UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 001-41938

BrightSpring Health Services, Inc.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**82-2956404**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
805 N. Whittington Parkway Louisville, Kentucky	**40222**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (502) 394-2100

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 (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☐
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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares of Registrant's Common Stock outstanding as of October 29, 2024 was 174,126,427.

Table of Contents

Unless the context requires otherwise, references in this Quarterly Report on Form 10-Q (this “Form 10-Q”) to “BrightSpring,” the “Company,” “we,” “us,” and “our” refer to BrightSpring Health Services, Inc. and its consolidated subsidiaries.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes forward-looking statements that reflect our current views with respect to, among other things, our operations, and financial performance. We have used the words “anticipate,” “assume,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “future,” “will,” “seek,” “foreseeable,” the negative version of these words, or similar terms and phrases to identify forward-looking statements.

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our industries, business strategy, goals and expectations concerning our market position, future operations, margins, profitability, capital expenditures, liquidity and capital resources and other financial and operating information. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. If any of these risks materialize, or if any of our assumptions underlying forward-looking statements prove incorrect, actual results and developments may differ materially from those made in or suggested by the forward-looking statements contained in this Form 10-Q. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, those set forth in Item 1A, “Risk Factors,” of Part I of our Annual Report on Form 10-K for the year ended December 31, 2023 (our “Form 10-K”) filed with the U.S. Securities and Exchange Commission (the “SEC”). Although we have attempted to identify important risk factors, there may be other risk factors not presently known to us or that we presently believe are not material that could cause actual results and developments to differ materially from those made in or suggested by the forward-looking statements contained in this Form 10-Q. We caution you against relying on any forward-looking statements, which should also be read in conjunction with the other cautionary statements that are included elsewhere in this Form 10-Q. Any forward-looking statement made by us in this Form 10-Q speaks only as of the date hereof. We undertake no obligation to publicly update or to revise any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	September 30, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 35,973	$ 13,071
Accounts receivable, net of allowance for credit losses	1,025,711	881,627
Inventories	478,319	402,776
Prepaid expenses and other current assets	169,582	159,167
Total current assets	1,709,585	1,456,641
Property and equipment, net of accumulated depreciation of $426,484 and $368,089 at September 30, 2024 and December 31, 2023, respectively	248,548	245,908
Goodwill	2,672,791	2,608,412
Intangible assets, net of accumulated amortization	842,479	881,476
Operating lease right-of-use assets, net	259,138	267,446
Deferred income taxes, net	6,678	—
Other assets	46,748	72,838
Total assets	$ 5,785,967	$ 5,532,721
Liabilities, Redeemable Noncontrolling Interests, and Equity		
Current liabilities:		
Trade accounts payable	$ 783,838	$ 641,607
Accrued expenses	349,101	492,363
Current portion of obligations under operating leases	69,763	71,053
Current portion of obligations under financing leases	12,367	11,141
Current portion of long-term debt	48,853	32,273
Total current liabilities	1,263,922	1,248,437
Obligations under operating leases, net of current portion	195,921	201,655
Obligations under financing leases, net of current portion	24,988	22,528
Long-term debt, net of current portion	2,608,537	3,331,941
Deferred income taxes, net	—	23,668
Long-term liabilities	73,502	91,943
Total liabilities	4,166,870	4,920,172
Redeemable noncontrolling interests	4,125	27,139
Shareholders' equity:		
Common stock, $0.01 par value, 1,500,000,000 and 137,398,625 shares authorized, 174,078,977 and 117,857,055 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively	1,741	1,179
Preferred stock, $0.01 par value, 250,000,000 authorized, no shares issued and outstanding at September 30, 2024; no shares authorized, issued or outstanding at December 31, 2023	—	—
Additional paid-in capital	1,848,115	771,336
Accumulated deficit	(234,380)	(200,319)
Accumulated other comprehensive (loss) income	(705)	12,544
Total shareholders' equity	1,614,771	584,740
Noncontrolling interest	201	670
Total equity	1,614,972	585,410
Total liabilities, redeemable noncontrolling interests, and equity	$ 5,785,967	$ 5,532,721

See accompanying notes to the condensed consolidated financial statements.

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

	For the Three Months Ended September 30, 2024	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
Revenues:				
Products	$ 2,265,697	$ 1,673,152	$ 6,357,223	$ 4,736,993
Services	641,126	583,377	1,856,448	1,714,638
Total revenues	2,906,823	2,256,529	8,213,671	6,451,631
Cost of goods	2,077,121	1,509,845	5,815,981	4,226,075
Cost of services	421,590	388,388	1,231,154	1,160,477
Gross profit	408,112	358,296	1,166,536	1,065,079
Selling, general, and administrative expenses	351,272	410,549	1,039,215	986,161
Operating income (loss)	56,840	(52,253)	127,321	78,918
Loss on extinguishment of debt	—	—	12,726	—
Interest expense, net	56,061	83,678	173,520	241,539
Income (loss) before income taxes	779	(135,931)	(58,925)	(162,621)
Income tax expense (benefit)	9,760	(5,807)	(23,000)	(12,987)
Net loss	(8,981)	(130,124)	(35,925)	(149,634)
Net (loss) income attributable to noncontrolling interests	(751)	548	(1,864)	(1,568)
Net loss attributable to BrightSpring Health Services, Inc. and subsidiaries	$ (8,230)	$ (130,672)	$ (34,061)	$ (148,066)
Net loss per common share (Note 12):				
Loss per share - basic	$ (0.04)	$ (1.11)	$ (0.18)	$ (1.26)
Loss per share - diluted	$ (0.04)	$ (1.11)	$ (0.18)	$ (1.26)
Weighted average shares outstanding:				
Basic	198,491	117,864	190,541	117,871
Diluted	198,491	117,864	190,541	117,871

See accompanying notes to the condensed consolidated financial statements.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Net loss	$ (8,981)	$ (130,124)	$ (35,925)	$ (149,634)
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustments	72	(94)	(123)	15
Cash flow hedges:				
Net change in fair value, net of tax (1)	(12,429)	23,706	8,675	43,513
Amounts reclassified to earnings, net of tax (2)	(7,373)	(10,566)	(21,801)	(20,125)
Total other comprehensive (loss) income, net of tax	(19,730)	13,046	(13,249)	23,403
Total comprehensive loss	(28,711)	(117,078)	(49,174)	(126,231)
Comprehensive (loss) income attributable to redeemable noncontrolling interests	(573)	548	(1,395)	(1,568)
Comprehensive loss attributable to noncontrolling interest	(178)	—	(469)	—
Comprehensive loss attributable to BrightSpring Health Services, Inc. and subsidiaries	$ (27,960)	$ (117,626)	$ (47,310)	$ (124,663)

(1)The income tax effects of the net change in fair value were $4,024 and $(2,809) for the three and nine months ended September 30, 2024, respectively, and $9,607 and $3,016 for the three and nine months ended September 30, 2023, respectively.

(2)The income tax effects of amounts reclassified to earnings were $2,387 and $7,059 for the three and nine months ended September 30, 2024, respectively, and $(1,433) and $1,748 for the three and nine months ended September 30, 2023, respectively.

See accompanying notes to the condensed consolidated financial statements.

BrightSpring Health Services, Inc. and Subsidiaries
Condensed Consolidated Statements of Shareholders' Equity
(In thousands, except share data)
(Unaudited)

	For the Three Months Ended September 30, 2024						
	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total
	Shares	Amount					
Balances at June 30, 2024	171,397,030	$ 1,714	$ 1,804,965	$ (226,150)	$ 19,025	$ 379	$ 1,599,933
Net loss [1]	—	—	—	(8,230)	—	(178)	(8,408)
Other comprehensive loss, net of tax	—	—	—	—	(19,730)	—	(19,730)
Share-based compensation	—	—	15,210	—	—	—	15,210
Shares issued under share-based compensation plan, including tax effects	210,696	2	507	—	—	—	509
Shares issued for payment of acquisition	2,471,251	25	29,975	—	—	—	30,000
Adjustment of redeemable noncontrolling interests to redemption amount	—	—	(2,542)	—	—	—	(2,542)
Balances at September 30, 2024	174,078,977	$ 1,741	$ 1,848,115	$ (234,380)	$ (705)	$ 201	$ 1,614,972

	For the Three Months Ended September 30, 2023						
	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Noncontrolling Interest	Total
	Shares	Amount					
Balances at June 30, 2023	117,883,231	$ 1,179	$ 779,541	$ (63,110)	$ 31,549	$ —	$ 749,159
Net loss [1]	—	—	—	(130,672)	—	—	(130,672)
Other comprehensive income, net of tax	—	—	—	—	13,046	—	13,046
Share-based compensation	—	—	825	—	—	—	825
Repurchase of shares of common stock	(81,654)	(1)	(1,299)	—	—	—	(1,300)
Shares issued under share-based compensation plan, including tax effects	55,478	1	452	—	—	—	453
Balances at September 30, 2023	117,857,055	$ 1,179	$ 779,519	$ (193,782)	$ 44,595	$ —	$ 631,511

[1] Net loss to the Company for the three months ended September 30, 2024 and 2023 excludes $(573) and $548, respectively, allocable to the redeemable noncontrolling interests for our joint venture arrangements.

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

	For the Nine Months Ended September 30, 2024						
	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total
	Shares	Amount					
Balances at December 31, 2023	117,857,055	$ 1,179	$ 771,336	$ (200,319)	$ 12,544	$ 670	$ 585,410
Net loss [1]	—	—	—	(34,061)	—	(469)	(34,530)
Other comprehensive loss, net of tax	—	—	—	—	(13,249)	—	(13,249)
Share-based compensation	—	—	55,194	—	—	—	55,194
Shares issued under share-based compensation plan, including tax effects	318,085	3	528	—	—	—	531
Shares issued for payment of acquisition	2,570,503	26	31,055	—	—	—	31,081
Adjustment of redeemable noncontrolling interests to redemption amount	—	—	12,439	—	—	—	12,439
Issuance of common stock on initial public offering, net of underwriting discounts and commissions, and offering-related expenses of $36.8 million	53,333,334	533	655,952	—	—	—	656,485
Proceeds from stock purchase contract issued under tangible equity units, net of underwriting discounts and commissions of $9.1 million	—	—	321,611	—	—	—	321,611
Balances at September 30, 2024	174,078,977	$ 1,741	$ 1,848,115	$ (234,380)	$ (705)	$ 201	$ 1,614,972

	For the Nine Months Ended September 30, 2023						
	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Noncontrollin g Interest	Total
	Shares	Amount					
Balances at December 31, 2022	117,860,839	$ 1,179	$ 778,121	$ (45,716)	$ 21,192	$ —	$ 754,776
Net loss [1]	—	—	—	(148,066)	—	—	(148,066)
Other comprehensive income, net of tax	—	—	—	—	23,403	—	23,403
Share-based compensation	—	—	2,100	—	—	—	2,100
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
Balances at September 30, 2023	117,857,055	$ 1,179	$ 779,519	$ (193,782)	$ 44,595	$ —	$ 631,511

[1] Net loss to the Company for the nine months ended September 30, 2024 and 2023 excludes $(1,395) and $(1,568), respectively, allocable to the redeemable noncontrolling interests for our joint venture arrangements.

See accompanying notes to the condensed consolidated financial statements.

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

	For the Nine Months Ended September 30, 2024	2023
Operating activities:		
Net loss	$ (35,925)	$ (149,634)
Adjustments to reconcile net loss to cash (used in) provided by operating activities:		
Depreciation and amortization	149,601	151,324
Impairment of long-lived assets	4,781	8,295
Provision for credit losses	21,896	18,927
Amortization of deferred debt issuance costs	9,477	15,691
Share-based compensation	55,194	2,100
Deferred income taxes, net	(27,781)	(36,565)
Loss on extinguishment of debt	12,726	—
(Gain) loss on disposition of fixed assets	(55)	957
Other	(959)	(210)
Change in operating assets and liabilities, net of acquisitions and dispositions:		
Accounts receivable	(163,996)	(116,922)
Prepaid expenses and other current assets	(2,470)	(162)
Inventories	(74,265)	53,244
Trade accounts payable	155,563	(58,313)
Accrued expenses	(150,032)	159,353
Other assets and liabilities	(20,593)	298
Net cash (used in) provided by operating activities	$ (66,838)	$ 48,383
Investing activities:		
Purchases of property and equipment	$ (65,602)	$ (56,693)
Acquisitions of businesses, net of cash acquired	(59,755)	(62,508)
Other	900	1,790
Net cash used in investing activities	$ (124,457)	$ (117,411)
Financing activities:		
Long-term debt borrowings	$ 2,566,000	$ —
Long-term debt repayments	(3,384,633)	(22,857)
Proceeds from issuance of common stock on initial public offering, net	656,485	—
Proceeds from issuance of tangible equity units, net	389,000	—
Borrowings of the Revolving Credit Facility, net	46,400	98,250
Payment of debt issuance costs	(43,188)	—
Repurchase of shares of common stock	(650)	(325)
Shares issued under share-based compensation plan, including tax effects	531	598
Payment of acquisition earn-outs	(4,156)	—
Purchase of redeemable noncontrolling interest	(2,316)	—
Payment of financing lease obligations	(9,276)	(8,625)
Net cash provided by financing activities	$ 214,197	$ 67,041
Net increase (decrease) in cash and cash equivalents	22,902	(1,987)
Cash and cash equivalents at beginning of year	13,071	13,628
Cash and cash equivalents at end of year	$ 35,973	$ 11,641

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

	For the Nine Months Ended September 30,	
	2024	2023
Supplemental disclosures of cash flow information:		
Cash paid for:		
Interest, net	$ 164,927	$ 225,893
Income taxes, net of refunds	$ 24,312	$ 35,640
Supplemental schedule of non-cash investing and financing activities:		
Notes issued and contingent liabilities assumed in connection with acquisitions	$ 23,408	$ 7,455
Financing lease obligations	$ 9,625	$ 8,586
Repurchases of common stock in accounts payable	$ —	$ 975
Purchases of property and equipment in accounts payable	$ 3,593	$ 9,870
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 condensed consolidated financial statements.

1. Significant Accounting Policies

Description of Business

BrightSpring Health Services, Inc. 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. 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 and commissions, and offering-related expenses. The shares 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 5). Additionally, a portion of the net proceeds will be used to pay termination fees in connection with the termination of our monitoring agreement with our controlling stockholders, KKR and WBA (the “Monitoring Agreement”) (see Note 13). The remaining proceeds were retained for general corporate purposes. In connection with the IPO Offerings, the Company also granted equity awards to management and certain other full-time employees (see Note 15).

Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements include the accounts of BrightSpring Health Services, Inc. and its subsidiaries (“BrightSpring,” the “Company,” “we,” “us,” or “our”). 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 in the unaudited condensed consolidated balance sheets as redeemable noncontrolling interests (see Note 11).

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly our financial position, our results of operations, and our cash flows in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) for interim financial reporting. Our results of operations for the interim periods presented are not necessarily indicative of the results of our operations for the entire year.

This report should be read in conjunction with our consolidated financial statements and related notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2023, which include information and disclosures not included herein. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted from the interim financial information presented, as allowed by the rules and regulations of the Securities and Exchange Commission.

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, definite and indefinite-lived intangibles, derivatives, insurance reserves, share-based compensation, and goodwill. Actual amounts may differ from these estimates.

Fair Value of Financial Instruments

At September 30, 2024 and December 31, 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 unaudited condensed 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 equity adjustments associated with acquisitions, represents a Level 3 fair value measurement as there is little or no market data available. Refer to Note 9.

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, $3.9 million of deferred offering costs were included in other assets in the accompanying unaudited condensed consolidated balance sheet.

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 received and recognized the following amounts from the PRF (in thousands):

	For the Nine Months Ended September 30, 2024	2023
Amounts received from the Provider Relief Fund	$ —	$ 18,804
Amounts recognized into income	$ —	$ 18,804

The Company did not receive or recognize into income any funds from the PRF during the three months ended September 30, 2024 and 2023. The income recognized in the nine months ended September 30, 2023 was offset directly by the expenses incurred within selling, general, and administrative expenses in our unaudited condensed consolidated statements of operations, which resulted in no net financial impact to the Company.

Recently Issued Accounting Standards

In November 2023, the Financial Accounting Standards Board ("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 chief operating decision maker ("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. 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 related segment reporting disclosures.

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 related income tax disclosures.

2. Revenue

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 from 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 (in millions):

Pharmacy Solutions

	For the Three Months Ended September 30, 2024		2023		For the Nine Months Ended September 30, 2024		2023	
	Revenue	% of Revenue	Revenue	% of Revenue	Revenue	% of Revenue	Revenue	% of Revenue
Commercial insurance	$ 619.1	21.3 %	$ 432.0	19.1 %	$ 1,693.7	20.6 %	$ 1,189.6	18.4 %
Medicaid	213.9	7.4 %	169.1	7.5 %	600.9	7.3 %	477.7	7.4 %
Medicare A	141.9	4.9 %	137.8	6.1 %	399.0	4.9 %	410.1	6.4 %
Medicare B	16.8	0.6 %	17.9	0.8 %	50.4	0.6 %	45.1	0.7 %
Medicare C	406.1	14.0 %	391.6	17.4 %	1,120.9	13.6 %	966.8	15.0 %
Medicare D	826.2	28.4 %	483.8	21.4 %	2,352.5	28.6 %	1,515.6	23.5 %
Private & other	41.7	1.3 %	40.9	1.8 %	139.8	1.8 %	132.1	2.0 %
	$ 2,265.7	77.9 %	$ 1,673.1	74.1 %	$ 6,357.2	77.4 %	$ 4,737.0	73.4 %

Provider Services

	For the Three Months Ended September 30, 2024		2023		For the Nine Months Ended September 30, 2024		2023	
	Revenue	% of Revenue	Revenue	% of Revenue	Revenue	% of Revenue	Revenue	% of Revenue
Commercial insurance	$ 50.5	1.7 %	$ 41.6	1.8 %	$ 146.2	1.8 %	$ 115.3	1.8 %
Medicaid	347.8	12.0 %	336.3	14.9 %	1,017.7	12.4 %	982.2	15.2 %
Medicare A	114.3	3.9 %	102.8	4.6 %	327.2	4.0 %	303.7	4.7 %
Medicare B	3.7	0.1 %	5.4	0.2 %	18.7	0.2 %	15.9	0.2 %
Medicare C	36.1	1.2 %	15.4	0.7 %	84.3	1.0 %	44.5	0.7 %
Private & other	88.7	3.2 %	81.9	3.7 %	262.4	3.2 %	253.0	4.0 %
	$ 641.1	22.1 %	$ 583.4	25.9 %	$ 1,856.5	22.6 %	$ 1,714.6	26.6 %

Consolidated

	For the Three Months Ended September 30, 2024		2023		For the Nine Months Ended September 30, 2024		2023	
	Revenue	% of Revenue	Revenue	% of Revenue	Revenue	% of Revenue	Revenue	% of Revenue
Commercial insurance	$ 669.6	23.0 %	$ 473.6	20.9 %	$ 1,839.9	22.4 %	$ 1,304.9	20.2 %
Medicaid	561.7	19.4 %	505.4	22.4 %	1,618.6	19.7 %	1,459.9	22.6 %
Medicare A	256.2	8.8 %	240.6	10.7 %	726.2	8.9 %	713.8	11.1 %
Medicare B	20.5	0.7 %	23.3	1.0 %	69.1	0.8 %	61.1	0.9 %
Medicare C	442.2	15.2 %	407.0	18.1 %	1,205.2	14.6 %	1,011.3	15.7 %
Medicare D	826.2	28.4 %	483.8	21.4 %	2,352.5	28.6 %	1,515.6	23.5 %
Private & other	130.4	4.5 %	122.8	5.5 %	402.2	5.0 %	385.0	6.0 %
	$ 2,906.8	100.0 %	$ 2,256.5	100.0 %	$ 8,213.7	100.0 %	$ 6,451.6	100.0 %

Refer to Note 14 for the disaggregation of revenue by reportable segment.

3. Acquisitions

2024 Acquisitions

During the nine months ended September 30, 2024, we completed seven 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 $112.0 million. The operating results of these acquisitions are included in our unaudited condensed 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. 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		46,239
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	$	65,875

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 licenses and trade name based upon a third-party valuation. Based on the Company's preliminary valuations, the total estimated consideration of $65.9 million 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 2,471,251 shares of the Company's common stock equal to $30.0 million. 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. See Note 9.

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 average 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 $4.8 million in revenue and $0.6 million of operating income during the three and nine months ended September 30, 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 unaudited condensed 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 September 30, 2024. Consideration for acquisitions by the Pharmacy Solutions and Provider Services segments was $27.0 million and $19.1 million, respectively.

Accounts receivable	$	3,749
Inventories		1,234
Prepaids and other current assets		174
Property and equipment		398
Goodwill		18,432
Intangible assets		30,833
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	$	46,119

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 customer relationships, licenses, trade names, and covenants not to compete 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 of $46.1 million 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, $1.7 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 $21.8 million and $37.7 million in revenue during the three and nine months ended September 30, 2024, respectively. The above acquisitions contributed approximately $2.0 million and $3.0 million in operating income during the three and nine months ended September 30, 2024, respectively. Pro forma financial data for the 2024 acquisitions has not been included as the results of the operations are not material to our unaudited condensed consolidated financial statements.

During the three and nine months ended September 30, 2024, the Company incurred approximately $0.2 million and $2.0 million in transaction costs, respectively, related to all aforementioned acquisitions completed in 2024. These costs are included in selling, general, and administrative expenses in our unaudited condensed 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 Accounting Standards Codification ("ASC") 805*, Business Combinations* (refer to Note 11).

2023 Acquisitions

During the year ended December 31, 2023, we completed five acquisitions within the Pharmacy Solutions and Provider Services segments. We entered into 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 unaudited condensed consolidated financial statements from the respective dates of the acquisitions.

The following table summarizes the consideration paid (in thousands) for these 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 September 30, 2024. Consideration paid 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		450
Goodwill		31,494
Intangible assets		37,914
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	$	73,077

The intangible assets consist primarily of $18.9 million in 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, and the licenses were assigned an indefinite life. 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 three and nine months ended September 30, 2024 were not material to the unaudited condensed consolidated financial statements. The Company expects to finalize the purchase price allocation for the 2023 acquisitions prior to the one-year anniversary date of each acquisition.

The above acquisitions contributed approximately $30.5 million and $87.9 million in revenue during the three and nine months ended September 30, 2024, respectively, compared to $24.9 million and $25.3 million in revenue during the three and nine months ended September 30, 2023. The 2023 acquisitions contributed approximately $2.0 million and $4.0 million of operating income during the three and nine months ended September 30, 2024, respectively, compared to $1.6 million and $1.7 million in operating income during the three and nine months ended September 30, 2023. Pro forma financial data for the 2023 acquisitions has not been included as the results of the operations are not material to our unaudited condensed consolidated financial statements.

The Company incurred approximately $0.2 million and $1.2 million in transaction costs related to the completed 2023 acquisitions during the three and nine months ended September 30, 2023, respectively. These costs are included in selling, general, and administrative expenses in our unaudited condensed consolidated statements of operations.

4. Goodwill and Intangible Assets

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

	Goodwill		
	Pharmacy Solutions	**Provider Services**	**Total**
Goodwill at January 1, 2024*	$ 833,989	$ 1,774,423	$ 2,608,412
Goodwill added through acquisitions	7,063	57,608	64,671
Measurement period adjustments	—	(200)	(200)
Foreign currency adjustments	—	(92)	(92)
Goodwill at September 30, 2024*	$ 841,052	$ 1,831,739	$ 2,672,791

* 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):

	September 30, 2024			December 31, 2023			
	Gross	Accumulated Amortization	Net Carrying Value	Gross	Accumulated Amortization	Net Carrying Value	Life (Years)
Customer relationships	$ 700,911	$ 379,785	$ 321,126	$ 697,947	$ 344,662	$ 353,285	5-20
Trade names	334,917	135,009	199,908	330,029	117,579	212,450	2-20
Licenses	240,191	64,359	175,832	238,682	56,022	182,660	10-20
Doctor/payor network	12,730	10,424	2,306	12,730	8,800	3,930	5-8
Covenants not to compete	13,292	9,848	3,444	13,126	8,535	4,591	2-7
Other intangible assets	10,940	5,972	4,968	10,949	4,809	6,140	5-7
Total definite-lived assets	$ 1,312,981	$ 605,397	$ 707,584	$ 1,303,463	$ 540,407	$ 763,056	
Licenses	134,895	—	134,895	118,420	—	118,420	Indefinite
Total intangible assets	$ 1,447,876	$ 605,397	$ 842,479	$ 1,421,883	$ 540,407	$ 881,476	

Amortization expense for the three and nine months ended September 30, 2024 was $28.9 million and $86.5 million, respectively, as compared to $31.1 million and $92.6 million for the three and nine months ended September 30, 2023, respectively.

5. Debt and Derivatives

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

	September 30, 2024		December 31, 2023	
	Rate	$	Rate	$
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-4 - payable to lenders at SOFR plus applicable margin	8.50 %	2,553,170	—	—
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	8.50 %	—	9.59 %	50,000
Swingline/Base Rate - payable to lenders at ABR plus applicable margin	10.25 %	97,100	11.75 %	700
Amortizing Notes (1)		59,077		—
Notes payable and other		19,413		4,356
Total debt		2,728,760		3,414,391
Less: debt issuance costs, net		71,370		50,177
Total debt, net of debt issuance costs		2,657,390		3,364,214
Less: current portion of long-term debt		48,853		32,273
Total long-term debt, net of current portion		$ 2,608,537		$ 3,331,941

(1) See Note 6 for discussion of Amortizing Notes.

The following discussion summarizes the debt agreements and related modifications for the nine months ended September 30, 2024 and the year ended December 31, 2023. We were in compliance with all applicable financial debt covenants at September 30, 2024 and December 31, 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"). The First Lien, as amended in 2020, provided for the establishment of 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, provided for the establishment of a Tranche B-3 Term Loan ("Tranche B-3") in an aggregate principal amount equal to $675.0 million.

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 Secured Overnight Financing Rate ("SOFR") plus 3.25%. Tranche B-4 has a maturity date of February 21, 2031. The transaction was accounted for as a debt modification. Principal payments are due on the last business day of each quarter, which commenced in the second fiscal quarter of 2024 and equate to 1% of the principal at issuance with a balloon payment due February 21, 2031.

Revolving Credit Facility

The First Lien also extended credit in the form of Revolving Credit Facility (the "Revolver") made available at any time and from time to time prior to the Revolving Credit Maturity Date (as defined in the First Lien). The Revolver comprises Revolving Credit Loans and Swingline Loans. The Swingline Lender may issue Swingline Loans at any time and from time to time prior to the Revolving Credit Maturity Date, in an aggregated amount outstanding not in excess of $50.0 million. Additionally, the Letter of Credit Issuer may issue standby Letters of Credit at any time, in an aggregate stated amount outstanding not in excess of $82.5 million (the "LC Sublimit"), which reduces the Revolver borrowing capacity. 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 Alternate Base Rate ("ABR") plus 2.25% for the Swingline Loans. The modification also removed the springing maturity covenant of the Revolver. As such, the Revolver has a Revolving Credit Maturity Date of June 30, 2028.

The total borrowing capacity under the Revolver was $475.0 million as of September 30, 2024 and December 31, 2023. As of September 30, 2024, the Company had $97.1 million of borrowings outstanding under the Revolver and no letters of credit, reducing the available borrowing capacity to approximately $377.9 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 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 September 30, 2024, there were $62.0 million of letters of credit outstanding under the LC Facility, resulting in an available borrowing capacity of $3.0 million. As of December 31, 2023, there were $54.3 million of letters of credit outstanding under the LC Facility, resulting in an available borrowing capacity of $0.7 million.

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 consists of a principal amount of $450.0 million. 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 September 30, 2024, we have the following interest rate swap 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 interest rate swaps as of September 30, 2024 and December 31, 2023 was $7.6 million and $24.9 million, respectively, and is reflected in prepaid expenses and other current assets and other assets, respectively, in the unaudited condensed consolidated balance sheets.

Amounts reported in accumulated other comprehensive income ("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 $9.8 million and $28.9 million for the three and nine months ended September 30, 2024, respectively, as compared to $9.2 million and $21.9 million for the three and nine months ended September 30, 2023, respectively. The Company expects approximately $7.4 million of pre-tax gains to be reclassified out of AOCI into earnings within the next twelve months.

The repayments on and modification of the First Lien borrowings and extinguishment of the Second Lien Facility in the first fiscal quarter of 2024 did not impact the effectiveness of the cash flow hedge arrangements outstanding as of September 30, 2024.

6. 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. The Company will pay equal quarterly cash installments of $0.8438 per Amortizing Note on February 1, May 1, August 1 and November 1, 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. In the aggregate, the annual quarterly cash installments will be the equivalent of 6.75% per year. Each installment payment constitutes a payment of interest and a partial repayment of principal. The Company paid $6.8 million and $13.6 million in TEU principal and interest payments during the three and nine months ended September 30, 2024, respectively. 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 Amortizing Notes will rank equally in right of payment with all other existing and future unsecured senior indebtedness and will 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.

The value allocated to the Purchase Contract is reflected net of issuance costs in additional paid-in capital. The value allocated to the Amortizing Notes is reflected in long-term debt in the unaudited condensed consolidated balance sheet, with payments expected in the next twelve months reflected in current portion of long-term debt. 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. 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

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 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 12).

7. Income Taxes

The tax provision or benefit from income taxes is attributable to U.S. federal, state, and foreign income taxes. The Company's effective tax rate used for interim periods is based on an estimated annual effective tax rate and includes the tax effect of items required to be recorded discretely in the interim periods in which those items occur. Each quarter, we update our estimate of the annual effective tax rate, and, if our estimated tax rate changes, we make a cumulative adjustment.

Our quarterly tax provision, and our quarterly estimate of our annual effective tax rate, is subject to significant variation due to several factors, including variability in accurately predicting our pre-tax and taxable income and loss, acquisitions, audit developments, changes in law, regulations and administrative practices, and relative changes of expenses or losses for which tax benefits are not recognized. Additionally, our effective tax rate can be more or less volatile based on the amount of pre-tax income. For example, the impact of discrete items and non-deductible expenses on our effective tax rate is greater when our pre-tax income is lower.

A reconciliation of the Company's effective tax rate is as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Estimated annual effective tax rate before discrete items	1,226.7 %	27.8 %	17.2 %	27.6 %
Discrete items recognized	26.2 %	(23.5)%	21.8 %	(19.6)%
Effective tax rate recognized in the statements of operations	1,252.9 %	4.3 %	39.0 %	8.0 %

During the three months ended September 30, 2024, the Company's effective tax rate was higher than the U.S. federal income tax rate, primarily as a result of the year-to-date cumulative adjustment of effective tax rate on near break-even pre-tax book income for the quarter. During the third fiscal quarter of 2024, the Company has utilized the actual effective tax rate for the year as the best estimate of the annual effective tax rate. The Company's effective tax rate for the three months ended September 30, 2023 was lower than the U.S. federal income tax rate, primarily as a result of tax expense related to the Silver matter, which was not expected to be deductible for tax purposes at that time. It was determined to be partially deductible upon finalization of the agreement in 2024. See Note 10 for further discussion of the Silver matter.

During the nine months ended September 30, 2024, the Company's effective tax rate was higher than the U.S. federal income tax rate, primarily as a result of limitations on the deductibility of certain executive compensation that now apply to the Company upon completion of its IPO in January 2024. In addition, the discrete tax benefit related to the Silver matter increased the effective tax rate on pre-tax book losses to date. The Company's effective tax rate for the nine months ended September 30, 2023 was lower than the U.S. federal income tax rate, primarily as a result of the unfavorable impact of the Silver matter as a percentage of estimated annual pre-tax book loss, which was not expected to be deductible for tax purposes at that time. It was determined to be partially deductible upon finalization of the agreement in 2024. See Note 10 for further discussion of the Silver matter.

8. Detail of Certain Balance Sheet Accounts

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

	September 30, 2024	December 31, 2023
Rebate receivable	$ 50,388	$ 41,791
Non-trade receivables	44,499	67,126
Income tax receivable	19,762	4,935
Prepaid insurance	17,048	13,206
Inventory returns receivable	11,059	15,300
Interest rate swaps	7,571	—
Prepaid maintenance	3,768	3,619
Other prepaid expenses and current assets	15,487	13,190
Total prepaid expenses and other current assets	$ 169,582	$ 159,167

Other assets consist of the following (in thousands):

	September 30, 2024	December 31, 2023
Notes receivable	$ 9,814	$ 7,840
Deposits	8,739	7,137
Cloud computing	8,271	9,453
Insurance recoveries	7,948	8,509
Deferred debt issuance costs	2,646	3,349
Equity method investments	675	720
Interest rate swaps	—	24,947
Deferred offering costs	—	3,850
Other assets	8,655	7,033
Total other assets	$ 46,748	$ 72,838

Accrued expenses consist of the following (in thousands):

	September 30, 2024	December 31, 2023
Wages and payroll taxes	$ 132,977	$ 127,707
Compensated absences	37,055	32,085
Workers compensation insurance reserves	22,747	22,480
Automobile insurance reserves	21,158	27,381
Deferred revenue	20,091	30,848
Checks in excess of cash balance	18,270	9,018
Health insurance reserves	14,669	13,452
Legal settlements and professional fees	13,686	114,677
Taxes other than income taxes	9,482	9,305
General and professional liability insurance reserves	5,802	22,738
Recoupment fees	4,285	36,071
Interest	2,603	3,125
Contingent consideration	1,963	2,650
Other	44,313	40,826
Total accrued expenses	$ 349,101	$ 492,363

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

	September 30, 2024	December 31, 2023
Workers compensation insurance reserves	$ 27,760	$ 30,514
General and professional liability insurance reserves	20,588	28,350
Automobile insurance reserves	7,367	8,526
Employee incentives	4,008	5,189
Contingent consideration	6,670	2,681
Deferred gain	919	1,346
Legal settlements and professional fees	—	10,000
Other	6,190	5,337
Total long-term liabilities	$ 73,502	$ 91,943

9. 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):

	September 30, 2024	December 31, 2023	Valuation Technique
Assets:			
Interest rate swaps (Level 2)	$ 7,571	$ 24,947	A
Total assets	$ 7,571	$ 24,947	
Liabilities:			
Contingent consideration (Level 3)	$ 8,633	$ 5,331	C
Total liabilities	$ 8,633	$ 5,331	

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 5.

The contingent consideration represents future earn-outs and a post-closing equity adjustment feature, both associated with acquisitions, which are recognized as a component 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 unaudited condensed consolidated balance sheets.

The fair values of the liabilities associated with future earn outs were derived using the income approach with unobservable inputs, including 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 statement of operations. The ultimate settlement of the liability will be through either issuance of additional equity shares and/or additional cash paid in case of net realized losses; or reduction of the outstanding balance of the seller note, in the case of net aggregate gain on sales.

10. 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; $20.0 million and $110.0 million of which was paid during the three and nine months ended September 30, 2024, respectively, with the remaining $10.0 million in accrued expenses in the unaudited condensed consolidated balance sheet as of September 30, 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 unaudited condensed 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.

11. 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 unaudited condensed 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 $4.1 million and $5.5 million as of September 30, 2024 and December 31, 2023, respectively. There was no change in the recorded redemption amount for Abode Care Partners for the three and nine months ended September 30, 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 unaudited condensed consolidated balance sheet as of September 30, 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 unaudited condensed 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 unaudited condensed consolidated balance sheets as of the purchase date.

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		(3,780)
Net loss attributable to redeemable noncontrolling interests		(1,395)
Balance at September 30, 2024	$	4,125

12. Earnings Per Share ("EPS")

Basic net loss per share of common stock is calculated by dividing net loss attributable to common shareholders by the weighted average number of shares outstanding for the reporting period. Diluted net 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 three and nine months ended September 30, 2023 as the performance condition had not been satisfied. Upon completion of the IPO in January 2024, the performance condition was met. 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 three and nine months ended September 30, 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 three and nine months ended September 30, 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 6 for further discussion of TEUs.

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

	For the Three Months Ended September 30, 2024	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
Numerator:				
Net loss	$ (8,981)	$ (130,124)	$ (35,925)	$ (149,634)
Net (loss) income attributable to noncontrolling interests	(751)	548	(1,864)	(1,568)
Net loss attributable to common shareholders	$ (8,230)	$ (130,672)	$ (34,061)	$ (148,066)
Denominator:				
Weighted-average shares outstanding - basic	198,491	117,864	190,541	117,871
Effect of dilutive securities:				
Stock options	—	—	—	—
RSUs	—	—	—	—
TEUs	—	—	—	—
Other	—	—	—	—
Weighted-average shares outstanding - diluted	198,491	117,864	190,541	117,871
Basic net loss per share	$ (0.04)	$ (1.11)	$ (0.18)	$ (1.26)
Diluted net loss per share	$ (0.04)	$ (1.11)	$ (0.18)	$ (1.26)

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 Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Stock options [1]	15,096	14,105	15,096	14,105
RSUs	11,078	—	11,078	—
TEUs	1,881	—	1,881	—
Other	9	—	9	—
Total	28,064	14,105	28,064	14,105

[1] 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 15).

13. 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 earnings before interest, taxes, depreciation, and amortization (“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 unaudited condensed consolidated statements of operations compared to $1.3 million and $4.2 million for the three and nine months ended September 30, 2023, respectively.

As a result of the termination of the Monitoring Agreement, the Company will pay $22.7 million in termination fees to KKR and WBA in accordance with the terms of the Monitoring Agreement. The Company will pay these fees during the fourth fiscal quarter of 2024. The termination fees were recognized in the first fiscal quarter of 2024 and are included in trade accounts payable in our unaudited condensed consolidated balance sheet as of September 30, 2024 and as selling, general, and administrative expense in our unaudited condensed consolidated statement of operations for the nine months ended September 30, 2024.

KKR Capital Markets LLC (“KCM”), a wholly owned subsidiary of KKR, acted as an arranger and bookrunner for the financing transactions in the first fiscal quarter of 2024, for which the Company paid a fee of $1.9 million. KCM also 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. The aforementioned fees paid to KCM during the first fiscal quarter of 2024 were included within selling, general, and administrative expenses in our unaudited condensed consolidated statement of operations for the nine months ended September 30, 2024. There were no similar fees paid to KCM during the three months ended September 30, 2024, and the three or nine months ended September 30, 2023.

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 between WBA and AmerisourceBergen Drug Corporation. 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.

14. Segment Information

Our CODM evaluates the performance of our segments and allocates resources to them based on segment EBITDA. Segment assets are not reviewed by the Company's CODM and, therefore, are not disclosed.

Insignificant amounts of revenue and costs of goods and services may be recorded at the corporate level and are not attributable to a particular segment. Unallocated selling, general, and administrative expenses are those costs for functions performed in a centralized manner and therefore are not attributable to a particular segment. These costs include accounting, finance, human resources, legal, information technology, corporate office support, and overall corporate management.

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 unaudited condensed consolidated statements of operations as follows (in thousands):

	For the Three Months Ended September 30, 2024		
	Pharmacy Solutions	Provider Services	Total
Revenues	$ 2,265,697	641,126	$ 2,906,823
Cost of goods and services (1)	2,077,121	421,590	2,498,711
Total depreciation and amortization (2)	27,913	16,346	44,259
Segment EBITDA	$ 99,153	93,233	$ 192,386

	For the Three Months Ended September 30, 2023		
	Pharmacy Solutions	Provider Services	Total
Revenues	$ 1,673,152	$ 583,377	$ 2,256,529
Cost of goods and services (1)	1,509,845	388,388	1,898,233
Total depreciation and amortization (2)	29,375	16,036	45,411
Segment EBITDA	$ 86,083	$ 81,462	$ 167,545

	For the Nine Months Ended September 30, 2024		
	Pharmacy Solutions	Provider Services	Total
Revenues	$ 6,357,223	1,856,448	$ 8,213,671
Cost of goods and services (1)	5,815,981	1,231,154	7,047,135
Total depreciation and amortization (2)	82,384	48,095	130,479
Segment EBITDA	$ 281,823	261,192	$ 543,015

	For the Nine Months Ended September 30, 2023		
	Pharmacy Solutions	Provider Services	Total
Revenues	$ 4,736,993	1,714,638	$ 6,451,631
Cost of goods and services (1)	4,226,075	1,160,477	5,386,552
Total depreciation and amortization (2)	86,679	48,321	135,000
Segment EBITDA	$ 278,211	221,154	$ 499,365

(1)Balance includes depreciation and amortization expense that relates to revenue-generating assets
(2)Balance is inclusive of any depreciation and amortization expense recorded in cost of goods and services

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Segment reconciliation:				
Total Segment EBITDA	$ 192,386	$ 167,545	$ 543,015	$ 499,365
Selling, general, and administrative expenses not allocated at segment level	84,938	169,024	266,093	269,123
Depreciation and amortization	50,608	50,774	149,601	151,324
Operating income (loss)	56,840	(52,253)	127,321	78,918
Loss on extinguishment of debt	—	—	12,726	—
Interest expense, net	56,061	83,678	173,520	241,539
Income (loss) before income taxes	$ 779	$ (135,931)	$ (58,925)	$ (162,621)

15. Common Stock, Preferred Stock, and Share-Based Compensation

Common Stock and Preferred 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. The stock split became effective on 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 and 250,000,000 shares of common stock and preferred stock, respectively, each with a par value of $0.01 per share.

Share-Based Compensation

Upon completion of the IPO and included in the results for the three and nine months ended September 30, 2024, the Company recognized $14.4 million and $35.8 million of costs related to new equity awards granted to management and certain other full-time employees under the 2024 Equity Incentive Plan. Additionally, the performance condition was satisfied for the Tier I and Tier II performance-vesting options under the 2017 Stock Plan upon completion of the IPO, which resulted in the vesting of Tier I performance-vesting options, and $15.0 million of previously unrecognized share-based compensation expense being recognized in the nine months ended September 30, 2024.

Item 2. 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 unaudited condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q (our “Form 10-Q”). 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 Item 2 of Part I of this Form 10-Q, and in Item 1A, “Risk Factors” of Part I of our Annual Report on Form 10-K for the year ended December 31, 2023 (our “Form 10-K”). Factors that could cause or contribute to such difference are not limited to those identified in “Risk Factors.” When used in the following discussion, “Senior” patients and populations mean individuals who are aged 65 and older, “Specialty” patients and populations mean individuals who have unique, specialized and most often chronic/life-long health conditions and needs, and “Behavioral” patients and populations mean individuals with intellectual and developmental disabilities including mental illness.

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, which includes Behavioral populations, 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. We are an essential part of our nation’s health delivery network as a front-line provider of high-quality and cost-effective care to a large and growing number of people, who increasingly require a combination of specialized solutions to enable holistic health care management. Our presence spans all 50 states, we serve over 400,000 patients daily through over 10,000 clinical providers and pharmacists, and our services make a profound impact in the lives and communities of the people we serve.

For additional overview of our business, see “PART I - Item 1. Business” of our Form 10-K.

Third Quarter of 2024 Key Highlights

- *Completed three acquisitions within our Provider Services segment*

Financial Performance Highlights: Third Quarter of 2024 Compared to Third Quarter of 2023

- *Revenue grew by $650.3 million, or 28.8% to $2.9 billion*
- *Pharmacy Solutions segment revenue grew by $592.5 million, or 35.4%, to $2.3 billion*
- *Provider Services segment revenue grew by $57.7 million, or 9.9%, to $641.1 million*
- *Net loss decreased by $121.1 million from $130.1 million to $9.0 million*
- *Adjusted EBITDA[(1)] increased by $20.5 million, or 15.7%, to $151.0 million*
- *Pharmacy Solutions segment EBITDA increased by $13.1 million, or 15.2%, to $99.2 million*
- *Provider Services segment EBITDA grew by $11.8 million, or 14.4%, to $93.2 million*
- *Loss per share decreased by $0.14 from $0.18 to $0.04*
- *Adjusted EPS[(1)] increased by $0.19 from $(0.08) to $0.11*

[(1)] Reconciliation of GAAP to non-GAAP results is provided in the section “Non-GAAP Financial Measures” in Part I, Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Quarterly Report on Form 10-Q.

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. For additional details regarding our diversified service offerings within each reportable segment see “PART I - Item 1. Business” of our Form 10-K.

The following table summarizes the revenues generated by each of our reportable segments:

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2024		2023		2024		2023	
($ in millions)	Revenue	% of Revenue	Revenue	% of Revenue	Revenue	% of Revenue	Revenue	% of Revenue
Pharmacy Solutions	$ 2,265.7	77.9 %	$ 1,673.1	74.1 %	$ 6,357.2	77.4 %	$ 4,737.0	73.4 %
Provider Services	641.1	22.1 %	583.4	25.9 %	1,856.5	22.6 %	1,714.6	26.6 %
Consolidated	$ 2,906.8	100.0 %	$ 2,256.5	100.0 %	$ 8,213.7	100.0 %	$ 6,451.6	100.0 %

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. Additionally, our Medicaid payors can be further broken down across each individual state with our top 10 Medicaid states representing 12% of total Company revenue for the three and nine months ended September 30, 2024, respectively, compared to 14% for the three and nine months ended September 30, 2023.

We provide our services across all 50 states, Puerto Rico and Canada, with our top 10 states of operations comprising 52% and 46% of total Company revenues for the three and nine months ended September 30, 2024, respectively, compared to 53% and 47% for the three and nine months ended September 30, 2023, respectively. The federal, state, and local programs under which we operate are subject to legislative and budgetary changes that can influence reimbursement rates.

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

	For the Three Months Ended September 30, 2024							
	Commercial insurance	Medicaid	Medicare Part A	Medicare Part B	Medicare Part C	Medicare Part D	Private & other	Total
Infusion and Specialty Pharmacy	18.5 %	5.3 %	0.0 %	0.6 %	14.0 %	18.8 %	0.5 %	57.7 %
Home and Community Pharmacy	2.8 %	2.1 %	4.9 %	0.0 %	0.0 %	9.6 %	0.8 %	20.2 %
Pharmacy Solutions	**21.3 %**	**7.4 %**	**4.9 %**	**0.6 %**	**14.0 %**	**28.4 %**	**1.3 %**	**77.9 %**
Home Health Care	0.2 %	2.4 %	3.9 %	0.1 %	1.2 %	—	1.3 %	9.1 %
Community and Rehab Care	1.5 %	9.6 %	0.0 %	0.0 %	0.0 %	—	1.9 %	13.0 %
Provider Services	**1.7 %**	**12.0 %**	**3.9 %**	**0.1 %**	**1.2 %**	—	**3.2 %**	**22.1 %**
Consolidated	**23.0 %**	**19.4 %**	**8.8 %**	**0.7 %**	**15.2 %**	**28.4 %**	**4.5 %**	**100.0 %**

	For the Three Months Ended September 30, 2023							
	Commercial insurance	Medicaid	Medicare Part A	Medicare Part B	Medicare Part C	Medicare Part D	Private & other	Total
Infusion and Specialty Pharmacy	17.1 %	5.1 %	0.0 %	0.8 %	17.4 %	10.9 %	0.9 %	52.2 %
Home and Community Pharmacy	2.0 %	2.4 %	6.1 %	0.0 %	0.0 %	10.5 %	0.9 %	21.9 %
Pharmacy Solutions	**19.1 %**	**7.5 %**	**6.1 %**	**0.8 %**	**17.4 %**	**21.4 %**	**1.8 %**	**74.1 %**
Home Health Care	0.5 %	3.0 %	4.6 %	0.2 %	0.7 %	—	1.5 %	10.5 %
Community and Rehab Care	1.3 %	11.9 %	0.0 %	0.0 %	0.0 %	—	2.2 %	15.4 %
Provider Services	**1.8 %**	**14.9 %**	**4.6 %**	**0.2 %**	**0.7 %**	—	**3.7 %**	**25.9 %**
Consolidated	**20.9 %**	**22.4 %**	**10.7 %**	**1.0 %**	**18.1 %**	**21.4 %**	**5.5 %**	**100.0 %**

	For the Nine Months Ended September 30, 2024							
	Commercial insurance	Medicaid	Medicare Part A	Medicare Part B	Medicare Part C	Medicare Part D	Private & other	Total
Infusion and Specialty Pharmacy	18.1 %	5.2 %	0.0 %	0.6 %	13.6 %	19.3 %	0.7 %	57.5 %
Home and Community Pharmacy	2.5 %	2.1 %	4.9 %	0.0 %	0.0 %	9.3 %	1.1 %	19.9 %
Pharmacy Solutions	**20.6 %**	**7.3 %**	**4.9 %**	**0.6 %**	**13.6 %**	**28.6 %**	**1.8 %**	**77.4 %**
Home Health Care	0.3 %	2.5 %	4.0 %	0.2 %	1.0 %	—	1.3 %	9.3 %
Community and Rehab Care	1.5 %	9.9 %	0.0 %	0.0 %	0.0 %	—	1.9 %	13.3 %
Provider Services	**1.8 %**	**12.4 %**	**4.0 %**	**0.2 %**	**1.0 %**	—	**3.2 %**	**22.6 %**
Consolidated	**22.4 %**	**19.7 %**	**8.9 %**	**0.8 %**	**14.6 %**	**28.6 %**	**5.0 %**	**100.0 %**

For the Nine Months Ended September 30, 2023								
	Commercial insurance	Medicaid	Medicare Part A	Medicare Part B	Medicare Part C	Medicare Part D	Private & other	Total
Infusion and Specialty Pharmacy	16.8 %	4.9 %	0.0 %	0.7 %	15.0 %	13.0 %	1.0 %	51.4 %
Home and Community Pharmacy	1.6 %	2.5 %	6.4 %	0.0 %	0.0 %	10.5 %	1.0 %	22.0 %
Pharmacy Solutions	**18.4 %**	**7.4 %**	**6.4 %**	**0.7 %**	**15.0 %**	**23.5 %**	**2.0 %**	**73.4 %**
Home Health Care	0.4 %	3.1 %	4.7 %	0.2 %	0.7 %	—	1.5 %	10.6 %
Community and Rehab Care	1.4 %	12.1 %	0.0 %	0.0 %	0.0 %	—	2.5 %	16.0 %
Provider Services	**1.8 %**	**15.2 %**	**4.7 %**	**0.2 %**	**0.7 %**	—	**4.0 %**	**26.6 %**
Consolidated	**20.2 %**	**22.6 %**	**11.1 %**	**0.9 %**	**15.7 %**	**23.5 %**	**6.0 %**	**100.0 %**

See Note 2 of the unaudited condensed consolidated financial statements and related notes in this Form 10-Q for more information regarding revenue by payor type for each reportable segment for the three and nine months ended September 30, 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. 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. We have continued to expand our pharmacy capabilities to serve this need. Overall, our pharmacy has grown patient census and prescriptions by approximately 12% and 15%, respectively, in the third fiscal quarter of 2024 compared to the third fiscal quarter of 2023. We are a leading independent pharmacy provider in our respective pharmacy patient markets, and we expect to continue to increase our share, including home infusion patients, specialty oncology patients, behavioral patients, in-home Seniors, and hospice patients.

Continued Growth of our Provider Services Patient Populations

We focus on delivering high-touch and coordinated services to medically complex Senior and Specialty patients in the home and community-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. 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.

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.

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.

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 filings such as our Form 10-K. In addition to quality and compliance resources and programs in field operations, we invest 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.

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 reportable segments, 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.

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 Project Management Office, help to support and manage de novo locations 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. 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 20,000 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 not only across pharmacy and provider services, but also within each segment. Within 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 community-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, 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 accountable care organization (“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 initial public offering (“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 the proceeds received from the IPO Offerings (i) to repay all indebtedness outstanding under the Second Lien Facility, (ii) to repay all indebtedness outstanding under the Revolving Credit Facility, (iii) to repay $343.3 million outstanding aggregate amount under the First Lien Facility, and (iv) to pay certain expenses in the offering. We have used and intend to use the remaining proceeds for general corporate purposes. Additionally, we will pay $22.7 million of termination fees in connection with the termination of our monitoring agreement with our controlling stockholders, Kohlberg Kravis Roberts & Co. L.P. (“KKR”) and Walgreens Boots Alliance, Inc. (together with KKR, the “Managers”) (the “Monitoring Agreement”). The Company will pay these fees during the fourth fiscal quarter of 2024.

New Equity Awards

We granted approximately $63.3 million in non-cash share-based compensation with respect to 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 with respect to 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

Quality Incentive Payment

As discussed under Part I, Item 1. “Business” in our Annual Report on Form 10-K for the year ended December 31, 2023, 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 nine months ended September 30, 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” in our Annual Report on Form 10-K for the year ended December 31, 2023. 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. The District Court entered an order dismissing the Silver action in its entirety, with prejudice, on July 3, 2024. See Note 10 “Commitments and Contingencies” within the unaudited condensed consolidated financial statements and related notes, included elsewhere in this Form 10-Q.

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 three and nine months ended September 30, 2024 and the three months ended September 30, 2023, 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 nine months ended September 30, 2023. The income recognized was offset directly by the expenses incurred within selling, general, and administrative expenses in our unaudited condensed 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 principally 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 food, supplies and medicine, residential 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 the 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 Expense (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

Consolidated Results of Operations

Three Months Ended September 30, 2024 Compared to Three Months Ended September 30, 2023

The following table sets forth, for the periods indicated, our consolidated results of operations.

($ in thousands)	For the Three Months Ended September 30,			
			Change	
	2024	2023	Amount	%
Revenues:				
Products	$ 2,265,697	$ 1,673,152	$ 592,545	35.4 %
Services	641,126	583,377	57,749	9.9 %
Total revenues	2,906,823	2,256,529	650,294	28.8 %
Cost of goods	2,077,121	1,509,845	567,276	37.6 %
Cost of services	421,590	388,388	33,202	8.5 %
Gross profit	408,112	358,296	49,816	13.9 %
Selling, general, and administrative expenses	351,272	410,549	(59,277)	(14.4)%
Operating income (loss)	56,840	(52,253)	109,093	n.m.
Interest expense, net	56,061	83,678	(27,617)	(33.0)%
Income (loss) before income taxes	779	(135,931)	136,710	n.m.
Income tax expense (benefit)	9,760	(5,807)	15,567	n.m.
Net loss	$ (8,981)	$ (130,124)	$ 121,143	n.m.
Adjusted EBITDA (1)	$ 151,017	$ 130,504	$ 20,513	15.7 %

** n.m.: not meaningful*

(1) Reconciliation of GAAP to non-GAAP results is provided in the section “Non-GAAP Financial Measures” in Part I, Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Quarterly Report on Form 10-Q.

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 $2,906.8 million for the three months ended September 30, 2024, as compared with $2,256.5 million for the three months ended September 30, 2023, an increase of $650.3 million or 28.8%. 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 $2,077.1 million for the three months ended September 30, 2024, as compared with $1,509.8 million for the three months ended September 30, 2023, an increase of $567.3 million or 37.6%. 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 $421.6 million for the three months ended September 30, 2024, as compared with $388.4 million for the three months ended September 30, 2023, an increase of $33.2 million or 8.5%. 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 $351.3 million for the three months ended September 30, 2024, as compared with $410.5 million for the three months ended September 30, 2023, a decrease of $59.3 million or 14.4%. The decrease primarily resulted from the following segment activity and factors:

•an increase of $22.4 million, or 5.5% 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 $14.4 million, or 3.5% 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 $12.0 million, or 2.9% 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 $108.1 million, or 26.3%, 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 10 "Commitments and Contingencies" within the unaudited condensed consolidated financial statements and related notes.

Interest Expense, net

Interest expense, net was $56.1 million for the three months ended September 30, 2024, as compared with $83.7 million for the three months ended September 30, 2023, a decrease of $27.6 million or 33.0%. The decrease primarily resulted from lower outstanding term debt as compared to the prior period and a $0.6 million increase in interest income related to cash flow hedges of interest rate risk, from $9.2 million of interest income for the three months ended September 30, 2023 to $9.8 million for the three months ended September 30, 2024.

Income Tax Expense (Benefit)

Income tax expense was $9.8 million for the three months ended September 30, 2024, as compared to an income tax benefit of $5.8 million for the three months ended September 30, 2023, an increase of $15.6 million. The increase in the income tax expense is attributable to an increase in the effective tax rate for the three months ended September 30, 2024 of 1,252.9% compared to 4.3% for the three months ended September 30, 2023. The increase in the effective tax rate is primarily due to the impact of the year-to-date cumulative adjustment of the third fiscal quarter of 2024 estimated effective tax rate on near break-even pre-tax book income for the quarter.

Net Loss

Net loss was $9.0 million for the three months ended September 30, 2024, as compared with $130.1 million for the three months ended September 30, 2023, a decrease of $121.1 million. The decrease in the net loss is primarily attributable to the aforementioned decrease in interest expense, net and legal settlement and defense costs.

Adjusted EBITDA (1)

Adjusted EBITDA was $151.0 million for the three months ended September 30, 2024, as compared with $130.5 million for the three months ended September 30, 2023, an increase of $20.5 million or 15.7%. The increase primarily resulted from the following segment activity and factors:

- an increase of $24.8 million, or 19.0% 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
- a decrease of $4.3 million, or 3.3% decline on consolidated 2023 Adjusted EBITDA, as a result of increases in certain public company costs incurred, investments in information technology, and positions to support growth within the business.

Nine Months Ended September 30, 2024 Compared to Nine Months Ended September 30, 2023

The following table sets forth, for the periods indicated, our consolidated results of operations.

($ in thousands)	For the Nine Months Ended September 30,		Change	
	2024	2023	Amount	%
Revenues:				
Products	$ 6,357,223	$ 4,736,993	$ 1,620,230	34.2 %
Services	1,856,448	1,714,638	141,810	8.3 %
Total revenues	8,213,671	6,451,631	1,762,040	27.3 %
Cost of goods	5,815,981	4,226,075	1,589,906	37.6 %
Cost of services	1,231,154	1,160,477	70,677	6.1 %
Gross profit	1,166,536	1,065,079	101,457	9.5 %
Selling, general, and administrative expenses	1,039,215	986,161	53,054	5.4 %
Operating income	127,321	78,918	48,403	61.3 %
Loss on extinguishment of debt	12,726	—	12,726	n.m.
Interest expense, net	173,520	241,539	(68,019)	(28.2)%
Loss before income taxes	(58,925)	(162,621)	103,696	n.m.
Income tax benefit	(23,000)	(12,987)	(10,013)	n.m.
Net loss	$ (35,925)	$ (149,634)	$ 113,709	n.m.
Adjusted EBITDA (1)	$ 420,657	$ 395,209	$ 25,448	6.4 %

** n.m.: not meaningful*

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 $8,213.7 million for the nine months ended September 30, 2024, as compared with $6,451.6 million for the nine months ended September 30, 2023, an increase of $1,762.0 million or 27.3%. 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 $5,816.0 million for the nine months ended September 30, 2024, as compared with $4,226.1 million for the nine months ended September 30, 2023, an increase of $1,589.9 million or 37.6%. 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 $1,231.2 million for the nine months ended September 30, 2024, as compared with $1,160.5 million for the nine months ended September 30, 2023, an increase of $70.7 million or 6.1%. The increase resulted from an increase in Provider Services cost of services. See additional discussion in "—Segment Results of Operations" below.

(1) Reconciliation of GAAP to non-GAAP results is provided in the section "Non-GAAP Financial Measures" in Part I, Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Quarterly Report on Form 10-Q.

Selling, General, and Administrative Expenses

Selling, general, and administrative expenses were $1,039.2 million for the nine months ended September 30, 2024, as compared with $986.2 million for the nine months ended September 30, 2023, an increase of $53.1 million or 5.4%. The increase primarily resulted from the following segment activity and factors:

- an increase of $46.8 million, or 4.7% 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 $43.7 million, or 4.5% 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 we will pay 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 $6.0 million of non-capitalizable offering costs;

- an increase of $35.8 million, or 3.6% 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 $26.6 million, or 2.7% 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 $99.8 million, or 10.1%, 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 10 "Commitments and Contingencies" within the unaudited condensed consolidated financial statements and related notes.

Loss on Extinguishment of Debt

During the nine months ended September 30, 2024, we used proceeds from the IPO Offerings to repay the Second Lien on January 30, 2024 and, as a result, incurred a loss on extinguishment of debt of $12.7 million related to the write-off of unamortized debt issuance costs. There was no loss on extinguishment of debt recognized for the nine months ended September 30, 2023.

Interest Expense, net

Interest expense, net was $173.5 million for the nine months ended September 30, 2024, as compared with $241.5 million for the nine months ended September 30, 2023, a decrease of $68.0 million or 28.2%. The decrease primarily resulted from lower outstanding term debt as compared to the prior period and a $7.0 million increase in interest income related to cash flow hedges of interest rate risk from $21.9 million of interest income for the nine months ended September 30, 2023 to $28.9 million for the nine months ended September 30, 2024. The Company's outstanding term debt decreased in the first fiscal quarter of 2024 due to the paydowns on our term debt using proceeds from the IPO Offerings.

Income Tax Benefit

Income tax benefit was $23.0 million for the nine months ended September 30, 2024, as compared to $13.0 million for the nine months ended September 30, 2023, an increase of $10.0 million. The increase in the income tax benefit is attributable to an increase in the effective tax rate for the nine months ended September 30, 2024 of 39.0% compared to 8.0% for the nine months ended September 30, 2023. 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, as well as the discrete tax benefit recognized in the period related to the Silver matter that was finalized during the second fiscal quarter of 2024. During 2023, the Company's effective tax rate was lower than the U.S. federal income tax rate, primarily as a result of the unfavorable impact of the Silver legal settlement, which was not expected to be deductible for tax purposes at that time. See Note 10 within the unaudited condensed consolidated financial statements and related notes in this Quarterly Report on Form 10-Q for additional information on the matter.

Net Loss

Net loss was $35.9 million for the nine months ended September 30, 2024, as compared with $149.6 million for the nine months ended September 30, 2023, a decrease of $113.7 million. Net loss for 2024 includes the aforementioned $43.7 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 $43.5 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 and legal settlement and defense costs, increase in revenues, and increase in income tax benefit. When excluding the approximately $30 million QIP received in 2023, net loss decreased by $143.9 million compared to a net loss of $179.8 million in 2023.

Adjusted EBITDA [(1)]

Adjusted EBITDA was $420.7 million for the nine months ended September 30, 2024, as compared with $395.2 million for the nine months ended September 30, 2023, an increase of $25.4 million or 6.4%. When excluding the approximately $30 million QIP received in 2023, Adjusted EBITDA increased $55.7 million or 15.3%. The increase of $25.4 million primarily resulted from the following segment activity and factors:

- an increase of $40.0 million, or 10.1% growth on consolidated 2023 Adjusted EBITDA, as a result of growth in our Provider Services segments. See additional discussion in "—Segment Results of Operations" below; offset by,
- an increase of $3.6 million, or 0.9% growth on consolidated 2023 Adjusted EBITDA, as a result of a growth in our Pharmacy Solutions segment. See additional discussion in "—Segment Results of Operations" below; and,
  - When excluding the approximately $30 million QIP received in 2023, consolidated Adjusted EBITDA related to the Pharmacy Solutions segment increased 9.3% compared to consolidated Adjusted EBITDA of $365.0 million in 2023.
- a decrease of $18.2 million, or 4.6% decline on consolidated 2023 Adjusted EBITDA, as a result of increases in certain public company costs incurred, investments in information technology, and positions to support growth within the business.

(1) Reconciliation of GAAP to non-GAAP results is provided in the section "Non-GAAP Financial Measures" in Part I, Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Quarterly Report on Form 10-Q.

Segment Results of Operations

Pharmacy Solutions Segment

Three Months Ended September 30, 2024 Compared to Three Months Ended September 30, 2023

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

($ in thousands, except Business Metrics)	Pharmacy Solutions — For the Three Months Ended September 30, 2024	2023	Change Amount	%
Revenues	$ 2,265,697	$ 1,673,152	$ 592,545	35.4 %
Cost of goods	2,077,121	1,509,845	567,276	37.6 %
Gross profit	188,576	163,307	25,269	15.5 %
Selling, general, and administrative expenses	117,336	106,598	10,738	10.1 %
Segment operating income	$ 71,240	$ 56,709	$ 14,531	25.6 %
Segment EBITDA	$ 99,153	$ 86,083	$ 13,070	15.2 %
Business Metrics:				
Prescriptions dispensed	10,874,429	9,497,696	1,376,733	14.5 %
Revenue per script	$ 208.35	$ 176.16	$ 32.19	18.3 %
Gross profit per script	$ 17.34	$ 17.19	$ 0.15	0.9 %

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

Revenues

Revenues were $2,265.7 million for the three months ended September 30, 2024, as compared with $1,673.2 million for the three months ended September 30, 2023, an increase of $592.5 million or 35.4%. The increase primarily resulted from volume growth in prescriptions dispensed across and within the Pharmacy Solutions segment. Revenues attributable to Infusion and Specialty Pharmacy were $1,678.1 million for the three months ended September 30, 2024, as compared with $1,180.0 million for the three months ended September 30, 2023, an increase of $498.1 million or 42.2% attributable to an increase in prescriptions dispensed on certain specialty branded drugs. Revenues attributable to Home and Community Pharmacy were $587.6 million for the three months ended September 30, 2024, as compared with $493.2 million for the three months ended September 30, 2023, an increase of $94.4 million or 19.1% 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 $2,077.1 million for the three months ended September 30, 2024, as compared with $1,509.8 million for the three months ended September 30, 2023, an increase of $567.3 million or 37.6%. 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 $188.6 million for the three months ended September 30, 2024, as compared with $163.3 million for the three months ended September 30, 2023, an increase of $25.3 million or 15.5%. 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.

Gross profit margin for the three months ended September 30, 2024 was 8.3% compared to 9.8% for the three months ended September 30, 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, and an increase in the fulfillment cost per script in Home and Community Pharmacy.

Selling, General, and Administrative Expenses

Selling, general, and administrative expenses were $117.3 million for the three months ended September 30, 2024, as compared with $106.6 million for the three months ended September 30, 2023, an increase of $10.7 million or 10.1%. 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 $99.2 million for the three months ended September 30, 2024, as compared with $86.1 million for the three months ended September 30, 2023, an increase of $13.1 million or 15.2%. The increase primarily resulted from the aforementioned revenue and gross profit growth in the period. See Note 14 “Segment Information” to our unaudited condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q for further discussion.

Nine Months Ended September 30, 2024 Compared to Nine Months Ended September 30, 2023

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

	Pharmacy Solutions			
($ in thousands, except Business Metrics)	For the Nine Months Ended September 30,		Change	
	2024	2023	Amount	%
Revenues	$ 6,357,223	$ 4,736,993	$ 1,620,230	34.2 %
Cost of goods	5,815,981	4,226,075	1,589,906	37.6 %
Gross profit	541,242	510,918	30,324	5.9 %
Selling, general, and administrative expenses	341,803	319,386	22,417	7.0 %
Segment operating income	$ 199,439	$ 191,532	$ 7,907	4.1 %
Segment EBITDA	$ 281,823	$ 278,211	$ 3,612	1.3 %
Business Metrics:				
Prescriptions dispensed	30,849,121	27,799,901	3,049,220	11.0 %
Revenue per script	$ 206.07	$ 170.40	$ 35.67	20.9 %
Gross profit per script	$ 17.54	$ 18.38	$ (0.84)	(4.6)%

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

Revenues

Revenues were $6,357.2 million for the nine months ended September 30, 2024, as compared with $4,737.0 million for the nine months ended September 30, 2023, an increase of $1,620.2 million or 34.2%. The increase primarily resulted from volume growth in prescriptions dispensed across and within the Pharmacy Solutions segment. Revenues attributable to Infusion and Specialty Pharmacy were $4,729.8 million for the nine months ended September 30, 2024, as compared with $3,331.2 million for the nine months ended September 30, 2023, an increase of $1,398.6 million or 42.0% attributable to an increase in prescriptions dispensed on certain specialty branded drugs. Revenues attributable to Home and Community Pharmacy were $1,627.4 million for the nine months ended September 30, 2024, as compared with $1,405.8 million for the nine months ended September 30, 2023, an increase of $221.6 million or 15.8% 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 $5,816.0 million for the nine months ended September 30, 2024, as compared with $4,226.1 million for the nine months ended September 30, 2023, an increase of $1,589.9 million or 37.6%. 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 $541.2 million for the nine months ended September 30, 2024, as compared with $510.9 million for the nine months ended September 30, 2023, an increase of $30.3 million or 5.9%. 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 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 12.6% compared to gross profit of $480.7 million in 2023.

Gross profit margin for the nine months ended September 30, 2024 was 8.5% compared to 10.8% for the nine months ended September 30, 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 10.2% for the nine months ended September 30, 2023.

Selling, General, and Administrative Expenses

Selling, general, and administrative expenses were $341.8 million for the nine months ended September 30, 2024, as compared with $319.4 million for the nine months ended September 30, 2023, an increase of $22.4 million or 7.0%. 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 $281.8 million for the nine months ended September 30, 2024, as compared with $278.2 million for the nine months ended September 30, 2023, an increase of $3.6 million or 1.3%. The increase primarily resulted from aforementioned revenue and gross profit growth in the period, partially offset by the QIP received in fiscal year 2023 that was not received in the comparable year. When excluding the approximately $30 million QIP received in 2023, segment EBITDA increased 13.6% compared to segment EBITDA of $248.0 million in 2023. See Note 14 “Segment Information” to our unaudited condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q for further discussion.

Provider Services Segment

Three Months Ended September 30, 2024 Compared to Three Months Ended September 30, 2023

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

($ in thousands, except Business Metrics)	Provider Services			
	For the Three Months Ended September 30,		Change	
	2024	2023	Amount	%
Revenues	$ 641,126	$ 583,377	$ 57,749	9.9 %
Cost of services	421,590	388,388	33,202	8.5 %
Gross profit	219,536	194,989	24,547	12.6 %
Selling, general, and administrative expenses	141,214	130,975	10,239	7.8 %
Segment operating income	$ 78,322	$ 64,014	$ 14,308	22.4 %
Segment EBITDA	$ 93,233	$ 81,462	$ 11,771	14.4 %
Business Metrics:				
Home Health Care average daily census	46,583	40,124	6,459	16.1 %
Community and Rehab Care persons served	16,683	16,716	(33)	(0.2)%

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

Revenues

Revenues were $641.1 million for the three months ended September 30, 2024, as compared with $583.4 million for the three months ended September 30, 2023, an increase of $57.7 million or 9.9%. The increase primarily resulted from volume growth as well as rate increases received during the period. Revenues attributable to Home Health Care were $265.3 million for the three months ended September 30, 2024, as compared with $234.2 million for the three months ended September 30, 2023, an increase of $31.1 million or 13.3%. Revenues attributable to Community and Rehab Care were $375.8 million for the three months ended September 30, 2024, as compared with $349.2 million for the three months ended September 30, 2023, an increase of $26.6 million or 7.6%.

Cost of Services

Cost of services was $421.6 million for the three months ended September 30, 2024, as compared with $388.4 million for the three months ended September 30, 2023, an increase of $33.2 million or 8.5%. The increase primarily resulted from the aforementioned revenue growth, larger growth in Home Health Care as compared to Community and Rehab Care, as well as included operational improvements resulting in lower costs of services increases compared to revenue growth.

Gross profit was $219.5 million for the three months ended September 30, 2024, as compared with $195.0 million for the three months ended September 30, 2023, an increase of $24.5 million or 12.6%. 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 $141.2 million for the three months ended September 30, 2024, as compared with $131.0 million for the three months ended September 30, 2023, an increase of $10.2 million or 7.8%. 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 $93.2 million for the three months ended September 30, 2024, as compared with $81.5 million for the three months ended September 30, 2023, an increase of $11.8 million or 14.4%. The increase primarily resulted from the aforementioned revenue growth and operational improvements impacting cost of services. See Note 14 “Segment Information" to our unaudited condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q for further discussion.

Nine Months Ended September 30, 2024 Compared to Nine Months Ended September 30, 2023

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

	Provider Services			
($ in thousands, except Business Metrics)	For the Nine Months Ended September 30,		Change	
	2024	2023	Amount	%
Revenues	$ 1,856,448	$ 1,714,638	$ 141,810	8.3 %
Cost of services	1,231,154	1,160,477	70,677	6.1 %
Gross profit	625,294	554,161	71,133	12.8 %
Selling, general, and administrative expenses	412,198	387,862	24,336	6.3 %
Segment operating income	$ 213,096	$ 166,299	$ 46,797	28.1 %
Segment EBITDA	$ 261,192	$ 221,154	$ 40,038	18.1 %
Business Metrics:				
Home Health Care average daily census	44,593	39,350	5,243	13.3 %
Community and Rehab Care persons served	16,697	16,695	2	0.0 %

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

Revenues

Revenues were $1,856.4 million for the nine months ended September 30, 2024, as compared with $1,714.6 million for the nine months ended September 30, 2023, an increase of $141.8 million or 8.3%. The increase primarily resulted from volume growth as well as rate increases received during the period. Revenue attributable to Home Health Care were $761.1 million for the nine months ended September 30, 2024, as compared with $681.8 million for the nine months ended September 30, 2023, an increase of $79.3 million or 11.6%. Revenue attributable to Community and Rehab Care were $1,095.4 million for the nine months ended September 30, 2024, as compared with $1,032.9 million for the nine months ended September 30, 2023, an increase of $62.5 million or 6.1%.

Cost of Services

Cost of services was $1,231.2 million for the nine months ended September 30, 2024, as compared with $1,160.5 million for the nine months ended September 30, 2023, an increase of $70.7 million or 6.1%. 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 $625.3 million for the nine months ended September 30, 2024, as compared with $554.2 million for the nine months ended September 30, 2023, an increase of $71.1 million or 12.8%. 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 $412.2 million for the nine months ended September 30, 2024, as compared with $387.9 million for the nine months ended September 30, 2023, an increase of $24.3 million or 6.3%. 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 $261.2 million for the nine months ended September 30, 2024, as compared with $221.2 million for the nine months ended September 30, 2023, an increase of $40.0 million or 18.1%. The increase primarily resulted from the aforementioned revenue growth and operational improvements impacting cost of services. See Note 14 “Segment Information" to our unaudited condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q 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 income (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 income (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; goodwill impairment; legal costs associated with certain historical matters for PharMerica and settlement costs; 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 income (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, two of which are being finalized as of September 30, 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 these historical PharMerica cases including 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. 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 income (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 income or loss, operating income or loss, earnings or 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 Three Months Ended September 30, 2024	For the Three Months Ended September 30, 2023	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
Net loss	$ (8,981)	$ (130,124)	$ (35,925)	$ (149,634)
Income tax expense (benefit)	9,760	(5,807)	(23,000)	(12,987)
Interest expense, net	56,061	83,678	173,520	241,539
Depreciation and amortization	50,608	50,774	149,601	151,324
EBITDA	$ 107,448	$ (1,479)	$ 264,196	$ 230,242
Non-cash share-based compensation (1)	15,210	825	55,194	2,100
Acquisition, integration, and transaction-related costs (2)	11,767	6,319	25,331	13,754
Restructuring and divestiture-related and other costs (3)	6,672	4,527	28,065	16,172
Legal costs and settlements (4)	8,920	117,042	21,886	121,706
Significant projects (5)	1,000	1,935	2,604	6,899
Management fee (6)	—	1,383	23,381	4,248
Unreimbursed COVID-19 related costs	—	(48)	—	88
Total adjustments	$ 43,569	$ 131,983	$ 156,461	$ 164,967
Adjusted EBITDA	$ 151,017	$ 130,504	$ 420,657	$ 395,209

(1)Represents non-cash share-based compensation to certain members of our management and full-time employees. The three and nine months ended September 30, 2024 includes $14.4 million and $35.8 million of costs, respectively, related to new equity awards granted upon the completion of our IPO under the 2024 Equity Incentive Plan. The nine months ended September 30, 2024 includes $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 three months ended September 30, 2024 includes acquisition and integration related costs of $7.5 million, earn-out adjustments from previous acquisitions of $0.9 million, and other non-routine transaction costs of $2.9 million, as compared to acquisition and integration related costs of $3.7 million and other non-routine transaction costs of $0.9 million for the three months ended September 30, 2023. These costs also included $0.5 million and $6.0 million of costs related to the IPO Offerings which were not capitalizable for the three and nine months ended September 30, 2024, respectively, compared to $1.7 million and $1.9 million for the three and nine months ended September 30, 2023, respectively.

(3)Represents costs associated with restructuring-related activities, including closure, 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 nine months ended September 30, 2024. These costs also included $1.8 million and $3.7 million of intangible asset and other non-cash investment impairment for the three and nine months ended September 30, 2024, respectively, as compared to $1.4 million and $7.4 million for the three and nine months ended September 30, 2023, respectively.

(4)Represents settlement and defense costs associated with certain historical PharMerica litigation matters, including the Silver matter, all of which are expected to be completed in 2024. See Note 10 within the unaudited condensed consolidated financial statements and related notes in this Quarterly Report on Form 10-Q for additional information.

(5)Represents costs associated with certain transformational projects and for the periods presented primarily included general ledger system implementation and pharmacy billing system implementation, which both completed in the second fiscal quarter of 2024; and ransomware attack response costs. Ransomware attack response costs were $1.0 million for the three and nine months ended September 30, 2024, compared to $0.6 million and $3.1 million for the three and nine months ended September 30, 2023, respectively.

(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:

(shares in thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
Diluted EPS	$ (0.04)	$ (1.11)	$ (0.18)	$ (1.26)
Non-cash share-based compensation (1)	0.07	0.01	0.28	0.02
Acquisition, integration, and transaction-related costs (1)	0.06	0.05	0.13	0.11
Restructuring and divestiture-related and other costs (1)	0.03	0.04	0.14	0.13
Legal costs and settlements (1)	0.04	0.93	0.11	0.96
Significant projects (1)	—	0.02	0.01	0.05
Management fee (1)	—	0.01	0.12	0.03
Unreimbursed COVID-19 related costs (1)	—	—	—	—
Income tax impact on adjustments (2)(3)	(0.05)	(0.03)	(0.27)	(0.10)
Adjusted EPS	$ 0.11	$ (0.08)	$ 0.34	$ (0.06)
Weighted average common shares outstanding used in calculating diluted U.S. GAAP net loss per share	198,491	117,864	190,541	117,871
Weighted average common shares outstanding used in calculating diluted Non-GAAP earnings (loss) per share	208,694	126,346	199,930	126,428

(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 nine months ended September 30, 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 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 Nine Months Ended September 30, 2024		For the Year Ended December 31, 2023	
Revolving Credit Facility Rollforward				
Beginning Revolving Credit Facility balance	$	50,700	$	74,800
Borrowings (repayments) of the Revolving Credit Facility, net		46,400		(24,100)
Ending Revolving Credit Facility balance	$	97,100	$	50,700
Calculation of Revolving Credit Facility and LC Facility availability				
Revolving Credit Facility and LC Facility limit	$	540,000	$	530,000
Less: outstanding Revolving Credit Facility balance		(97,100)		(50,700)
Less: outstanding letters of credit subject to LC Sublimit		—		(6,632)
Less: outstanding letters of credit under the LC Facility		(62,016)		(54,279)
End of period Revolving Credit Facility and LC Facility availability		380,884		418,389
End of period cash balance		35,973		13,071
Total Liquidity, end of period	$	416,857	$	431,460

Cash Flow Activity

Nine Months Ended September 30, 2024 and 2023

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 Nine Months Ended September 30, 2024		2023		Variance	
Net cash (used in) provided by operating activities	$	(66,838)	$	48,383	$	(115,221)
Net cash used in investing activities	$	(124,457)	$	(117,411)	$	(7,046)
Net cash provided by financing activities	$	214,197	$	67,041	$	147,156

Operating Activities

Net cash used in operating activities was $66.8 million for the nine months ended September 30, 2024 compared to net cash provided by operating activities of $48.4 million for the nine months ended September 30, 2023. The change was primarily due to the following:

- an increase of $114.0 million in cash outflows for the payments of legal settlements including the Silver matter in 2024;
- an increase of $30.0 million in cash outflows for direct and indirect remuneration fees paid;
- a decrease of approximately $30 million of cash inflows related to the QIP received in 2023 that was not received in 2024;
- a decrease of $18.8 million of cash inflows for the PRF general distribution which was received in 2023, as compared to no PRF general distribution in 2024;
- a decrease of $61.0 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 $11.3 million in cash outflows for income taxes.

Investing Activities

Net cash used in investing activities increased by $7.1 million, from $117.4 million in the nine months ended September 30, 2023 to $124.5 million in the nine months ended September 30, 2024. The increase was primarily due to a $8.9 million increase in purchases of property and equipment in 2024 compared to 2023 and a decrease of $2.7 million cash paid for acquisitions in 2024 compared to 2023.

Financing Activities

Net cash provided by financing activities was $214.2 million for the nine months ended September 30, 2024, primarily attributable to net proceeds received from the IPO Offerings of $1,045.5 million, net borrowings on our Revolving Credit Facility of

$46.4 million, partially offset by extinguishment of and repayments on our long-term debt of $818.6 million, payment of debt issuance costs of $43.2 million, and other financing activities.

Net cash provided by financing activities was $67.0 million for the nine months ended September 30, 2023, primarily attributable to net borrowings on our Revolving Credit Facility of $98.3 million, partially offset by repayments on our long-term debt of $22.9 million, payment of finance leases obligations of $8.6 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. Below is a summary of our long-term indebtedness as of September 30, 2024 and December 31, 2023.

We were in compliance with all applicable financial covenants as of September 30, 2024 and December 31, 2023.

First Lien Credit Agreement

On March 5, 2019, the Company entered into the First Lien Credit Agreement, among Phoenix Intermediate Holdings Inc., as Holdings, Phoenix Guarantor Inc., as the Borrower, the several lenders from time to time parties thereto and Morgan Stanley Senior Funding, Inc., as the Administrative Agent and Collateral Agent (the “First Lien Credit Agreement”). The First Lien Credit Agreement 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 Credit Agreement (“Tranche B-1”). The First Lien Credit Agreement was further amended in 2020 (“Tranche B-2”) and 2021 (“Tranche B-3”) to establish additional borrowings of $550.0 million and $675.0 million, respectively, resulting in a total gross borrowings of $3,025.0 million.

On June 30, 2023, the Company amended the terms of the First Lien Credit Agreement to reflect a change in reference rate to the Secured Overnight Financing Rate (“SOFR”).

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 established Tranche B-4 to refinance the remaining $2,566.0 million of borrowings under the First Lien Credit Agreement at a rate equal to SOFR plus 3.25%. Tranche B-4 has a maturity date of February 21, 2031. For additional information about our First Lien Credit Agreement, see Note 5 of the unaudited condensed consolidated financial statements and related notes in this Quarterly Report on Form 10-Q.

Revolving Credit Facility

The total borrowing capacity under the Revolving Credit Facility (the “Revolver”) was $475.0 million as of September 30, 2024 and December 31, 2023. As of September 30, 2024, the Company had $97.1 million of borrowings outstanding under the Revolver and no letters of credit reducing the available borrowing capacity to approximately $377.9 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 $417.7 million.

The First Lien Credit Agreement, as amended on September 17, 2024, provides for an additional $65.0 million of letter of credit commitments, or the LC Facility, which are not subject to the LC Sublimit. As of September 30, 2024, there were $62.0 million of letters of credit outstanding under the LC Facility, resulting in an available borrowing capacity of $3.0 million. As of December 31, 2023, the LC Facility provided for an additional $55.0 million of letter of credit commitments, and there were $54.3 million of letters of credit outstanding under the LC Facility, resulting in an available borrowing capacity of $0.7 million.

For additional information about our Revolving Credit Facility and LC Facility, see Note 5 of the unaudited condensed consolidated financial statements and related notes in this Quarterly Report on Form 10-Q.

Second Lien Credit Agreement

On March 5, 2019, the Company entered into a $450.0 million Second Lien Facility. Borrowings under the Second Lien Facility were subordinated to the First Lien Credit Agreement. 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 further 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.

The First Lien Credit Agreement and the Second 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.

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 refinancing of existing term debt on February 21, 2024 did not result in a change to the terms of the interest rate swap agreements. For the nine months ended September 30, 2024 and the year ended December 31, 2023, interest expense, net includes interest income related to cash flow hedges of interest rate risk of $28.9 million and $31.4 million, respectively.

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. The Company will pay equal quarterly cash installments of $0.8438 per Amortizing Note on February 1, May 1, August 1 and November 1, 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. In the aggregate, the annual quarterly cash installments will be equivalent of 6.75% per year. Each installment payment constitutes a payment of interest and a partial repayment of principal. Each TEU may be separated by a holder into its constituent Purchase Contract and Amortizing Note. Refer to Note 6 within our unaudited condensed consolidated financial statements and related notes in this Quarterly Report on Form 10-Q for further discussion.

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

($ in thousands)	**Rate**		**Long-term obligation and note payable**		**Interest Expense**	
	September 30, 2024	**December 31, 2023**	**September 30, 2024**	**December 31, 2023**	**Nine Months Ended September 30, 2024**	**Fiscal Year 2023**
First Lien - payable to lenders at SOFR plus applicable margin	—	8.72 %	$ —	$ 1,719,360	$ 21,217	$ 146,167
First Lien Incremental Term Loans Tranches B-2 and B-3 - payable to lenders at SOFR plus applicable margin	—	8.97 %	—	1,189,975	15,106	104,190
First Lien Incremental Term Loan Tranche B-4 - payable to lenders at SOFR plus applicable margin	8.50 %	—	2,553,170	—	136,021	—
Second Lien - payable to lenders at SOFR plus applicable margin	—	13.97 %	—	450,000	5,239	62,012
Revolving Credit Loans - payable to lenders at SOFR plus applicable margin	8.50 %	9.59 %	—	50,000	387	3,988
Swingline/Base Rate - payable to lenders at ABR plus applicable margin	10.25 %	11.75 %	97,100	700	7,625	12,243
Amortizing Notes			59,077	—	4,337	—
Notes payable and other			19,413	4,356	93	2
Amortization of deferred financing costs and other, net of interest income from cash flow hedges			—	—	(16,505)	(4,009)
Total debt			$ 2,728,760	$ 3,414,391	$ 173,520	$ 324,593
Less: debt issuance costs, net			71,370	50,177		
Total debt, net of debt issuance costs			2,657,390	3,364,214		
Less: current portion of long-term debt			48,853	32,273		
Total long-term debt, net of current portion			$ 2,608,537	$ 3,331,941		

Our Company leverage, as calculated under our First Lien Credit Agreement and the Second Lien Credit Agreement, was 4.39x and 5.86x at September 30, 2024 and December 31, 2023, respectively.

Critical Accounting Policies and Use of Estimates

In preparing our unaudited condensed 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. There have been no material changes to our critical accounting policies and estimates from those disclosed in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2023, which are hereby incorporated by reference.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Impact of Inflation

Wages and other expenses increase during periods of inflation and when labor shortages occur in the marketplace. The impact of inflation on the Company is primarily in the area of labor costs. The healthcare industry is labor intensive. There can be no guarantee we will not experience increases in the cost of labor, particularly given the shortage of qualified caregivers in our markets, and the demand for homecare services is expected to grow.

In addition, increases in healthcare costs are typically higher than inflation and impact our costs under our employee benefit plans. Managing these costs remains a significant challenge and priority for us. While we believe the effects of inflation, if any, and labor shortages on our results of operations and financial condition have not been significant, there can be no guarantee we will not experience the effect of inflation in the future.

In addition, suppliers pass along rising costs to us in the form of higher prices, which impacts us primarily in the area of pharmaceutical drug costs in our Pharmacy Solutions segment. Changes in costs of drugs can be accompanied by a change in rate that we pass along to our customers. Additionally, our supply chain efforts have enabled us to effectively manage and mitigate any inflationary impacts in our supply chain over recent years. However, we cannot predict our ability to cover future cost increases.

We have little or no ability to pass on certain of these increased costs associated with providing services to Medicare and Medicaid patients due to federal and state laws that establish fixed reimbursement rates.

Interest Rate Risk

Our Company is exposed to interest rate risk related to changes in interest rates for borrowings under our First Lien Facilities. Although we hedge a portion of our interest rate risk through interest rate swaps, any borrowings under our First Lien Facility in excess of the notional amount of the swaps will be subject to variable interest rates. By using a derivative instrument to hedge exposures to changes in interest rates, we expose ourselves to credit risk due to the possible failure of the counterparty to perform under the terms of the derivative contract.

As of September 30, 2024, our debt outstanding was $2.7 billion and we had three interest rate swaps with a combined notional value of $2.0 billion that were designated as cash flow hedges of interest rate risk. A hypothetical 1% increase in interest rates would increase our net loss and decrease our cash flows by $6.5 million on an annual basis based upon our borrowing level at September 30, 2024. The market risks associated with our debt obligations as of September 30, 2024 have not changed from those reported in “Part II. Item 7A. Quantitative and Qualitative Disclosure About Market Risk” in our Annual Report on Form 10-K for the year ended December 31, 2023. See Note 5 within the unaudited condensed consolidated financial statements and related notes, in the Quarterly Report on Form 10-Q for additional information on our debt obligations and derivative instruments.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

Under the supervision and with the participation of the Company’s management, including its Chief Executive Officer and Chief Financial Officer, the Company has evaluated the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)). Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, the Company’s disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

There were no changes to our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the quarter ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we are involved in various legal and/or administrative proceedings and subject to claims that arise in the ordinary course of business. 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 in our consolidated financial statements, will have a material adverse effect on our business, financial condition, or results of operations. It is reasonably possible that an adverse determination might have an impact on a particular period. Regardless of the outcome, litigation has the potential to have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors.

For a summary of our material legal proceedings, refer to Note 10 of the unaudited condensed consolidated financial statements and related notes in this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors.

There have been no material changes to the risk factors affecting our business, financial condition, or results of operations from those set forth under the heading “Summary Risk Factors” or in Part I, Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2023. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition, or results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit Number	Description	Incorporated by Reference Form	File No.	Exhibit	Filing Date
3.1	Second Amended and Restated Certificate of Incorporation of BrightSpring Health Services, Inc.	8-K	001-41938	3.1	1/30/2024
3.2	Amended and Restated Bylaws of BrightSpring Health Services, Inc.	8-K	001-41938	3.2	1/30/2024
4.1	Purchase Contract Agreement, dated as of January 30, 2024, between BrightSpring Health Services, Inc. and U.S. Bank Trust Company, National Association, as purchase contract agent, as attorney-in-fact for the Holders from time to time as provided therein and as trustee under the indenture referred to therein.	8-K	001-41938	4.1	1/30/2024
4.2	Form of Unit (included in Exhibit 4.1).	8-K	001-41938	4.2	1/30/2024
4.3	Form of Purchase Contract (included in Exhibit 4.1).	8-K	001-41938	4.3	1/30/2024
4.4	Indenture, dated as of January 30, 2024, between BrightSpring Health Services, Inc. and U.S. Bank Trust Company, National Association, as trustee.	8-K	001-41938	4.4	1/30/2024
4.5	First Supplemental Indenture, dated as of January 30, 2024, between BrightSpring Health Services, Inc. and U.S. Bank Trust Company, National Association, as trustee, paying agent and security registrar.	8-K	001-41938	4.5	1/30/2024
4.6	Form of Amortizing Note (included in Exhibit 4.5).	8-K	001-41938	4.6	1/30/2024
4.7	Registration Rights Agreement, dated December 7, 2017, by and among Phoenix Parent Holdings Inc., KKR Phoenix Aggregator L.P., and Walgreens Co.	S-1/A	333-276348	4.1	1/10/2024
10.1	Joinder Agreement and Amendment No. 8, dated as of September 17, 2024, by and among Credit Agricole Corporate and Investment Bank, Phoenix Guarantor Inc., Phoenix Intermediate Holdings Inc., each 2020 Additional Revolving Credit Lender, each 2020 Letter of Credit Issuer, and Morgan Stanley Senior Funding, Inc., as Administrative Agent.				
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
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)				

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 thereunto duly authorized.

		BrightSpring Health Services, Inc.
Date: November 1, 2024	By:	/s/ Jon Rousseau Jon Rousseau Chairman, President, and Chief Executive Officer (Principal Executive Officer)
Date: November 1, 2024	By:	/s/ Jim Mattingly Jim Mattingly Executive Vice President and Chief Financial Officer (Principal Financial Officer)
Date: November 1, 2024	By:	/s/ Jennifer Phipps Jennifer Phipps Chief Accounting Officer (Principal Accounting Officer)

Exhibit 10.2
Execution Version

JOINDER AGREEMENT AND AMENDMENT NO. 8

JOINDER AGREEMENT AND AMENDMENT NO. 8, dated as of September 17, 2024 (this "**Agreement**"), by and among CREDIT AGRICOLE CORPORATE AND INVESTMENT BANK (the "**Incremental Lender**"), Phoenix Guarantor Inc., a Delaware corporation (the "**Borrower**"), Phoenix Intermediate Holdings Inc. ("**Holdings**"), each 2020 Additional Revolving Credit Lender (as defined in the Credit Agreement (as defined below)), each 2020 Letter of Credit Issuer (as defined in the Credit Agreement), and Morgan Stanley Senior Funding, Inc., as the Administrative Agent.

RECITALS:

WHEREAS, reference is hereby made to the First Lien Credit Agreement, dated as of March 5, 2019 (as amended by the Technical Amendment, dated May 13, 2019, as supplemented by the Joinder Agreement, dated as of September 30, 2019, as amended by Amendment No. 1, dated as of January 30, 2020, as amended by Joinder Agreement and Amendment No. 2, dated as of June 30, 2020, as amended by Joinder Agreement and Amendment No. 3, dated as of October 7, 2020, as amended by Amendment No. 4, dated as of April 8, 2021, as amended by Joinder Agreement and Amendment No. 5, dated as of April 16, 2021, as amended by Joinder Agreement and Amendment No. 6, dated as of June 30, 2023, as amended by Joinder Agreement and Amendment No. 7, dated as of February 21, 2024 and as otherwise may be amended, restated, supplemented or otherwise modified from time to time, the "**Credit Agreement**"), among Holdings, the Borrower, the several lenders from time to time parties thereto, the Letter of Credit Issuers from time to time parties thereto and Morgan Stanley Senior Funding, Inc., as the Administrative Agent and the Collateral Agent (capitalized terms used but not defined herein having the meaning provided in the Credit Agreement); and

WHEREAS, subject to the terms and conditions of the Credit Agreement, the Borrower may establish Incremental Revolving Credit Commitments by, among other things, entering into one or more Joinder Agreements with Incremental Revolving Loan Lenders;

WHEREAS, the Borrower has notified the Administrative Agent, the 2020 Additional Revolving Credit Lenders and the 2020 Letter of Credit Issuers that it is requesting pursuant to Section 2.14 and Section 13.1 of the Credit Agreement, (i) the establishment of Incremental Revolving Credit Commitments in the form of 2020 Letter of Credit Commitments in an aggregate principal amount equal to $10,000,000 and (ii) the Credit Agreement be amended as set forth herein.

NOW, THEREFORE, in consideration of the premises and agreements, provisions and covenants herein contained, the parties hereto agree as follows:

ARTICLE I. THE INCREMENTAL REVOLVING CREDIT COMMITMENTS

The Incremental Lender hereby agrees to commit to provide its Incremental Revolving Credit Commitment as set forth on Schedule A annexed hereto, on the terms and subject to the conditions set forth below. The aggregate principal amount of the Incremental Revolving Credit Commitments is $10,000,000. The aggregate amount of 2020 Letter of Credit Commitments after giving effect to this Agreement is $65,000,000.

The Incremental Lender hereby agrees to make its Incremental Revolving Credit Commitment on the following terms and conditions:

1.**Terms Generally**. For all purposes under the Credit Agreement and the other Credit Documents (including this Agreement), the Incremental Revolving Credit Commitments and the related letters of credit issued thereunder shall have the same terms as, and be treated as, the 2020 Letter of Credit Commitments and the 2020 Letters of Credit, as applicable.

2.**Incremental Lender**. The Incremental Lender acknowledges and agrees that upon its execution of this Agreement and providing of Incremental Revolving Credit Commitments, that such Incremental Lender shall become an "Incremental Revolving Loan Lender" and shall continue to be a "2020 Additional Revolving Credit Lender", a "Lender" and a "2020 Letter of Credit Issuer" under, and for all purposes of, the Credit Agreement and the other Credit Documents, and shall be subject to and bound by the terms thereof, and shall perform all the obligations of and shall have all rights of an Incremental Revolving Loan Lender, a 2020 Additional Revolving Credit Lender, a Lender and a 2020 Letter of Credit Issuer thereunder.

3.**Credit Agreement Governs**. Except as set forth in this Agreement, the Incremental Revolving Credit Commitments shall otherwise be subject to the provisions of the Credit Agreement and the other Credit Documents.

4.**Consents**. The Administrative Agent hereby consents to the Incremental Lender.

ARTICLE II.AMENDMENT TO CREDIT AGREEMENT

Effective as of the Effective Date and subject to the satisfaction of the conditions precedent set forth in Section 3 of Article III, the Credit Agreement is hereby amended as follows:

1.Section 1.1 of the Credit Agreement (Defined Terms) is hereby amended by adding the following defined term in its proper alphabetical order:

""**2024 Incremental Joinder Effective Date**" shall mean September 17, 2024, the first Business Day on which all conditions precedent set forth in Section 3 of Article III of that certain Joinder Agreement and Amendment No. 8, dated as of September 17, 2024, by and among the Incremental Lender (as defined therein), Holdings, the Borrower, each 2020 Additional Revolving Credit Lender, each 2020 Letter of Credit Issuer, and the Administrative Agent, are satisfied.""

2.Section 1.1 of the Credit Agreement (Defined Terms) is hereby amended by amending and restating the definition of "2020 Letter of Credit Applicable Margin" in its entirety to read as follows:

""**2020 Letter of Credit Applicable Margin**" shall mean (i) prior to the Amendment No. 7 Effective Date, the percentages per annum set forth in the table below based upon the Consolidated First Lien Secured Debt to Consolidated EBITDA Ratio as set forth in the most recent Compliance Certificate received by the Administrative Agent pursuant to Section 9.1:

Pricing Level	Consolidated First Lien Secured Debt to Consolidated EBITDA Ratio	2020 Letter of Credit Applicable Margin	2020 Letter of Credit Commitment Fee
I	> 4.00:1.00	3.75%	0.50%
II	≤ 4.00:1.00 but > 3.50	3.50%	0.37%
III	≤ 3.50:1.00	3.25%	0.25%

(ii) from and after the Amendment No. 7 Effective Date and prior to the 2024 Incremental Joinder Effective Date, the percentages per annum set forth in the table below based upon the Consolidated First Lien Secured Debt to Consolidated EBITDA Ratio as set forth in the most recent Compliance Certificate received by the Administrative Agent pursuant to Section 9.1:

Pricing Level	Consolidated First Lien Secured Debt to Consolidated EBITDA Ratio	2020 Letter of Credit Applicable Margin	2020 Letter of Credit Commitment Fee
I	> 4.00:1.00	3.25%	0.50%
II	≤ 4.00:1.00 but > 3.50	3.00%	0.37%
III	≤ 3.50:1.00	2.75%	0.25%

(iii) from and after the 2024 Incremental Joinder Effective Date, the percentages per annum set forth in the table below based upon the Consolidated First Lien Secured Debt to Consolidated EBITDA Ratio as set forth in the most recent Compliance Certificate received by the Administrative Agent pursuant to Section 9.1:

Pricing Level	Consolidated First Lien Secured Debt to Consolidated EBITDA Ratio	2020 Letter of Credit Applicable Margin	2020 Letter of Credit Commitment Fee
I	> 4.00:1.00	2.75%	0.50%
II	≤ 4.00:1.00	2.50%	0.25%

Any increase or decrease in the 2020 Letter of Credit Applicable Margin resulting from a change in the Consolidated First Lien Secured Debt to Consolidated EBITDA Ratio shall become effective as of the first Business Day immediately following the date a Compliance Certificate is delivered pursuant to Section 9.1(d).

Notwithstanding anything to the contrary contained above in this definition or elsewhere in this Agreement, if it is subsequently determined that the Consolidated First Lien Secured Debt to Consolidated EBITDA Ratio set forth in any Compliance Certificate delivered to the Administrative Agent is inaccurate for any reason and the result thereof is that the Lenders received interest or fees for any period based on a 2020 Letter of Credit Applicable Margin that is less than that which would have been applicable had the Consolidated First Lien Secured Debt to Consolidated EBITDA Ratio been accurately determined, then, for all purposes of this Agreement, the 2020 Letter of Credit Applicable Margin for any day occurring within the period covered by such Compliance Certificate shall retroactively be deemed to be the relevant percentage as based upon the accurately determined Consolidated First Lien Secured Debt to Consolidated EBITDA Ratio for such period and any shortfall in the interest or fees theretofore paid by the Borrower for the relevant period as a result of the miscalculation of the Consolidated First Lien Secured Debt to Consolidated EBITDA Ratio shall be deemed to be (and shall be) due and payable at the time the interest or fees for such period were required to be paid; provided that notwithstanding the foregoing, so long as an Event of Default described in Section 11.5 has not occurred with respect to the Borrower, such shortfall shall be due and payable within five Business Days following the written demand thereof by the Administrative Agent and no Default shall be deemed to have occurred as a result of such non-payment until the expiration of such five Business Day period. In addition, at the option of the Required 2020 Additional Revolving Credit Lenders, at any time during which the Borrower shall have failed to deliver any of the Section 9.1 Financials by the applicable date required under Section 9.1, then the Consolidated First Lien Secured Debt to Consolidated EBITDA Ratio shall be deemed to be in Pricing Level I for the purposes of determining the 2020 Letter of Credit Applicable Margin (but only for so long as such failure continues, after which such ratio and Pricing Level and shall be determined based on the then existing Consolidated First Lien Secured Debt to Consolidated EBITDA Ratio).""

ARTICLE III.OTHER TERMS OF THIS AGREEMENT

1.**Representations and Warranties**. The Borrower hereby represents and warrants that this Agreement has been duly authorized, executed and delivered by the Borrower and constitutes the legal, valid and binding obligations of the Borrower enforceable against it in accordance with its terms, except that the enforceability hereof may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and subject to general principles of equity. The execution, delivery and performance by the Borrower of this Agreement is within the Borrower's corporate powers, has been duly authorized by all necessary corporate or other organizational action, and does not and will not (a) except as would not reasonably be expected to result in a Material Adverse Effect, contravene any applicable provision of any material law, statute, rule, regulation, order, writ, injunction or decree of any court or governmental instrumentality, (b) result in any breach of any of the terms, covenants, conditions or provisions of, or constitute a default under, or result in the creation or imposition of (or the obligation to create or impose) any Lien upon any of the property or assets of the Borrower or any of the Restricted Subsidiaries (other than Liens created under the Credit Documents or Permitted Liens) pursuant to, the terms of any Contractual Requirement) other than any such breach, default or Lien that would not reasonably be expected to result in a Material Adverse Effect or (c) violate any provision of the certificate of incorporation, by-laws, memorandum and articles of association or other organizational documents of the Borrower or any of the Restricted Subsidiaries.

2.**Borrowers Certifications**. By its execution of this Agreement, the undersigned officer of the Borrower, to the best of his or her knowledge, hereby certifies, solely in his or her capacity as an officer of the Borrower, and not in his or her individual capacity, that (the "**Borrower Certifications**"):

(a)no Event of Default exists on the date hereof before and after giving effect to the Incremental Revolving Credit Commitments contemplated hereby;

(b)all representations and warranties made by any Credit Party contained herein or in the other Credit Documents are true and correct in all material respects (provided that any such representations and warranties which are qualified by materiality, material adverse effect or similar language are true and correct in all respects) with the same effect as though such representations and warranties had been made on and as of the Effective Date after giving effect to this Agreement (except where such representations and warranties (other than the representations and warranties set forth in Sections 8.17 and 8.19 of the Credit Agreement, each of which shall relate to the Effective Date (instead of the Closing Date)) expressly relate to an earlier date, in which case such representations and warranties were true and correct in all material respects (provided that any such representations and warranties which are qualified by materiality, material adverse effect or similar language were and correct in all respects) as of such earlier date); and

(c)after giving effect to the incurrence of the Incremental Revolving Credit Commitments, the Borrower has not incurred Indebtedness pursuant to Section 2.14 and Section 10.01(x) of the Credit Agreement in excess of the Maximum Incremental Facilities Amount, calculated in accordance with the terms of the Credit Agreement.

3.**Effective Date Conditions**. This Agreement will become effective on the date (the "Effective Date") on which each of the following conditions (the "Effective Date Conditions") is satisfied:

(a)The Administrative Agent shall have received from the Borrower, the 2020 Additional Revolving Credit Lender, the 2020 Letter of Credit Issuer and the Incremental Lender a counterpart of this Agreement signed on behalf of such party;

(b)The Administrative Agent (or its counsel) shall have received a certificate of the Borrower, dated as of the Effective Date, substantially in the form of Exhibit E to the Credit Agreement, with appropriate insertions, executed by any Authorized Officer and the Secretary or any Assistant Secretary of the Borrower and attaching the documents referred to in clause (c) below;

(c)The Administrative Agent shall have received, or an Authorized Officer of the Borrower shall certify that the applicable document most recently delivered and certified to the Administrative Agent by the Borrower in an officer's or secretary's certificate has not been amended since the date of such officer's or secretary's certificate, (i) a copy of the resolutions of the equity holders, board of directors or other managers (or a duly authorized committee thereof), as applicable, of the Borrower authorizing (a) the execution, delivery, and performance of this

Agreement (and any agreements relating thereto) and (b) the extensions of credit contemplated hereunder, (ii) the Certificate of Incorporation and By-Laws, Certificate of Formation and Operating Agreement or other comparable organizational documents, as applicable, of the Borrower, (iii) signature and incumbency certificates (or other comparable documents evidencing the same) of the Authorized Officers of the Borrower executing the Credit Documents to which it is a party and (iv) good standing certificates from the Governmental Authorities of the jurisdictions of organization of the Borrower dated the Effective Date or a recent date prior thereto;

(d)The Borrower shall have paid all fees, reasonable costs and expenses (including, without limitation the reasonable fees, charges and disbursements of Latham & Watkins LLP, counsel for the Administrative Agent) of the Administrative Agent for which invoices have been presented prior to the Effective Date; and

(e)The Borrower Certifications are true and correct.

4.**Notice**. For purposes of the Credit Agreement, the initial notice address of the Incremental Lender shall be as set forth below its signature below.

5.**Recordation of the New Commitments**. Upon execution and delivery hereof, the Administrative Agent is authorized to record the Incremental Revolving Credit Commitments provided by the Incremental Lender in the Register.

6.**Amendment, Modification and Waiver**. This Agreement may not be amended, modified or waived except by an instrument or instruments in writing signed and delivered on behalf of each of the parties hereto.

7.**Entire Agreement**. This Agreement, the Credit Agreement and the other Credit Documents constitute the entire agreement among the parties with respect to the subject matter hereof and thereof and supersede all other prior agreements and understandings, both written and verbal, among the parties or any of them with respect to the subject matter hereof.

8.**GOVERNING LAW. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE INTERPRETED, CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.**

9.**Severability**. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as would be enforceable.

10.**Counterparts**. This Agreement may be executed in counterparts (including by facsimile or other electronic transmission), each of which shall be deemed to be an original, but all of which shall constitute one and the same agreement. The words "execution," "signed," "signature," "delivery," and words of like import in or relating to this Agreement or any document to be signed in connection with this Agreement shall be deemed to include electronic signatures, deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act, and the parties hereto consent to conduct the transactions contemplated hereunder by electronic means.

11.**Credit Documents**. On and after the Effective Date, this Agreement shall constitute a "Credit Document" for all purposes of the Credit Agreement and the other Credit Documents.

12.**Reaffirmation**. The Borrower, on behalf of itself and each other Credit Party, hereby expressly acknowledges the terms of this Agreement and confirms and reaffirms, as of the date hereof, (i) the prior obligations, covenants, guarantees, pledges, grants of Liens and security interests and agreements or other commitments contained in each Credit Document to which a Credit Party is a party, including, in each case, such obligations, covenants, guarantees, pledges, grants of Liens and security interests and agreements or other commitments as in effect immediately after giving effect to this Agreement and the transactions contemplated hereby, (ii) each Credit Party's guarantee of the Obligations (including, without limitation, the Incremental Revolving Credit Commitments and the Incremental Revolving Credit Loans) under each Guarantee, as applicable, (iii) each Credit Party's prior grant of Liens and security interests on the Collateral to secure the Obligations (including, without limitation, the Obligations with respect to the Incremental Revolving Credit Commitments and the Incremental Revolving Credit Loans) pursuant to the Security Documents and (iv) agrees that after giving effect to this Agreement and the transactions contemplated hereby (A) each Credit Document to which a Credit Party is a party is ratified and affirmed in all respects and shall continue to be in full force and effect and (B) all guarantees, pledges, grants of Liens and security interests, covenants, agreements and other commitments by any Credit Party under the Credit Documents shall continue to be in full force and effect and shall accrue to the benefit of the Secured Parties and shall not be affected, impaired or discharged hereby or by the transactions contemplated in this Agreement.

13.**Effect of this Agreement**. Except as expressly set forth herein, this Agreement shall not by implication or otherwise limit, impair, constitute a waiver of, or otherwise affect the rights and remedies of, the Lenders or the Administrative Agent under the Credit Agreement or any other Credit Document, and shall not alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or any other Credit Document, all of which are ratified and affirmed in all respects and shall continue in full force and effect. The parties hereto acknowledge and agree that the amendment of the Credit Agreement pursuant to this Agreement and all other Credit Documents amended and/or executed and delivered in connection herewith shall not constitute a novation of the Credit Agreement and the other Credit Documents as in effect prior to the date hereof. Nothing herein shall be deemed to establish a precedent for purposes of interpreting the provisions of the Credit Agreement or entitle any Credit Party to a consent to, or a waiver, amendment, modification or other change of, any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or any other Credit Document in similar or different circumstances. This Agreement shall apply to and be effective only with respect to the provisions of the Credit Agreement and the other Credit Documents specifically referred to herein.

14.**Administrative Agent**. The Incremental Lender authorizes and directs the Administrative Agent to execute, deliver and perform any obligations to be performed by the Administrative Agent under this Agreement and confirms that its obligations to the Administrative Agent under Section 12.7 of the Credit Agreement extend to the actions taken by the Administrative Agent in connection with this Agreement.

[*Signature Pages Follow*]

IN WITNESS WHEREOF, each of the undersigned has caused its duly authorized officer to execute and deliver this Joinder Agreement and Amendment No. 8 as of the date first set forth above.

CREDIT AGRICOLE CORPORATE AND INVESTMENT BANK,
as the Incremental Lender, 2020 Additional Revolving Credit Lender and 2020 Letter of Credit Issuer

By: /s/ Bruno Pezy
Name: Bruno Pezy
Title: Managing Director

By: /s/ Amin Issa
Name: Amin Issa
Title: Director

Address for Notices:

1301 Avenue of the Americas
New York, New York 10019
Attention: Seema Gadwal
Leonard Jacobino
LCadmin
Phone: 212-261-7824
212-261-3324
Email: seema.gadwal@ca-cib.com
leonard.jacobino@ca-cib.com
cbs.lcadmin@ca-cib.com

Consented to by:

MORGAN STANLEY SENIOR FUNDING, INC., as the Administrative Agent

By: /s/ Mark Scioscia
Name: Mark Scioscia
Title: Authorized Signatory

[Signature Page to Joinder Agreement and Amendment No. 8]

PHOENIX INTERMEDIATE HOLDINGS INC.,
as Holdings

By: /s/ Jim Mattingly
Name: Jim Mattingly
Title: Chief Financial Officer

PHOENIX GUARANTOR INC.,
as the Borrower

By: /s/ Jim Mattingly
Name: Jim Mattingly
Title: Chief Financial Officer

SCHEDULE A
TO JOINDER AGREEMENT AND AMENDMENT NO. 8

Name of Incremental Lender	**Type of Commitment**	**Commitment Amount**
Credit Agricole Corporate and Investment Bank	Incremental Revolving Credit Commitments in the form of additional 2020 Letter of Credit Commitments	$10,000,000
		Total: $10,000,000

Exhibit 31.1

BRIGHTSPRING HEALTH SERVICES, INC.

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13a-14(a) AND RULE 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934 AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jon Rousseau, certify that:

1.I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2024 of BrightSpring Health Services, Inc.;

2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3.Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4.The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a.Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b.[Omitted];

c.Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d.Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5.The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a.All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b.Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

November 1, 2024	/s/ Jon Rousseau
Date	Jon Rousseau
	Chairman, President, and Chief Executive Officer
	(Principal Executive Officer)

Exhibit 31.2

BRIGHTSPRING HEALTH SERVICES, INC.

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13a-14(a) AND RULE 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934 AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jim Mattingly, certify that:

1.I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2024 of BrightSpring Health Services, Inc.;

2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3.Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4.The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a.Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b.[Omitted];

c.Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d.Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5.The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a.All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b.Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

November 1, 2024	/s/ Jim Mattingly
Date	Jim Mattingly
	Executive Vice President and Chief Financial Officer
	(Principal Financial Officer)

Exhibit 32.1

BRIGHTSPRING HEALTH SERVICES, INC.

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of BrightSpring Health Services, Inc. (the Company) on Form 10-Q for the period ended September 30, 2024, as filed with the Securities and Exchange Commission on the date of the signatures below (the Report), Jon Rousseau, Chairman, President, and Chief Executive Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of their respective knowledge:

1.The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

2.The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 1, 2024	/s/ Jon Rousseau
Date	Jon Rousseau
	Chairman, President, and Chief Executive Officer
	(Principal Executive Officer)

This certification accompanies the Report to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of BrightSpring Health Services, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Report), irrespective of any general incorporation language contained in such filing.

Exhibit 32.2

BRIGHTSPRING HEALTH SERVICES, INC.

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of BrightSpring Health Services, Inc. (the Company) on Form 10-Q for the period ended September 30, 2024, as filed with the Securities and Exchange Commission on the date of the signatures below (the Report), Jim Mattingly, Executive Vice President and Chief Financial Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of their respective knowledge:

1.The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

2.The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 1, 2024	/s/ Jim Mattingly
Date	Jim Mattingly
	Executive Vice President and Chief Financial Officer
	(Principal Financial Officer)

This certification accompanies the Report to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of BrightSpring Health Services, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Report), irrespective of any general incorporation language contained in such filing.