of each quarter, which commenced in the first fiscal quarter of 2025 and equate to 0.25% of the principal at issuance, with a balloon payment due February 21, 2031.

#### *Revolving Credit Facility*

The First Lien also extends credit in the form of Revolving Credit Facility with a borrowing capacity of \$475.0 million (the “Revolver”), of which up to \$50.0 million is available as swingline loans and up to \$82.5 million is available as letters of credit (the “LC Sublimit”). The Revolver will mature on June 30, 2028. In connection with the First Lien modification on February 21, 2024, borrowings of the Revolver bear interest at a rate equal to SOFR (with a floor of 0.00%) plus 3.25% for the Revolving Credit Loans or ABR plus 2.25% for the Swingline Loans. As of December 31, 2024, the Company had \$63.3 million of borrowings outstanding under the Revolver and no letters of credit, reducing the available borrowing capacity to approximately \$411.7 million. As of December 31, 2023, the Company had \$50.7 million of borrowings outstanding under the Revolver and \$6.6 million of letters of credit reducing the available borrowing capacity to approximately \$417.7 million.

The Company’s First Lien also provides for an additional letter of credit commitments (the “LC Facility”), which are not subject to the LC Sublimit and do not reduce the Revolver borrowing capacity. On September 17, 2024, the Company amended the First Lien to increase the LC Facility from \$55.0 million to \$65.0 million. As of December 31, 2024 and 2023, there were \$61.8 million and \$54.3 million of letters of credit outstanding under the LC Facility, respectively, resulting in an available borrowing capacity of \$3.2 million and \$0.7 million, respectively.

#### *Second Lien Credit Agreement*

The Company’s amended and restated Second Lien Credit Agreement (the “Second Lien Facility”), with certain Lenders and Wilmington Trust, National Association, as the Administrative Agent and the Collateral Agent consisted of a principal amount of \$450.0 million.

Borrowings under the Second Lien Facility term were subordinated to the First Lien and bore interest at a rate equal to, at our option, (a) SOFR (with a floor of 1.00%) plus 8.50% or (b) ABR plus 7.50%. The aggregate principal was due with a balloon payment in March 2027.

On January 30, 2024, we used a portion of the net proceeds received from the IPO Offerings to repay all outstanding borrowings under the Second Lien Facility. No remaining obligation exists related to the Second Lien Facility. This transaction was accounted for as a debt extinguishment and the Company incurred a loss on extinguishment of debt of \$12.7 million related to the write-off of unamortized debt issuance costs during the first fiscal quarter of 2024.

### Derivative Financial Instruments

To manage fluctuations in cash flows resulting from changes in the variable rates, the Company entered into three receive-variable, pay-fixed interest rate swap agreements, all effective September 30, 2022. Taken together with the related debt, these swaps create the economic equivalent of fixed-rate debt, up to the notional amount of the hedged debt. By using a derivative instrument to hedge exposures to changes in interest rates, we expose ourselves to credit risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the Company, which creates credit risk for the Company. When the fair value of a derivative contract is negative, the Company owes the counterparty and, therefore, the Company is not exposed to the counterparty's credit risk in those circumstances. The Company mitigates counterparty credit risk in derivative instruments by entering into transactions with high-quality counterparties. The derivative instruments entered into by the Company do not contain credit-risk-related contingent features.

As of December 31, 2024, we have the following cash flow hedge agreements with a total notional value of \$2.0 billion:

Financial Institution	Effective Dates	Floating Rate Debt	Fixed Rates
Credit Suisse	September 30, 2022 through September 30, 2025	\$ 500,000,000	3.4165%
Morgan Stanley	September 30, 2022 through September 30, 2025	1,050,000,000	3.4200%
Credit Agricole Corporate and Investment Bank	September 30, 2022 through September 30, 2025	450,000,000	3.5241%

The fair value of the cash flow hedges as of December 31, 2024 and 2023 was \$10.6 million and \$24.9 million, respectively, and reflected in prepaid expenses and other current assets and other assets, respectively, in the consolidated balance sheets.

Amounts reported in AOCI related to derivatives will be reclassified to interest expense as interest payments are made on the Company's variable-rate debt. Interest received, including payments made or received under the cash flow hedges, was \$35.3 million, \$31.4 million, and \$0.7 million for the years ended December 31, 2024, 2023, and 2022, respectively. The Company expects approximately \$10.6 million of pre-tax gains to be reclassified out of AOCI into earnings within the next twelve months.

The debt modifications and extinguishment in 2024 did not impact the effectiveness of the cash flow hedge arrangements outstanding as of December 31, 2024.

### 7. Tangible Equity Units

Concurrently with the IPO, we issued 8,000,000 TEUs, which have a stated amount of \$50.00 per unit. Each TEU is comprised of a prepaid stock purchase contract ("Purchase Contract") and a senior amortizing note ("Amortizing Note") due February 1, 2027, each issued by the Company. Each TEU may be separated by a holder into its constituent Purchase Contract and Amortizing Note, each of which is considered a freestanding financial instrument. The proceeds from the issuance were allocated to equity and debt based on the relative fair value of the respective components of each TEU as follows (in thousands, except per unit values):

	Equity Component	Debt Component	Total
Fair value per unit	\$ 41.3382	\$ 8.6618	\$ 50.00
Gross proceeds	\$ 330,706	\$ 69,294	\$ 400,000
Less: issuance costs	9,095	1,905	11,000
Net proceeds	\$ 321,611	\$ 67,389	\$ 389,000

The value allocated to the Purchase Contract is reflected net of issuance costs in additional paid-in capital on the consolidated balance sheet. The value allocated to the Amortizing Notes are reflected in long-term debt, with payments expected in the next twelve months reflected in current portion of long-term debt, in the consolidated balance sheet. Issuance costs related to the Amortizing Notes are reflected as a reduction of the carrying amount and will be amortized through the maturity date using the effective interest rate method.

On each February 1, May 1, August 1, and November 1, we pay equal quarterly cash installments of \$0.8438 per Amortizing Note commencing on May 1, 2024, except for the May 1, 2024 installment payment, which was \$0.8531 per Amortizing Note, with a final installment payment date of February 1, 2027. Each installment payment constitutes a payment of interest and a partial repayment of principal. The Company paid \$20.3 million in TEU principal and interest payments during the year ended December 31, 2024.

The Amortizing Notes rank equally in right of payment with all other existing and future unsecured senior indebtedness and rank senior to all of our existing and future indebtedness, if any, that is subordinated to the Amortizing Notes. At any time prior to the second scheduled trading day immediately preceding February 1, 2027, a holder may elect to settle its Purchase Contract early, in whole or in part, at an early settlement rate equal to the minimum settlement rate. The Company has the right to settle the Purchase Contracts on or after November 1, 2024, in whole but not in part, on a date fixed by it at an early mandatory settlement rate equal to the maximum settlement rate, subject to certain exceptions. During the year ended December 31, 2024, 31,211 TEUs were converted at the holder's option.

Unless settled earlier at the holder's option or at the Company's election, each Purchase Contract will, subject to postponement in certain limited circumstances, automatically settle on February 1, 2027 for a number of shares of our common stock, subject to certain anti-dilution adjustments, based upon the 20-day volume-weighted average price ("VWAP") of our common stock as follows:

VWAP of BTSG Common Stock	Common Stock Issued
Greater than \$15.28	3.2733 shares (minimum settlement rate)
Equal to or less than \$15.28 but greater than or equal to \$13.00	\$50 divided by VWAP
Less than \$13.00	3.8461 shares (maximum settlement rate)

The Purchase Contracts are mandatorily convertible into a minimum of 26.2 million shares or a maximum of 30.8 million shares of our common stock on the mandatory settlement date (unless redeemed by us or settled earlier at the unit holder's option). The 26.2 million minimum shares are included in the calculation of basic weighted average shares outstanding. The difference between the minimum and maximum shares represents potentially dilutive securities, which are included in the calculation of diluted weighted average shares outstanding on a pro rata basis to the extent that the average applicable market value is equal to or greater than \$13.00 but is less than or equal to \$15.28 during the period (see Note 10).

## 8. Income Taxes

Loss before income taxes consists of the following (in thousands):

	2024	2023	2022
U.S. Operations	\$ (95,555)	\$ (213,971)	\$ (81,049)
Foreign Operations	237	197	98
Loss before income taxes	\$ (95,318)	\$ (213,774)	\$ (80,951)

Income tax benefit attributable to loss before income taxes is summarized as follows (in thousands):

	For the Years Ended December 31,		
	2024	2023	2022
Current provision:			
Federal	\$ 1,296	\$ 12,549	\$ 18,635
State	1,998	4,175	7,278
Foreign	50	39	43
Total current provision	3,344	16,763	25,956
Deferred provision:			
Federal	(25,004)	(40,106)	(19,872)
State	(4,727)	(8,165)	(6,474)
Total deferred provision	(29,731)	(48,271)	(26,346)
Income tax benefit	\$ (26,387)	\$ (31,508)	\$ (390)

A reconciliation of the U.S. Federal income tax rate of 21.0% to income tax benefit expressed as a percent of pretax loss is as follows:

	For the Years Ended December 31,		
	2024	2023	2022
Federal income tax at the statutory rate	21.0%	21.0%	21.0%
(Decrease) increase in income tax benefit:			
State and foreign income taxes, net of federal benefits	(1.6)	0.8	(0.7)
Jobs tax credits, net	2.2	1.1	3.9
State deferred rate change	(1.2)	1.6	(0.3)
Legal claims	(2.0)	(11.3)	—
Non-deductible expenses	(1.4)	(0.2)	0.1
Share-based compensation	(4.6)	0.9	0.1
Executive compensation	(1.1)	—	—
Non-deductible goodwill	—	—	(22.4)
Uncertain tax positions	0.0	(0.5)	0.1
Adjustments associated with prior year provision	19.0	0.7	(0.8)
Acquisition impacts	(1.9)	—	—
Minority interest	(0.5)	(0.2)	—
Lobbying and political contributions	(0.3)	(0.1)	—
Other	0.1	0.9	(0.5)
<b>Total</b>	<b>27.7%</b>	<b>14.7%</b>	<b>0.5%</b>

The increase in adjustments associated with prior year provision for 2024 is primarily attributable to finalization of the settlement agreement for the Silver matter, including partial deductibility for tax purposes, as well as the reduction in pre-tax loss.

On December 27, 2020, the Consolidated Appropriations Act was signed into law and extended the jobs credit provisions through 2025. Accordingly, jobs credits generated during the year have been recognized in the provision for income taxes for all years presented.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are presented below (in thousands):

	December 31, 2024	December 31, 2023
<b>Deferred tax assets:</b>		
Accrued expenses	\$ 44,957	\$ 48,866
Allowance for credit losses and contractual allowances	22,546	23,986
Net operating losses	18,796	18,846
Share-based compensation	15,799	4,628
IRC §163(j) interest	96,961	84,696
Operating lease liability	62,587	66,769
Other	21,325	18,238
Deferred tax assets	282,971	266,029
Valuation allowances	(8,968)	(9,866)
<b>Deferred tax assets, net</b>	<b>274,003</b>	<b>256,163</b>
<b>Deferred tax liabilities:</b>		
Operating lease right-of-use asset	(60,587)	(65,391)
Property and equipment	(6,575)	(14,084)
Goodwill and other intangible assets	(190,272)	(178,570)
Insurance recovery	(8,677)	(15,048)
Interest rate swaps	(2,604)	(6,101)
Deferred tax liabilities	(268,715)	(279,194)
<b>Deferred income taxes, net</b>	<b>\$ 5,288</b>	<b>\$ (23,031)</b>

As of December 31, 2024, the Company has federal net operating loss (“NOL”) carryforwards of \$11.0 million (\$2.3 million deferred tax asset) that resulted from stock acquisitions the Company completed from 2013 through 2019. These NOLs are subject to limitations under Internal Revenue Code (“IRC”) §382. However, the Company expects that it will more-likely-than-not be able to use the recorded amount which takes into account the limitations of the carryforwards. The deferred tax asset for state NOL carryforwards is \$7.2 million, net of the federal tax impact and valuation allowances of \$9.0 million. The state NOLs have carryforward periods ranging from 1 to 20 years depending on the taxing jurisdiction.

With the enactment of the Tax Cuts and Jobs Act of 2019 on December 22, 2017, as of January 1, 2018 and as adjusted by the enactment of the CARES Act on March 25, 2020, the Company is subject to a limitation on interest expense in excess of 30% (50% for 2019 and 2020 pursuant to the CARES Act) of adjusted taxable income calculated for purposes of IRC §163(j). The limitation in any given year may be carried forward indefinitely and deducted as interest expense in future periods. The Company has federal interest expense carryforwards of \$386.2 million (\$81.1 million deferred tax asset) available for utilization in future years. The deferred tax asset for state interest expense carryforwards is \$15.9 million.

A valuation allowance for deferred tax assets was provided as of December 31, 2024 and 2023 related to state income tax NOL carryforwards. The realization of deferred tax assets is dependent upon generating future taxable income when temporary differences become deductible. Based upon the historical and projected levels of taxable income, we believe it is more-likely-than-not that we will realize the benefits of the deductible differences after consideration of the valuation allowance.

A reconciliation of the beginning and ending amount of total unrecognized tax benefits is as follows (in thousands):

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Balance at beginning of year	\$ 1,502	\$ 505
(Decrease) increase related to prior year tax positions	(9)	1,502
Decrease related to current year tax positions	—	(42)
Lapse of statute of limitations	—	(463)
Balance at end of year	<u>\$ 1,493</u>	<u>\$ 1,502</u>

Included in the balance of total unrecognized tax benefits at December 31, 2024 are potential benefits of \$0.0 million, which if recognized, would affect the effective tax rate for the year ending December 31, 2025. Unrecognized tax benefits that reduce a NOL, similar tax loss or tax credit carryforward are presented as a reduction to deferred income taxes.

We file numerous consolidated and separate income tax returns in the U.S. federal and various state and foreign jurisdictions. With few exceptions, we are no longer subject to income tax examinations by the taxing authorities for years prior to 2019. We believe that we have appropriate support for the income tax positions taken and to be taken on our income tax returns and that our accruals for income tax liabilities are adequate for all open years based on an assessment of many factors including past experience and interpretations of the tax laws as applied to the facts of each matter. We expect that the amounts of unrecognized tax benefits will be reduced by \$1.5 million within the next twelve months. Total accrued interest and penalties was \$0.0 million and \$0.1 million as of December 31, 2024 and 2023, respectively, and are included in accrued expenses on the consolidated balance sheets.

#### 9. Detail of Certain Balance Sheet Accounts

Prepaid expenses and other current assets consist of the following (in thousands):

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Rebate receivable	\$ 49,538	\$ 41,791
Non-trade receivables	45,428	66,616
Prepaid insurance	13,892	13,229
Income tax receivable	13,468	4,935
Inventory returns receivable	11,245	15,300
Interest rate swaps	10,633	—
Prepaid maintenance	3,644	3,578
Other prepaid expenses and current assets	13,462	12,411
Total prepaid expenses and other current assets	<u>\$ 161,310</u>	<u>\$ 157,860</u>

Other assets consist of the following (in thousands):

	December 31, 2024	December 31, 2023
Notes receivable	\$ 8,577	\$ 7,840
Insurance recoveries	7,564	8,509
Cloud computing	7,362	9,453
Deposits	6,733	5,004
Deferred debt issuance costs	2,470	3,349
Equity method investments	670	720
Interest rate swaps	—	24,947
Deferred offering costs	—	3,850
Other assets	5,752	4,682
Total other assets	<u>\$ 39,128</u>	<u>\$ 68,354</u>

Accrued expenses consist of the following (in thousands):

	December 31, 2024	December 31, 2023
Wages and payroll taxes	\$ 98,245	\$ 84,753
Checks in excess of cash balance	27,643	9,018
Compensated absences	24,360	22,983
Automobile insurance reserves	21,353	27,381
Workers compensation insurance reserves	19,966	22,480
Health insurance reserves	14,934	13,452
Legal settlements and professional fees	13,982	114,677
Deferred revenue	10,196	14,822
Interest	8,779	3,125
General and professional liability insurance reserves	8,328	22,738
Contingent consideration	3,136	2,650
Taxes other than income taxes	1,985	1,742
Recoupment fees	536	36,071
Other	42,303	38,784
Total accrued expenses	<u>\$ 295,746</u>	<u>\$ 414,676</u>

Long-term liabilities consist of the following (in thousands):

	December 31, 2024	December 31, 2023
Workers compensation insurance reserves	\$ 25,360	\$ 30,514
General and professional liability insurance reserves	21,182	28,350
Automobile insurance reserves	9,034	8,526
Contingent consideration	5,250	2,681
Employee incentives	3,993	5,189
Deferred gain	195	709
Legal settlements and professional fees	—	10,000
Other	6,176	5,336
Total long-term liabilities	<u>\$ 71,190</u>	<u>\$ 91,305</u>

#### 10. Earnings Per Share (“EPS”)

Basic net income (loss) per share excludes dilution and is reported separately for continuing operations and discontinued operations. Basic net loss per share of common stock for continuing operations and discontinued operations is calculated by dividing net income (loss) from continuing operations and discontinued operations attributable to common shareholders by the weighted average number of shares outstanding for the reporting period, respectively. Diluted net income (loss) per share of common stock is computed by giving effect to all potential weighted average dilutive common stock. In periods of net loss, no potentially dilutive common shares are included in the diluted shares outstanding as the effect is anti-dilutive.

The number of additional shares of common stock related to stock option awards subject to only a time-based condition is calculated using the treasury stock method, if dilutive. Stock option awards subject to a performance condition are not included in the denominator of the diluted EPS calculation using the treasury stock method for the years ended December 31, 2023 and 2022, as the performance condition had not been satisfied. Upon completion of the IPO in January 2024, the performance condition was met and a portion of the Tier I options vested (Note 11). Thus, the number of additional shares of common stock related to stock option awards subject to a performance condition are included in the denominator of the diluted EPS calculation using the treasury stock method for the year ended December 31, 2024, if dilutive.

The number of additional shares of common stock related to restricted stock units (“RSUs”) is reflected in the denominator of the diluted EPS calculation using the treasury stock method, if dilutive.

For the year ended December 31, 2024, the TEUs were assumed to be outstanding at the minimum settlement amount for weighted-average shares for basic EPS. For diluted EPS, the shares were assumed to be settled at a conversion factor based on the 20-day VWAP per share of the Company’s common stock not to exceed 3.8461 shares per Purchase Contract, if dilutive. See Note 7 for further discussion of TEUs.

The following table sets forth the computation of basic and diluted net loss per share attributable to common shareholders (in thousands, except per share amounts):

	<u>For The Years Ended December 31,</u>		
	<u>2024</u>	<u>2023</u>	<u>2022</u>
<b>Numerator:</b>			
Net loss from continuing operations	\$ (68,931)	\$ (182,266)	\$ (80,561)
Less: Net loss attributable to noncontrolling interests	(2,459)	(2,232)	(312)
Net loss from continuing operations attributable to common shareholders	(66,472)	(180,034)	(80,249)
Net income from discontinued operations	\$ 48,410	\$ 25,431	\$ 26,342
Net loss attributable to common shareholders	<u>\$ (18,062)</u>	<u>\$ (154,603)</u>	<u>\$ (53,907)</u>
<b>Denominator:</b>			
Weighted-average shares outstanding - basic	<u>192,997</u>	<u>117,868</u>	<u>117,840</u>
Effect of dilutive securities:			
Stock options	—	—	—
RSUs	—	—	—
TEUs	—	—	—
Weighted-average shares outstanding - diluted	<u>192,997</u>	<u>117,868</u>	<u>117,840</u>
<b>Basic income (loss) per share attributable to common shareholders:</b>			
Continuing operations	\$ (0.34)	\$ (1.53)	\$ (0.68)
Discontinued operations	\$ 0.25	\$ 0.22	\$ 0.22
Net loss	<u>\$ (0.09)</u>	<u>\$ (1.31)</u>	<u>\$ (0.46)</u>
<b>Diluted income (loss) per share attributable to common shareholders:</b>			
Continuing operations	\$ (0.34)	\$ (1.53)	\$ (0.68)
Discontinued operations	\$ 0.25	\$ 0.22	\$ 0.22
Net loss	<u>\$ (0.09)</u>	<u>\$ (1.31)</u>	<u>\$ (0.46)</u>

The following potentially common share equivalents were excluded from the computation of diluted net loss per share because their effect would have been anti-dilutive for the periods presented, as well as options that are contingent upon the satisfaction of certain conditions which were not satisfied by the end of the period (in thousands):

	For The Years Ended December 31,		
	2024	2023	2022
Stock options <sup>(1)</sup>	14,936	14,140	14,324
RSUs	10,587	—	—
TEUs	—	—	—
Total	25,523	14,140	14,324

<sup>(1)</sup> For all periods presented, the dilutive effect of stock options were excluded from the computation of loss per share because the assumed proceeds from the awards' exercise were greater than the average market price of the common shares.

All share and per share amounts have been retroactively adjusted to reflect the effects of the stock split that occurred in January 2024 (see Note 11).

## 11. Common Stock, Preferred Stock, and Share-Based Compensation

### Common Stock

The Company's Board of Directors approved a 15.7027-for-one stock split of the Company's common stock on January 24, 2024, with an effective date of January 25, 2024. The par value per share of the Company's common stock remained unchanged at \$0.01 per share, and the authorized shares of the Company's common stock increased from 8,750,000 to 137,398,625. Upon completion of the IPO Offerings in January 2024, the Company's Board of Directors approved an amendment to our articles of incorporation to authorize 1,500,000,000 shares of common stock with a par value of \$0.01 per share. The holders of the Company's common stock are entitled to one vote for each share held of record on all matters on which stockholders may vote. There are no preemptive, subscription, conversion, redemption, or sinking fund provisions applicable to the Company's common stock. In addition, the Company's Credit Agreement imposes restrictions on its ability to pay cash dividends.

### Preferred Stock

Upon completion of the IPO Offerings in January 2024, the Company's Board of Directors approved an amendment to our articles of incorporation to authorize 250,000,000 shares of preferred stock with a par value of \$0.01 per share. Each series of preferred stock will have the number of shares, designations, preferences, voting powers, qualifications and special or relative rights or privileges as shall be determined by the Board of Directors, which may include, but are not limited to, dividend rights, voting rights, redemption, and sinking fund provisions, liquidation preferences, conversion rights, and preemptive rights. There were no shares of preferred stock issued or outstanding at December 31, 2024 and December 31, 2023.

### Share-Based Compensation Plans

On January 24, 2024, the Board of Directors adopted the 2024 Incentive Plan. Concurrent with the adoption of the 2024 Incentive Plan, the previously existing share-based compensation plan, the 2017 Stock Plan, was terminated and no further issuances are permitted under the 2017 Stock Plan; however, awards granted under the 2017 Stock Plan will continue to be governed by their existing terms.

The Company recorded share-based compensation expense on the consolidated statements of operations for the periods indicated as follows (in thousands):

	For The Years Ended December 31,		
	2024	2023	2022
Cost of goods	\$ 2,115	\$ —	\$ —
Cost of services	\$ 3,296	\$ —	\$ —
Selling, general, and administrative expense	\$ 55,925	\$ 3,780	\$ 3,364

In addition to the amounts above, the Company recognized \$7.8 million of share-based compensation expense attributable to discontinued operations for the year ended December 31, 2024 and an immaterial amount of share-based compensation expense attributable to discontinued operations for the years ended December 31, 2023 and 2022. See Note 2.

### 2017 Stock Plan

In January 2018, the Compensation Committee of the Company's Board of Directors approved a grant of 4,874,558 options in the Company under a stock option plan established in 2017 to key members of the Company's management. The options are divided into tranches: (i) 50% vest based on the passage of time over five (5) years (the "Time-Based Options"), (ii) 25% vest based on the achievement of annual adjusted EBITDA targets over five (5) years (the "Tier I Performance Options") and (iii) 25% vest based on KKR recovering a specified return on its investment or internal rate of return (the "Tier II Performance Options").

Following the BrightSpring Corp. Acquisition in 2019, the Compensation Committee of the Company's Board of Directors approved the modification of the previously granted Tier I and Tier II Performance Options. Tier I Performance options now vest upon the attainment of Sponsor Month over Month ("MoM") (quotient obtained by dividing sponsor cash available by sponsor cash invested) of at least 2.0 or greater and Tier II Performance Options vest upon the attainment of a Sponsor MoM of at least 2.5 or greater. The MoM levels are considered a market condition which also create an implied performance condition because the MoM levels cannot be achieved without the occurrence of a liquidity event. In January 2024, the Compensation Committee of the Company's Board of Directors approved the vesting of Tier I performance-vesting options in connection with the IPO Offerings. The options all have a 10-year life and we record forfeitures as they occur.

Concurrent with the adoption of the 2024 Incentive Plan on January 24, 2024, no further awards are authorized to be granted under the 2017 Stock Plan.

### 2024 Incentive Plan

The 2024 Incentive Plan initially reserved 17,119,039 shares for issuance and provides for the granting of various forms of equity awards including non-qualified options and incentive stock options, restricted shares of our common stock, restricted stock units, other equity-based awards tied to the value of shares, and cash-based awards.

Under the 2024 Incentive Plan, the Company granted stock options, representing options to purchase shares of the Company's common stock at a stated price, and RSUs, which represent the conditional right to receive one share of common stock, both upon satisfaction of a vesting requirement. Stock options and RSUs granted under the 2024 Incentive Plan vest upon the satisfaction of time-based requirements. We recognize expense for stock options and RSUs over the vesting term based on the grant date fair value of the award. In each case, vesting of the Company's outstanding and unvested stock options and RSUs is contingent upon the holder's continued service through the date of each applicable vesting event. The options all have a 10-year life and we record forfeitures as they occur.

Concurrent with the IPO, the Compensation Committee of the Company's Board of Directors granted approximately \$63.3 million of share-based compensation (4.1 million RSUs and 1.5 million stock options), in each case, with a per-share price or a per-share exercise price of \$13.00, respectively to our management and certain other full-time employees upon completion of the IPO. In the second fiscal quarter of 2024, the Compensation Committee of the Company's Board of Directors granted an additional 7.7 million RSUs to a broad group of eligible employees.

### Summary details for RSUs

The following table summarizes the RSU activity under the 2024 Incentive Plan for the period presented:

	Units	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in millions)
Outstanding RSUs at January 1, 2024	—	\$ —		\$ —
Granted	11,992,687	11.85		
Forfeited	(1,163,490)	11.53		
Vested	(241,971)	13.00		
Outstanding RSUs at December 31, 2024	10,587,226	\$ 11.85	2.51	\$ 180.3

As of December 31, 2024, there was \$85.1 million of unrecognized compensation cost that is expected to be recognized over a weighted-average period of 2.5 years related to unvested RSUs, of which, \$24.8 million relates to awards associated with discontinued operations. The vesting terms of all RSUs range from 0.25 to 5 years. The total intrinsic value of RSUs vested during the year ended December 31, 2024 was \$3.1 million. The excess tax benefit associated with vested RSUs for the year ended December 31, 2024 was not material.

*Summary details for Stock Options*

The following table summarizes the Time-Based Options stock incentive plan activity under the 2017 Stock Plan and the 2024 Incentive Plan for the period presented:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value (in millions)	Aggregate Intrinsic Value (in millions)	Weighted Average Remaining Contractual Term (years)
Outstanding options at January 1, 2024	7,053,665	\$ 9.57	\$ 26.7	\$ 89.7	6.3
Granted	1,662,309	12.85	11.4		
Forfeited, repurchased or expired	(290,997)	16.56	(2.3)		
Exercised	(146,159)	6.52	(0.3)		
Outstanding options at December 31, 2024	<u>8,278,818</u>	<u>\$ 9.98</u>	<u>\$ 35.5</u>	<u>\$ 64.2</u>	<u>6.1</u>
Exercisable options at December 31, 2024	<u>6,082,815</u>	<u>\$ 8.28</u>	<u>\$ 19.60</u>	<u>\$ 56.4</u>	<u>5.1</u>

The following table summarizes the Tier I and II Performance Option stock incentive plan activity under the 2017 Stock Plan for the period presented:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value (in millions)	Aggregate Intrinsic Value (in millions)	Weighted Average Remaining Contractual Term (years)
Outstanding options at January 1, 2024	7,086,458	\$ 8.14	\$ 15.1	\$ 100.3	5.9
Granted	—	—	—	—	—
Forfeited, repurchased or expired	(341,010)	14.58	(1.1)		
Exercised	(88,449)	6.58	(0.2)		
Outstanding options at December 31, 2024	<u>6,656,999</u>	<u>\$ 7.82</u>	<u>\$ 13.8</u>	<u>\$ 63.9</u>	<u>5.0</u>
Exercisable options at December 31, 2024	<u>3,355,049</u>	<u>\$ 7.84</u>	<u>\$ 7.00</u>	<u>\$ 32.2</u>	<u>5.0</u>

Cash received from stock option exercises for the years ended December 31, 2024, 2023 and 2022 was \$1.5 million, \$0.6 million, and \$0.2 million, respectively. There were no material tax benefits realized in our tax returns from tax deductions associated with share based compensation for 2024, 2023 and 2022.

As of December 31, 2024, there was \$6.8 million of unrecognized compensation cost that is expected to be recognized over a weighted-average period of 2.3 years related to unvested stock options, of which an immaterial amount relates to awards associated with discontinued operations. The total intrinsic value of stock options exercised in the years ended December 31, 2024, 2023, and 2022 was \$1.5 million, \$1.1 million, and \$0.6 million, respectively. The total fair value at grant date of awards that vested was \$14.6 million, \$3.6 million, and \$6.2 million during the years ended December 31, 2024, 2023, and 2022, respectively.

*Fair Value Assumptions*

The Company estimates the fair value of options granted using the Black-Scholes-Merton model for Time-Based Options under the 2017 Stock Plan and 2024 Incentive Plan, and a Monte Carlo simulation for Performance Options granted under the 2017 Stock Plan. The assumptions used to calculate the fair value of options granted are evaluated and modified, as necessary, to reflect current market conditions and experience. The Company estimates the volatility of its common stock utilizing the historical re-levered volatility, re-levered to account for differences in leverage, of the Company and its peer-group. The peer-group utilized consisted of eight companies, in the same or similar industries as the Company. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for the expected term of the option. The dividend yield was based on the expectation that no dividends will be paid. The Company has never paid cash dividends on its common stock and does not anticipate paying cash dividends in the foreseeable future. In 2024, 2023 and 2022, the Company used a Simplified Method to estimate the expected term for the Time-Based Options, which assumes that options will be exercised early at a uniform rate over the period between vesting and the end of the contractual term, as adequate historical

experience is not available to provide a reasonable estimate. For the Tier I and II Performance Options, the Company used management estimates of the performance events that trigger vesting and subsequent exercising of the options.

The following table summarizes the weighted average assumptions used to estimate the fair value of options granted during the periods presented:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Expected volatility (range)	43.8 - 52.5%	35.0 - 50.0%	40.0 - 50.0%
Risk free interest rate (range)	3.9 - 4.1%	4.24 - 5.52%	2.35 - 4.78%
Expected dividends	—	—	—
Average expected term (years)	6.0	0.5 - 7.5	1.0 - 7.5
Average fair value per share of time-based stock options based on the Black-Scholes-Merton model (dollars)	\$ 6.86	\$ 9.69	\$ 10.08
Average fair value per share of performance stock options based on the Monte Carlo simulation (dollars)	\$ —	\$ 3.10	\$ 5.77
Weighted average fair value of options granted (in millions)	\$ 11.40	\$ 9.20	\$ 7.76

## 12. Property and Equipment, Net

Property and equipment, net is summarized as follows (in thousands):

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Land and land improvements	\$ 2,106	\$ 2,106
Furniture and equipment	201,364	169,519
Software	213,358	190,295
Buildings	8,806	7,868
Leasehold improvements	65,432	56,779
Property and equipment under finance lease (Note 13)	28,357	23,453
Construction in progress	1,039	1,579
Property and equipment	520,462	451,599
Less: accumulated depreciation	339,892	276,134
Property and equipment, net	<u>\$ 180,570</u>	<u>\$ 175,465</u>

Depreciation expense is recorded within cost of goods, cost of services, and selling, general, and administrative expenses within our consolidated statements of operations, depending on the nature of the underlying fixed assets. Depreciation expense was \$66.8 million, \$57.3 million and \$55.1 million for the years ended December 31, 2024, 2023 and 2022, respectively.

## 13. Lease Arrangements

The Company has a significant population of leases that primarily includes provider facilities and pharmacy locations, as well as office space and office equipment. The Company has real estate and equipment leases that have expiration dates through 2036. Real estate and office space leases generally contain renewal options for periods ranging from 3 to 10 years. Because the Company is not reasonably certain to exercise the renewal options on most office space and leases utilized within our Provider Services segment, the options are not considered in determining the lease term and associated potential option payments are excluded from the lease payments. Generally, for leases utilized within our Pharmacy Solutions segment, the initial lease term is equivalent to the first term plus one renewal option.

Lease expense consists of operating and finance lease costs, short-term lease costs, and variable lease costs, which primarily include common area maintenance, real estate taxes, and insurance for the Company's real estate leases.

Lease expense is summarized as follows (in thousands):

	For the Years Ended December 31,		
	2024	2023	2022
<b>Finance leases:</b>			
Amortization of right-of-use assets	\$ 4,293	\$ 3,356	\$ 3,210
Interest on lease liabilities	2,443	2,254	1,811
<b>Operating leases:</b>			
Operating lease cost	55,110	52,226	50,142
Short-term lease cost	4,952	5,069	21,387
Variable lease cost	8,344	8,179	6,982
<b>Total lease costs</b>	<b>\$ 75,142</b>	<b>\$ 71,084</b>	<b>\$ 83,532</b>

Future minimum lease payments of our leases as of December 31, 2024 are as follows (in thousands):

Fiscal Year	Finance Lease Costs	Operating Lease Costs
2025	\$ 3,887	\$ 49,618
2026	3,071	44,588
2027	2,305	36,137
2028	1,244	27,109
2029	513	18,087
Thereafter	174	25,786
<b>Total future minimum lease payments</b>	<b>\$ 11,194</b>	<b>\$ 201,325</b>
Less: imputed interest	1,201	32,948
<b>Total present value of lease liabilities</b>	<b>\$ 9,993</b>	<b>\$ 168,377</b>

#### Supplemental Cash Flow & Other Information

Supplemental cash flow information related to leases are summarized as follows (dollars in thousands):

	For the Years Ended December 31,		
	2024	2023	2022
<b>Cash paid for amounts included in the measurement of lease liabilities:</b>			
Operating cash flows from finance leases	\$ (2,443)	\$ (2,254)	\$ (1,811)
Financing cash flows from finance leases	(4,220)	(4,082)	(2,996)
Operating cash flows from operating leases	(55,269)	(51,621)	(49,027)
Right-of-use assets obtained in exchange for new finance lease liabilities	3,171	3,726	4,365
Right-of-use assets obtained in exchange for new operating lease liabilities	38,718	35,555	37,636
<b>Weighted-average remaining lease term (in years):</b>			
Finance leases	3.07	3.06	3.22
Operating leases	4.93	5.49	5.85
<b>Weighted-average discount rate:</b>			
Finance leases	6.68%	7.21%	6.47%
Operating leases	6.83%	7.14%	6.47%

#### 14. Fair Value

Assets and liabilities measured at fair value are based on one or more of the following three valuation techniques:

- A. *Market approach:* Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- B. *Cost approach:* Amount that would be required to replace the service capacity of an asset (replacement cost).
- C. *Income approach:* Techniques to convert future amounts to a single present amount based upon market expectations (including present value techniques, option-pricing, and excess earnings models).

*Assets and Liabilities Measured at Fair Value on a Recurring Basis*

The financial assets or liabilities recorded at fair value on a recurring basis are set forth in the table below (in thousands):

	<u>December 31, 2024</u>	<u>December 31, 2023</u>	<u>Valuation Technique</u>
Assets:			
Interest rate swaps (Level 2)	\$ 10,633	\$ 24,947	A
Total assets	<u>\$ 10,633</u>	<u>\$ 24,947</u>	
Liabilities:			
Contingent consideration (Level 3)	\$ 8,386	\$ 5,331	C
Total liabilities	<u>\$ 8,386</u>	<u>\$ 5,331</u>	

The fair values of our interest rate swaps are based upon Level 2 inputs, which include valuation models. The key inputs for the valuation models are quoted market prices, interest rates, forward yield curves, and credit risk adjustments that are necessary to reflect the probability of default by the counterparty or us. For disclosures about the fair value measurements of our derivative instruments, refer to Note 6.

The contingent consideration represents future earn-outs and a post-closing equity adjustment feature, both associated with acquisitions, which are recognized as part of the purchase price at the estimated fair value on the acquisition date. These liabilities are classified as accrued expenses and long-term liabilities in our accompanying consolidated balance sheets.

The fair values of the liabilities associated with future earn outs were derived using the income approach with unobservable inputs, which included future earnings forecasts and present value assumptions, and there was little or no market data (Level 3). The Company will re-assess the fair values on each reporting period thereafter until settlement.

The preliminary fair value of the liability associated with post-closing equity adjustment feature related to the Haven Hospice acquisition was derived with unobservable inputs using a Monte Carlo simulation, where the common stock price of the Company was evolved using a Geometric Brownian Motion of a period from the valuation date to the end of the fourth anniversary of closing. Estimated equity volatility was based on historical volatility, implied volatility, and peer group volatility over various periods. The Company will re-assess the fair value at each reporting period with changes in value being recorded through the consolidated statements of operations. The ultimate settlement of the liability will be through either issuance of additional equity shares and/or additional cash paid in the case of net realized losses on sales; or reduction of the outstanding balance of the seller note, in the case of net aggregate realized gain on sales up to the amounts previously paid.

The following table summarizes the changes in fair value of the Company's contingent consideration for the years ended December 31, 2024 and 2023, as follows (in thousands):

Balance at January 1, 2023	\$ 5,818
Additions from acquisitions	3,319
Contingent consideration payments	(3,362)
Change in fair value	(444)
Balance at December 31, 2023	<u>\$ 5,331</u>
Addition of acquisition earn-out	200
Addition of post-closing equity adjustment feature	4,750
Contingent consideration payments	(4,156)
Change in fair value	2,261
Balance at December 31, 2024	<u>\$ 8,386</u>

*Assets Measured at Fair Value on a Non-Recurring Basis*

The Company's non-financial assets, such as goodwill and long-lived assets are adjusted to fair value when an impairment charge is recognized.

During the years ended December 31, 2024 and 2023, we recorded no goodwill impairment.

Long-lived assets include operating lease assets and definite-lived intangible assets. During the year ended December 31, 2024 and 2023, we concluded that sufficient indicators existed to require us to perform recoverability tests by comparing the sum of the estimated undiscounted future cash flows attributable to the assets to their carrying values. Approximately \$4.0

million and \$2.5 million of impairment charges related to definite-lived intangible assets and operating lease right-of-use assets were recorded for the years ended December 31, 2024 and 2023, respectively. The fair value of these assets at the time of impairment was determined to be zero. To determine fair value, we used the income approach, which assumes that the future cash flows reflect current market expectations. These fair value measurements require significant judgment using Level 3 inputs, such as discounted cash flows from operations, which are not observable from the market, directly or indirectly. There is uncertainty in the projected future cash flows used in the Company's impairment analysis, which requires the use of estimates and assumptions.

If actual performance does not achieve the projections, or if the assumptions used change in the future, we may be required to recognize impairment charges in future periods.

## 15. Commitments and Contingencies

### *Legal Proceedings*

On March 4, 2011, Relator Marc Silver, on behalf of the U.S. Government and various state governments, filed a complaint in the United States District Court for the District of New Jersey ("the District Court") against PharMerica, seeking relief, with respect to alleged violations of the federal False Claims Act and state false claims acts, including three times the amount of damages to the federal government plus civil penalties and no less than a certain amount for each alleged false claim, as well as any other recoveries or relief provided for by the federal False Claims Act; damages, fines, penalties, and other recoveries or relief permitted under state false claims acts; and other forms of relief, including attorneys' fees. The complaint alleged that, in violation of the Anti-Kickback Statute and the False Claims Act, PharMerica offered below-cost or below-fair-market-value prices on drugs in exchange for so-called preferred or exclusive provider status that would allow PharMerica to dispense drugs to patients for which PharMerica could bill federal health care program payers. The U.S. Government and state governments declined to intervene in the case.

The District Court issued an order dismissing the case in full in 2016. In 2018, however, the Third Circuit Court of Appeals issued an order reinstating the case. In April 2023, the District Court issued an order denying Relator's motion seeking to strike portions of the opinions of PharMerica's experts and granted in part PharMerica's motions to exclude Relator's experts. On June 28, 2023, the District Court issued an order setting a trial date of December 4, 2023. On November 6, 2023, the District Court denied our motion for summary judgment. On November 18, 2023, the Company agreed to settle the matter without admitting liability. On May 29, 2024, the parties entered into a final settlement agreement, which was approved by both the United States Department of Justice and the District Court. The total financial impact of the settlement is \$120.0 million; \$110.0 million of which was paid during the year ended December 31, 2024, with the remaining \$10.0 million in accrued expenses in the consolidated balance sheet as of December 31, 2024. As of December 31, 2023, the estimated financial impact of the settlement was \$115.0 million, \$105.0 million of which was included in accrued expenses and \$10.0 million in long-term liabilities in the consolidated balance sheet. The District Court entered an order dismissing the Silver action in its entirety, with prejudice, on July 3, 2024.

The Company is also party to various legal and/or administrative proceedings arising out of the operation of our programs and arising in the ordinary course of business. We record accruals for such contingencies to the extent that we conclude it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. We do not believe the ultimate liability, if any, for outstanding proceedings or claims, individually or in the aggregate, in excess of amounts already provided, will have a material adverse effect on our consolidated financial condition, results of operations, or cash flows. It is reasonably possible that an adverse determination might have an impact on a particular period. While we believe our provision for legal contingencies is adequate, the outcome of legal proceedings is difficult to predict, and we may settle legal claims or be subject to judgments for amounts that exceed our estimates.

## 16. Redeemable Noncontrolling Interests

The Company has a 60% ownership interest in SHC Medical Partners LLC ("Abode Care Partners") which meets the definition of a VIE. The Company is deemed to be the primary beneficiary of the VIE because it possesses the power to direct activities of the VIE that most significantly impact its economic performance and has the obligation to absorb losses or the right to receive benefits from the VIE that is significant to it. Through a management agreement with the entity, we manage and handle all day-to-day operating decisions for Abode Care Partners. The terms of the agreement prohibits the Company from using the assets of the entity to satisfy the obligations of other entities. The combined assets of the entity, excluding goodwill and intangible assets, are insignificant to the Company's consolidated balance sheets.

The respective joint venture agreement contains both a put option for the minority partners and a call option for the Company, requiring or allowing the Company, in certain circumstances, to purchase the partners' remaining interest in the joint venture at a price based on predetermined earnings multiples. Each of these options is to be triggered upon the occurrence of specified events and/or upon the passage of time. The Company calculates the redemption amount related to the Abode Care Partners options using a Monte Carlo simulation and records the amount, if any, by which the redemption amount exceeds the carrying value as a charge to accumulated deficit.

The total redeemable noncontrolling interest associated with Abode Care Partners was \$3.7 million and \$5.5 million as of December 31, 2024 and December 31, 2023, respectively. There was no change in the recorded redemption amount for Abode Care Partners for the years ended December 31, 2024 or 2023.

On March 1, 2024, the Company purchased the remaining 30% noncontrolling interest related to Gateway Pediatric Therapy, LLC ("Gateway") for \$5.4 million. Subsequently, the Company owns 100% of common stock in Gateway. Of the \$5.4 million purchase price, \$0.3 million was paid during the first fiscal quarter of 2024 and the remaining \$5.1 million is recorded in trade accounts payable in the consolidated balance sheet as of December 31, 2024. As of December 31, 2023, Gateway met the definition of a VIE and the Company was deemed to be the primary beneficiary of the VIE. The total redeemable noncontrolling interest associated with the Company's 70% ownership in Gateway was \$20.6 million as of December 31, 2023. The transaction was accounted for as an equity transaction with the difference between the redeemable noncontrolling interest carrying amount at the time of closing and cash consideration being recognized as an increase in additional paid-in capital of \$15.0 million in the consolidated balance sheets as of the purchase date.

On August 1, 2024, the Company purchased the remaining 45% noncontrolling interest related to Harvest Grove LTC, LLC ("Harvest Grove") for \$3.8 million. Subsequently, the Company owns 100% of common stock in Harvest Grove. Of the \$3.8 million purchase price, \$2.0 million was paid in cash by the Company during the third fiscal quarter of 2024, and the remaining \$1.8 million was paid in settled trade receivables owed to the joint venture by the minority owner. As of December 31, 2023, Harvest Grove met the definition of a VIE and the Company was deemed to be the primary beneficiary of the VIE. The total redeemable noncontrolling interest associated with the Company's 55% ownership in Harvest Grove was \$1.0 million as of December 31, 2023. The transaction was accounted for as an equity transaction with the difference between the redeemable noncontrolling interest carrying amount at the time of closing and the purchase price being recognized as a decrease in additional paid-in capital of \$2.5 million in the consolidated balance sheets as of the purchase date.

Income tax impacts related to the purchase of Gateway and Harvest Grove of \$3.8 million were recorded to additional paid-in capital in the consolidated balance sheet for the year ended December 31, 2024.

The following table summarizes the changes in the carrying value of the Company's redeemable noncontrolling interest (in thousands):

Balance at December 31, 2023	\$	27,139
Adjustment of Gateway redeemable noncontrolling interest to redemption amount		(14,981)
Adjustment of Harvest Grove redeemable noncontrolling interest to redemption amount		2,542
Purchase of Gateway redeemable noncontrolling interest		(5,400)
Purchase of Harvest Grove redeemable noncontrolling interest		(3,781)
Net loss attributable to redeemable noncontrolling interests		(1,789)
Balance at December 31, 2024	<u>\$</u>	<u>3,730</u>

## 17. Related Party Transactions

The Company was party to a Monitoring Agreement with KKR and WBA, which required payment of an aggregate advisory fee equivalent to 1% of consolidated EBITDA, payable in quarterly installments in arrears at the end of each quarter. The Monitoring Agreement terminated upon the completion of the IPO Offerings in January 2024.

Prior to the termination of the Monitoring Agreement, the Company recognized \$0.7 million in monitoring and advisory fees during the first fiscal quarter of 2024 as a component of selling, general, and administrative expenses in our accompanying consolidated statements of operations compared to \$5.6 million and \$4.9 million for the years ended December 31, 2023 and 2022, respectively.

As a result of the termination of the Monitoring Agreement and in accordance with the agreement, the Company paid \$22.7 million in termination fees to KKR and WBA. The termination fees were recognized in the first fiscal quarter of 2024 as selling, general, and administrative expense in our consolidated statement of operations.

KKR Capital Markets LLC (“KCM”), a wholly owned subsidiary of KKR, acted as an underwriter in the IPO Offerings during the first fiscal quarter of 2024 and received \$7.4 million in underwriting discounts and commission. In connection with debt refinancing in 2024 and the Revolver upside in 2023, the Company paid underwriter, arranger, and transaction fees to KCM of \$3.7 million and \$2.4 million, respectively. These fees are included within selling, general, and administrative expenses in our consolidated statement of operations for the years ended December 31, 2024 and 2023. There were no similar fees paid to KCM in 2022.

KKR has ownership interests in a broad range of portfolio companies, and we may enter into commercial transactions for goods or services in the ordinary course of business with these companies. We do not believe such transactions are material to our business.

The Company has agreements with WBA and/or certain of its affiliates under which the Company purchases significant volume of inventory, including a Joinder Agreement to the Pharmaceutical Purchase and Distribution Agreement (the “WBAD Membership Agreement”) between WBA and ABDC. The Company, as a third-party beneficiary to the Pharmaceutical Purchase and Distribution Agreement, has the right to participate in certain pricing and payment related terms as well as appoint WBA to negotiate certain commercial and other mutually agreed upon terms for generic pharmaceutical products in accordance with guiding principles that address topics such as improvements in pricing and notification regarding switches in suppliers. The WBAD Membership Agreement was terminated in the first fiscal quarter of 2025, and we entered into a separate agreement with ABDC.

## 18. Segment Information

The Company’s CODM is its Chief Executive Officer, who evaluates the performance of our segments and allocates resources based on segment EBITDA. Segment EBITDA is used as the key profitability measure when we set our annual operating plan for each segment, is the metric with which our CODM assesses segment results, and is a key component of our annual variable compensation plans. Segment EBITDA is commonly used as an analytical indicator within the health care industry and is utilized in the evaluation of segment operating performance as it is a profit measure that is generally within the control of the operating segments.

For all segments, the CODM uses segment EBITDA in the annual budgeting and monthly forecasting process. The CODM considers actual-to budget and actual-to current forecast variances for segment EBITDA on a monthly basis for evaluating performance of each segment and making decisions about allocating capital and other resources to each segment.

Segment amounts exclude certain expenses not specifically identifiable to the segments for functions performed in a centralized manner, which include accounting, finance, human resources, legal, information technology, corporate office support and overall corporate management. Segment assets and capital expenditures are not provided to the Company’s CODM and, therefore, are not disclosed.

The following tables set forth information about the Company’s reportable segments, along with the items necessary to reconcile the segment information to the totals reported in the Company’s consolidated statements of operations as follows (in thousands):

	For the Year Ended December 31, 2024		
	Pharmacy Solutions	Provider Services	Total Segments
Product revenue	\$ 8,754,282	\$ —	\$ 8,754,282
Service revenue	—	1,317,932	1,317,932
Cost of drugs	7,368,426	—	7,368,426
Cost of services	—	797,286	797,286
Other direct costs <sup>(1)</sup>	640,075	—	640,075
Segment selling, general, and administrative expenses <sup>(2)</sup>	462,219	340,034	802,253
Segment depreciation and amortization expense <sup>(3)</sup>	111,103	24,675	135,778
<b>Segment EBITDA</b>	<b>\$ 394,665</b>	<b>\$ 205,287</b>	<b>\$ 599,952</b>

	For the Year Ended December 31, 2023		
	Pharmacy Solutions	Provider Services	Total Segments
Product revenue	\$ 6,522,450	\$ —	\$ 6,522,450
Service revenue	—	1,168,566	1,168,566
Cost of drugs	5,291,630	—	5,291,630
Cost of services	—	711,304	711,304
Other direct costs <sup>(1)</sup>	549,086	—	549,086
Segment selling, general, and administrative expenses <sup>(2)</sup>	426,521	310,747	737,268
Segment depreciation and amortization expense <sup>(3)</sup>	115,749	22,897	138,646
<b>Segment EBITDA</b>	<b>\$ 370,962</b>	<b>\$ 169,412</b>	<b>\$ 540,374</b>

	For the Year Ended December 31, 2022			
	Pharmacy Solutions	Provider Services	Other	Total Segments
Product revenue	\$ 5,264,423	\$ —	\$ —	\$ 5,264,423
Service revenue	—	1,098,383	274,650	1,373,033
Cost of drugs	4,142,064	—	—	4,142,064
Cost of services	—	678,181	238,959	917,140
Other direct costs <sup>(1)</sup>	493,340	—	—	493,340
Segment selling, general, and administrative expenses <sup>(2)</sup>	398,080	288,762	16,841	703,683
Segment depreciation and amortization expense <sup>(3)</sup>	113,532	22,478	2,144	138,154
<b>Segment EBITDA</b>	<b>\$ 344,472</b>	<b>\$ 153,918</b>	<b>\$ 19,745</b>	<b>\$ 518,135</b>

- (1) Other direct costs primarily includes direct labor costs, delivery costs, insurance, and depreciation and amortization expense that relates to revenue-generating assets.
- (2) Segment selling, general, and administrative expense includes indirect labor costs, depreciation and amortization, insurance, rent, lease, supplies, professional services, maintenance, repairs, utilities, and communications expense.
- (3) Total segment depreciation and amortization expense is presented in other direct costs, costs of services, and segment general and administrative expenses, based on the associated asset.

	For the Years Ended December 31,		
	2024	2023	2022
<i>Reconciliation of loss:</i>			
Total Segment EBITDA	\$ 599,952	\$ 540,374	\$ 518,135
Segment depreciation and amortization	135,778	138,646	138,154
Expenses not allocated at segment level:			
Selling, general, and administrative expenses	329,854	321,692	198,084
Depreciation and amortization	26,366	21,911	22,179
Goodwill impairment loss	—	—	40,856
Loss on extinguishment of debt	12,726	—	—
Interest expense, net	190,546	271,899	199,813
Income tax benefit	(26,387)	(31,508)	(390)
<b>Net loss</b>	<b>\$ (68,931)</b>	<b>\$ (182,266)</b>	<b>\$ (80,561)</b>

