Aveanna Healthcare Holdings Announces Third Quarter 2024 Financial Results and Revised 2024 Outlook

November 7, 2024

- ***Third Quarter Revenue was $509.0 million, a 6.5% increase over the prior year period***
  - ***Gross margin increased 8.4% to $159.7 million, compared to Q3 2023***
- ***Third Quarter Net loss was $42.8 million, compared to net loss of $102.4 million in the comparable prior year period***
  - ***Adjusted Net income was $4.6 million, an increase of $9.3 million over the comparable prior year period***
- ***Adjusted EBITDA was $47.8 million, a 32.2% increase as compared to the prior year period***
- ***Full Year 2024 Revenue guidance raised to approximately $2.0 billion***
  - ***Full Year 2024 Adjusted EBITDA guidance raised to greater than $168 million***

ATLANTA, Nov. 07, 2024 (GLOBE NEWSWIRE) -- Aveanna Healthcare Holdings Inc. (NASDAQ: AVAH), a leading, diversified home care platform focused on providing care to medically complex, high-cost patient populations, today announced financial results for the three and nine-month periods September 28, 2024.

Jeff Shaner, Chief Executive Officer, commented, “We have delivered another strong operating and financial quarter, highlighted by revenue, and adjusted EBITDA growth of 6.5% and 32.2%, respectively, when compared to the prior year period. Additionally, our refreshed outlook demonstrates the positive momentum from the improved payor rate environment as well as cost reduction efforts taking hold. Our strategic focus on government and payor partnerships continues to allow us to deliver more care to more patients through meaningful investments in our caregivers. We continue to offer a differentiated, national homecare platform that delivers a cost-effective, patient-preferred, and clinically sophisticated solution for our patients and families. I am so proud of our dedicated team of Aveanna caregivers and leaders, who deliver on our mission of exceptional care every day.”

Three-Month Periods Ended September 28, 2024 and September 30, 2023

Revenue was $509.0 million for the three-month period ended September 28, 2024, as compared to $478.0 million for the three-month period ended September 30, 2023, an increase of $31.0 million, or 6.5%. The overall increase in revenue was attributable to a $24.8 million increase in Private Duty Services (“PDS”) segment revenue, a $5.1 million increase in Medical Solutions ("MS") segment revenue, and a $1.2 million increase in Home Health & Hospice (“HHH”) segment revenue over the comparable quarter.

Gross margin was $159.7 million, or 31.4% of revenue, for the three-month period ended September 28, 2024, as compared to $147.3 million, or 30.8% of revenue, for the three-month period ended September 30, 2023, an increase of $12.4 million, or 8.4%.

Net loss was $42.8 million for the third quarter of 2024, as compared to net loss of $102.4 million for the third quarter of 2023. Net loss per diluted share was $(0.22) for the third quarter of 2024, as compared to net loss per diluted share of $(0.54) for the third quarter of 2023. Adjusted net income per diluted share was $0.02 for the third quarter of 2024, as compared to adjusted net loss per diluted share of $(0.03) for the third quarter of 2023. See "Non-GAAP Financial Measures - Adjusted net income (loss) and Adjusted net income (loss) per diluted share" below.

Adjusted EBITDA was $47.8 million, or 9.4% of revenue, for the third quarter of 2024, as compared to $36.2 million, or 7.6% of revenue, for the third quarter of 2023, an increase of $11.7 million or 32.2%. See "Non-GAAP Financial Measures - EBITDA and Adjusted EBITDA" below.

Nine-Month Period Ended September 28, 2024 and September 30, 2023

Revenue was $1,504.6 million for the nine-month period ended September 28, 2024, as compared to $1,416.4 million for the nine-month period ended

September 30, 2023, an increase of $88.3 million, or 6.2%. The overall increase in revenue was attributable to a $77.1 million increase in Private Duty Services (“PDS”) segment revenue and a $12.4 million increase in Medical Solutions ("MS") segment revenue, offset by a $1.1 million decrease in Home Health & Hospice (“HHH”) segment revenue over the comparable period.

Gross margin was $463.8 million, or 30.8% of revenue, for the nine-month period ended September 28, 2024, as compared to $447.0 million, or 31.6% of revenue, for the nine-month period ended September 30, 2023, an increase of $16.8 million, or 3.8%.

Net loss was $40.1 million for the nine-month period ended September 28, 2024, as compared to net loss of $108.8 million for the nine-month period ended September 30, 2023. Net loss per diluted share was $(0.21) for the nine-month period ended September 28, 2024, as compared to net loss per diluted share of $(0.57) for the nine-month period ended September 30, 2023. Adjusted net income per diluted share was $0.01 for the nine-month period ended September 28, 2024, as compared to adjusted net loss per diluted share of $(0.09) for the nine-month period ended September 30, 2023. See "Non-GAAP Financial Measures - Adjusted net income (loss) and Adjusted net income (loss) per diluted share" below.

Adjusted EBITDA was $128.4 million, or 8.5% of revenue, for the nine-month period ended September 28, 2024, as compared to $100.5 million, or 7.1% of revenue, for the nine-month period ended September 30, 2023, an increase of $27.8 million or 27.7%. See "Non-GAAP Financial Measures - EBITDA and Adjusted EBITDA" below.

Liquidity, Cash Flow, and Debt

- As of September 28, 2024, we had cash of $78.5 million and incremental borrowing capacity of $37.9 million under our securitization facility. Our revolver was undrawn, with approximately $168.2 million of borrowing capacity and approximately $31.8 million of outstanding letters of credit.
- 2024 net cash provided by operating activities was $19.2 million. Free cash flow was $16.7 million for 2024. See “Non-GAAP Financial Measures - Free cash flow” below.
- As of September 28, 2024 we had bank debt of $1,480.2 million. Our interest rate exposure under our credit facilities is currently hedged with the following instruments:
    - $520.0 million notional amount of interest rate swaps that convert variable rate debt to a fixed rate, and
    - $880.0 million notional amount of interest rate caps that cap our exposure to SOFR at 2.96%.

Matt Buckhalter, Chief Financial Officer, commented “I am excited to report revenue growth of 6.5% and our Adjusted EBITDA growth of 32.2% compared to the prior year period. Our strategic cost reductions are driving this growth in profitability, alongside the success of our preferred payor strategy and improvements in rates from our Government Affairs efforts. Notably, both our operating cash flow and free cash flow turned positive year-to-date in the current quarter, reflecting the success in our overall strategy and the momentum we have generated in the business. Given our strong performance through the third quarter, we are raising our guidance to approximately $2.0 billion in revenue and greater than $168 million in Adjusted EBITDA. I am pleased with the strides we've made in executing our business plans, resulting in organic volume growth, improved clinical outcomes, and enhanced profitability.”

Revised Full Year 2024 Guidance

The following is our updated guidance reflecting our current expectations for revenue and Adjusted EBITDA for the full year 2024:

- Revenue of approximately $2.0 billion, updated from prior guidance of revenue of greater than $1,985 million

Consistent with prior practice, we are not providing guidance on net income at this time due to the volatility of certain required inputs that are not available without unreasonable efforts, including future fair value adjustments associated with our interest rate swaps and caps.

Adjusted EBITDA of greater than $168 million, updated from prior guidance of Adjusted EBITDA greater than $158 million

Non-GAAP Financial Measures

In addition to our results of operations prepared in accordance with U.S. generally accepted accounting principles (“GAAP”), we also evaluate our financial performance using EBITDA, Adjusted EBITDA, Field contribution, Field contribution margin, Adjusted net income or loss, Adjusted net income or loss per diluted share, and Free cash flow. Given our determination of adjustments in arriving at our computations, 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, revenue, operating income or loss, cash flows from operating activities, total indebtedness or any other financial measures calculated in accordance with GAAP. The reconciliations of these non-GAAP financial measures to their most directly comparable GAAP measures are included in the financial tables below.

EBITDA and Adjusted EBITDA

EBITDA and Adjusted EBITDA are non-GAAP financial measures and are not intended to replace financial performance measures determined in accordance with GAAP, such as net income or loss. Rather, we present EBITDA and Adjusted EBITDA as supplemental measures of our performance. We define EBITDA as net income or loss before interest expense, net; income tax benefit (expense); and depreciation and amortization. We define Adjusted EBITDA as EBITDA, adjusted for the impact of 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 impairments of goodwill, intangible assets, and other long-lived assets; non-cash, share-based compensation; loss on extinguishment of debt; fees related to debt modifications; the effect of interest rate derivatives; acquisition-related and integration costs; legal costs and settlements associated with acquisition matters; restructuring costs; other legal matters; and other system transition costs, professional fees and other costs. As non-GAAP financial measures, our computations of EBITDA and Adjusted EBITDA may vary from similarly termed non-GAAP financial measures used by other companies, making comparisons with other companies on the basis of this measure impracticable.

We believe our computations of EBITDA and Adjusted EBITDA are helpful in highlighting trends in our core operating performance. In determining which adjustments are made to arrive at EBITDA and Adjusted EBITDA, we consider 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 we do not believe are indicative of our core operating performance. We use EBITDA and Adjusted EBITDA to assess operating performance and make business decisions.

We have incurred substantial acquisition-related costs and integration 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 believe it is important to exclude these costs from our Adjusted EBITDA because it provides us a normalized view of our core, ongoing operations after integrating our acquired companies, which we believe is an important measure in assessing our performance.

Field contribution and Field contribution margin

Field contribution and Field contribution margin are non-GAAP financial measures and are not intended to replace financial performance measures determined in accordance with GAAP, such as gross margin and gross margin percentage. Rather, we present Field contribution and Field contribution margin as supplemental measures of our performance. We define Field contribution as gross margin less branch and regional administrative expenses. Field contribution margin is Field contribution as a percentage of revenue. As non-GAAP financial measures, our computations of Field contribution and Field contribution margin may vary from similarly termed non-GAAP financial measures used by other companies, making comparisons with other companies on the basis of these measures impracticable.

Field contribution and Field contribution margin have limitations as analytical tools and should not be considered in isolation or as substitutes or alternatives to gross margin, gross margin percentage, net income or loss, revenue, operating income or loss, cash flows from operating activities, total indebtedness or any other financial measures calculated in accordance with GAAP.

Management believes Field contribution and Field contribution margin are helpful in highlighting trends in our core operating performance and evaluating trends in our branch and regional results, which can vary from year to year. We use Field contribution and Field contribution margin to make business decisions and assess the operating performance and results delivered by our core field operations, prior to corporate and other costs not directly related to our field operations. These metrics are also important because they guide us in determining whether or not our branch and regional administrative expenses are appropriately sized to support our caregivers and direct patient care operations. Additionally, Field contribution and Field contribution margin determine how effective we are in managing our field supervisory and administrative costs associated with supporting our provision of services and sale of products.

Adjusted net income (loss) and Adjusted net income (loss) per diluted share

Adjusted net income (loss) represents net income (loss) as adjusted for the impact of GAAP income tax, goodwill, intangible and other long-lived asset impairment charges, non-cash share-based compensation expense, loss on extinguishment of debt, interest rate derivatives, acquisition-related costs, integration costs, legal costs, restructuring costs, other legal matters, other system transition costs, professional fees and certain other miscellaneous items on a pre-tax basis. Adjusted net income (loss) includes a provision for income taxes derived utilizing a combined statutory tax rate. The combined statutory tax rate is our estimate of our long-term tax rate. The most comparable GAAP measure is net income (loss).

Adjusted net income (loss) per diluted share represents adjusted net income (loss) on a per diluted share basis using the weighted-average number of diluted shares outstanding for the period. The most comparable GAAP measure is net income (loss) per share, diluted.

Adjusted net income (loss) and adjusted net income (loss) per diluted share are important to us because they allow us to assess financial results, exclusive of the items mentioned above that are not operational in nature or comparable to those of our competitors.

Free cash flow

Free cash flow is a liquidity measure that represents operating cash flow, adjusted for the impact of purchases of property, equipment and software, principal payments on term loans, notes payable and financing leases, and settlements with swap counterparties. The most comparable GAAP measure is cash flow from operations.

We believe free cash flow is helpful in highlighting the cash generated or used by the Company, after taking into consideration mandatory payments on term loans, notes payable and financing leases, as well as cash needed for non-acquisition related capital expenditures, and cash paid to or received from derivative counterparties.

Conference Call

Aveanna will host a conference call on Thursday, November 7, 2024, at 10:00 a.m. Eastern Time to discuss our second quarter results. The conference call can be accessed live over the phone by dialing 1-877-407-0789, or for international callers, 1-201-689-8562. A telephonic replay of the conference call will be available until November 14, 2024, by dialing 1-844-512-2921, or for international callers, 1-412-317-6671. The passcode for the replay is 13748484. A live webcast of our conference call will also be available under the Investor Relations section of our website: https://ir.aveanna.com/. The online replay will also be available for one week following the call.

Forward-Looking Statements

Certain matters discussed in this press release constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements (other than statements of historical facts) in this press release regarding our prospects, plans, financial position, business strategy and expected financial and operational results may constitute forward-looking statements. Forward-looking statements generally can be identified by the use of terminology such as “believe,” “expect,” “anticipate,” “intend,” “plan,” “estimate,” “seek,” “will,” “may,” “should,” “would,” “predict,” “project,” “potential,” “continue,” “could,” “design,” or the negatives of these terms or variations of them or similar expressions. These statements are based on certain assumptions that we have made in light of our experience in the industry as well as our perceptions of historical trends, current conditions, expected future developments and other factors we believe are appropriate in these circumstances. These forward-looking statements are based on our current expectations and beliefs concerning future developments and their potential effect on us. Forward-looking statements involve a number of risks and uncertainties that may cause actual results to differ materially from those expressed or implied by such forward-looking statements, such as our ability to successfully execute our growth strategy, including through organic growth and the completion of acquisitions, effective integration of the companies we acquire, unexpected costs of acquisitions and dispositions, the possibility that expected cost synergies may not materialize as expected, the failure of Aveanna or the companies we acquire to perform as expected, estimation inaccuracies in revenue

recognition, our ability to drive margin leverage through lower costs, unexpected increases in SG&A and other expenses, changes in reimbursement, changes in government regulations, changes in Aveanna's relationships with referral sources, increased competition for Aveanna's services or wage inflation, the failure to retain or attract employees, changes in the interpretation of government regulations or discretionary determinations made by government officials, uncertainties regarding the outcome of rate discussions with managed care organizations and our ability to effectively collect our cash from these organizations, changes in the case-mix of our patients, as well as the payor mix and payment methodologies, legal proceedings, claims or governmental inquiries, our ability to effectively collect and submit data required under Electronic Visit Verification regulations, our ability to comply with the terms and conditions of the CMS Review Choice Demonstration program, our ability to effectively implement and transition to new electronic medical record systems or billing and collection systems, a failure to maintain the security and functionality of our information systems or to defend against or otherwise prevent a cybersecurity attack or breach, changes in tax rates, our substantial indebtedness, the impact of adverse weather, the impact to our business operations, and other risks set forth under the heading "Risk Factors" in Aveanna's Annual Report on Form 10-K for its 2023 fiscal year filed with the Securities and Exchange Commission on March 14, 2024, which is available at www.sec.gov. In addition, these forward-looking statements necessarily depend upon assumptions, estimates and dates that may prove to be incorrect or imprecise. Accordingly, forward-looking statements included in this press release do not purport to be predictions of future events or circumstances, and actual results may differ materially from those expressed by forward-looking statements. All forward-looking statements speak only as of the date made, and Aveanna undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

About Aveanna Healthcare

Aveanna Healthcare is headquartered in Atlanta, Georgia and has locations in 33 states providing a broad range of pediatric and adult healthcare services including nursing, rehabilitation services, occupational nursing in schools, therapy services, day treatment centers for medically fragile and chronically ill children and adults, home health and hospice services, as well as delivery of enteral nutrition and other products to patients. The Company also provides case management services in order to assist families and patients by coordinating the provision of services between insurers or other payers, physicians, hospitals, and other healthcare providers. In addition, the Company provides respite healthcare services, which are temporary care provider services provided in relief of the patient's normal caregiver. The Company's services are designed to provide a high quality, lower cost alternative to prolonged hospitalization. For more information, please visit www.aveanna.com.

Investor Contact

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Cash Flow and Information about Indebtedness

The following table sets forth a summary of our cash flows from operating, investing, and financing activities for the periods presented:

	For the nine-month periods ended	
(dollars in thousands)	**September 28, 2024**	**September 30, 2023**
Net cash provided by operating activities	$ 19,231	$ 25,677
Net cash used in investing activities	$ (4,790)	$ (7,226)
Net cash provided by financing activities	$ 20,079	$ 10,626
Cash and cash equivalents at beginning of period	$ 43,942	$ 19,217
Cash and cash equivalents at end of period	$ 78,462	$ 48,294

The following table presents our long-term indebtedness as of September 28, 2024:

(dollars in thousands)		
Instrument	**Interest Rate**	**September 28, 2024**
2021 Extended Term Loan [(1)]	S + 3.75%	$ 895,150
Second Lien Term Loan [(1)]	S + 7.00%	415,000
Revolving Credit Facility [(1)]	S + 3.75%	-
Securitization Facility	S + 3.15%	170,000
Total indebtedness		$ 1,480,150

[(1)] S = Greater of 0.50% or one-month SOFR, plus a CSA

Results of Operations

The following table summarizes our consolidated results of operations for the periods indicated (amounts in thousands, except per share data):

	For the three-month periods ended		For the nine-month periods ended	
	September 28, 2024	**September 30, 2023**	**September 28, 2024**	**September 30, 2023**
Revenue	$ 509,023	$ 478,010	$ 1,504,634	$ 1,416,368
Cost of revenue, excluding depreciation and amortization	349,324	330,746	1,040,814	969,384
Branch and regional administrative expenses	88,184	91,004	264,070	273,967
Corporate expenses	31,894	27,446	91,981	84,735

Goodwill impairment	-	105,136	-	105,136
Depreciation and amortization	2,587	2,962	8,332	10,494
Acquisition-related costs	150	428	150	466
Other operating expense (income)	2,860	(3,360)	5,271	(6,593)
Operating income (loss)	34,024	(76,352)	94,016	(21,221)
Interest income	100	50	297	238
Interest expense	(39,245)	(39,599)	(118,505)	(113,542)
Other (expense) income	(22,211)	14,143	2,329	27,124
Loss before income taxes	(27,332)	(101,758)	(21,863)	(107,401)
Income tax expense	(15,511)	(631)	(18,246)	(1,387)
Net loss	$ (42,843)	$ (102,389)	$ (40,109)	$ (108,788)
Net loss per share:				
Net loss per share, basic and diluted	$ (0.22)	$ (0.54)	$ (0.21)	$ (0.57)
Weighted average shares of common stock outstanding, basic and diluted	193,361	189,139	192,734	189,632

The following tables summarize our consolidated key performance measures, including Field contribution and Field contribution margin, which are non-GAAP measures, for the periods indicated:

	For the three-month periods ended			
(dollars in thousands)	**September 28, 2024**	**September 30, 2023**	**Change**	**% Change**
Revenue	$ 509,023	$ 478,010	$ 31,013	6.5%
Cost of revenue, excluding depreciation and amortization	349,324	330,746	18,578	5.6%
Gross margin	$ 159,699	$ 147,264	$ 12,435	8.4%
Gross margin percentage	31.4%	30.8%		
Branch and regional administrative expenses	88,184	91,004	(2,820)	-3.1%
Field contribution	$ 71,515	$ 56,260	$ 15,255	27.1%
Field contribution margin	14.0%	11.8%		
Corporate expenses	$ 31,894	$ 27,446	$ 4,448	16.2%
As a percentage of revenue	6.3%	5.7%		
Operating income (loss)	$ 34,024	$ (76,352)	$ 110,376	144.6%
As a percentage of revenue	6.7%	-16.0%		

	For the nine-month periods ended			
(dollars in thousands)	**September 28, 2024**	**September 30, 2023**	**Change**	**% Change**
Revenue	$ 1,504,634	$ 1,416,368	$ 88,266	6.2%
Cost of revenue, excluding depreciation and amortization	1,040,814	969,384	71,430	7.4%
Gross margin	$ 463,820	$ 446,984	$ 16,836	3.8%
Gross margin percentage	30.8%	31.6%		
Branch and regional administrative expenses	264,070	273,967	(9,897)	-3.6%
Field contribution	$ 199,750	$ 173,017	$ 26,733	15.5%
Field contribution margin	13.3%	12.2%		
Corporate expenses	$ 91,981	$ 84,735	$ 7,246	8.6%
As a percentage of revenue	6.1%	6.0%		
Operating income (loss)	$ 94,016	$ (21,221)	$ 115,237	543.0%
As a percentage of revenue	6.2%	-1.5%		

The following tables summarize our key performance measures by segment for the periods indicated:

	PDS			
	For the three-month periods ended			
(dollars and hours in thousands)	**September 28, 2024**	**September 30, 2023**	**Change**	**% Change**
Revenue	$ 409,558	$ 384,750	$ 24,808	6.4%
Cost of revenue, excluding depreciation and amortization	299,731	280,288	19,443	6.9%
Gross margin	$ 109,827	$ 104,462	$ 5,365	5.1%
Gross margin percentage	26.8%	27.2%		-0.4% (4)

Hours	10,474	10,090	384	3.8%	
Revenue rate	$ 39.10	$ 38.13	$ 0.97	2.6%	(1)
Cost of revenue rate	$ 28.62	$ 27.78	$ 0.84	3.1%	(2)
Spread rate	$ 10.48	$ 10.35	$ 0.13	1.3%	(3)

	HHH			
	For the three-month periods ended			
(dollars and admissions/episodes in thousands)	**September 28, 2024**	**September 30, 2023**	**Change**	**% Change**	
Revenue	$ 54,139	$ 52,989	$ 1,150	2.2%	
Cost of revenue, excluding depreciation and amortization	24,948	27,597	(2,649)	-9.6%	
Gross margin	$ 29,191	$ 25,392	$ 3,799	15.0%	
Gross margin percentage	53.9%	47.9%		6.0%	(4)
Home health total admissions (5)	8.9	9.3	(0.4)	-4.3%	
Home health episodic admissions (6)	6.8	7.0	(0.2)	-2.9%	
Home health total episodes (7)	11.3	11.2	0.1	0.9%	
Home health revenue per completed episode (8)	$ 3,104	$ 3,046	$ 58	1.9%	

	MS			
	For the three-month periods ended			
(dollars and UPS in thousands)	**September 28, 2024**	**September 30, 2023**	**Change**	**% Change**	
Revenue	$ 45,326	$ 40,271	$ 5,055	12.6%	
Cost of revenue, excluding depreciation and amortization	24,645	22,861	1,784	7.8%	
Gross margin	$ 20,681	$ 17,410	$ 3,271	18.8%	
Gross margin percentage	45.6%	43.2%		2.4%	(4)
Unique patients served (“UPS”)	92	88	4	4.5%	
Revenue rate	$ 492.67	$ 457.63	$ 35.04	8.1%	(1)
Cost of revenue rate	$ 267.88	$ 259.78	$ 8.10	3.3%	(2)
Spread rate	$ 224.79	$ 197.84	$ 26.94	14.3%	(3)

	PDS			
	For the nine-month periods ended			
(dollars and hours in thousands)	**September 28, 2024**	**September 30, 2023**	**Change**	**% Change**	
Revenue	$ 1,212,418	$ 1,135,365	$ 77,053	6.8%	
Cost of revenue, excluding depreciation and amortization	891,588	815,221	76,367	9.4%	
Gross margin	$ 320,830	$ 320,144	$ 686	0.2%	
Gross margin percentage	26.5%	28.2%		-1.7%	(4)
Hours	31,074	29,738	1,336	4.5%	
Revenue rate	$ 39.02	$ 38.18	$ 0.84	2.3%	(1)
Cost of revenue rate	$ 28.69	$ 27.41	$ 1.28	4.9%	(2)
Spread rate	$ 10.33	$ 10.77	$ (0.44)	-4.3%	(3)

	HHH			
	For the nine-month periods ended			
(dollars and admissions/episodes in thousands)	**September 28, 2024**	**September 30, 2023**	**Change**	**% Change**	
Revenue	$ 163,382	$ 164,525	$ (1,143)	-0.7%	
Cost of revenue, excluding depreciation and amortization	75,814	87,189	(11,375)	-13.0%	
Gross margin	$ 87,568	$ 77,336	$ 10,232	13.2%	
Gross margin percentage	53.6%	47.0%		6.6%	(4)
Home health total admissions (5)	28.4	30.9	(2.5)	-8.1%	
Home health episodic admissions (6)	21.5	21.8	(0.3)	-1.4%	
Home health total episodes (7)	35.0	34.2	0.8	2.3%	
Home health revenue per completed episode (8)	$ 3,089	$ 3,022	$ 67	2.2%	

(dollars and UPS in thousands)	MS For the nine-month periods ended				
	September 28, 2024	**September 30, 2023**	**Change**	**% Change**	
Revenue	$ 128,834	$ 116,478	$ 12,356	10.6%	
Cost of revenue, excluding depreciation and amortization	73,412	66,974	6,438	9.6%	
Gross margin	$ 55,422	$ 49,504	$ 5,918	12.0%	
Gross margin percentage	43.0%	42.5%		0.5%	(4)
Unique patients served ("UPS")	278	258	20	7.8%	
Revenue rate	$ 463.43	$ 451.47	$ 11.96	2.8%	(1)
Cost of revenue rate	$ 264.07	$ 259.59	$ 4.48	1.8%	(2)
Spread rate	$ 199.36	$ 191.88	$ 7.48	4.2%	(3)

1. Represents the period over period change in revenue rate, plus the change in revenue rate attributable to the change in volume.
2. Represents the period over period change in cost of revenue rate, plus the change in cost of revenue rate attributable to the change in volume.
3. Represents the period over period change in spread rate, plus the change in spread rate attributable to the change in volume.
4. Represents the change in margin percentage year over year (or quarter over quarter).
5. Represents home health episodic and fee-for-service admissions.
6. Represents home health episodic admissions.
7. Represents episodic admissions and recertifications.
8. Represents Medicare revenue per completed episode.

The following table reconciles gross margin and gross margin percentage to Field contribution and Field contribution margin:

(dollars in thousands)	For the three-month periods ended		For the nine-month periods ended	
	September 28, 2024	**September 30, 2023**	**September 28, 2024**	**September 30, 2023**
Gross margin	$ 159,699	$ 147,264	$ 463,820	$ 446,984
Branch and regional administrative expenses	88,184	91,004	264,070	273,967
Field contribution	$ 71,515	$ 56,260	$ 199,750	$ 173,017
Revenue	$ 509,023	$ 478,010	$ 1,504,634	$ 1,416,368
Field contribution margin	14.0%	11.8%	13.3%	12.2%

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

(dollars in thousands)	For the three-month periods ended		For the nine-month periods ended	
	September 28, 2024	**September 30, 2023**	**September 28, 2024**	**September 30, 2023**
Net loss	$ (42,843)	$ (102,389)	$ (40,109)	$ (108,788)
Interest expense, net	39,145	39,549	118,208	113,304
Income tax expense	15,511	631	18,246	1,387
Depreciation and amortization	2,587	2,962	8,332	10,494
EBITDA	14,400	(59,247)	104,677	16,397
Goodwill, intangible and other long-lived asset impairment	2,904	106,841	5,304	107,222
Non-cash share-based compensation	4,902	5,116	12,483	10,143
Interest rate derivatives (1)	22,141	(14,120)	(2,218)	(26,865)
Acquisition-related costs (2)	150	428	150	465
Integration costs (3)	262	497	949	1,732
Legal costs and settlements associated with acquisition matters (4)	848	346	1,423	(4,796)
Restructuring (5)	1,599	985	4,787	5,733
Other legal matters (6)	214	-	1,112	(5,000)
Other system transition costs, professional fees and other (7)	421	(4,655)	(296)	(4,504)
Total adjustments	$ 33,441	$ 95,438	$ 23,694	$ 84,130
Adjusted EBITDA	$ 47,841	$ 36,191	$ 128,371	$ 100,527

The following table reconciles net loss to adjusted net income (loss) and presents adjusted net income (loss) per diluted share:

(dollars in thousands, except share and per share data)	For the three-month periods ended		For the nine-month periods ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
Net loss	$ (42,843)	$ (102,389)	$ (40,109)	$ (108,788)
Income tax expense	15,511	631	18,246	1,387
Goodwill, intangible and other long-lived asset impairment	2,904	106,841	5,304	107,222
Non-cash share-based compensation	4,902	5,116	12,483	10,143
Interest rate derivatives (1)	22,141	(14,120)	(2,218)	(26,865)
Acquisition-related costs (2)	150	428	150	465
Integration costs (3)	262	497	949	1,732
Legal costs and settlements associated with acquisition matters (4)	848	346	1,423	(4,796)
Restructuring (5)	1,599	985	4,787	5,733
Other legal matters (6)	214	-	1,112	(5,000)
Other system transition costs, professional fees and other (7)	421	(4,655)	(296)	(4,504)
Total adjustments	48,952	96,069	41,940	85,517
Adjusted pre-tax income (loss)	6,109	(6,320)	1,831	(23,271)
Income tax (expense) benefit on adjusted pre-tax income (loss) (8)	(1,527)	1,580	(458)	5,818
Adjusted net income (loss)	$ 4,582	$ (4,740)	$ 1,373	$ (17,453)
Weighted average shares outstanding, diluted	193,361	189,139	192,734	189,632
Adjusted net income (loss) per diluted share (9)	$ 0.02	$ (0.03)	$ 0.01	$ (0.09)

The following footnotes are applicable to tables above that reconcile (i) net loss to EBITDA and Adjusted EBITDA and (ii) net loss to adjusted net income (loss).

1. Represents valuation adjustments and settlements associated with interest rate derivatives that are not included in interest expense, net. Such items are included in other (expense) income.
2. Represents transaction costs incurred in connection with planned, completed, or terminated acquisitions, which include investment banking fees, legal diligence and related documentation costs, and finance and accounting diligence and documentation, as presented on the Company's consolidated statements of operations.
3. Represents (i) costs associated with our Integration Management Office, which focuses on our integration efforts and transformational projects such as systems conversions and implementations, material cost reduction and restructuring projects, among other things, of $0.2 million and $0.8 million for the three and nine-month periods ended September 28, 2024, respectively, and $0.3 million and $1.1 million for the three and nine-month periods ended September 30, 2023, respectively; and (ii) transitionary costs incurred to integrate acquired companies into our field and corporate operations of $0.1 million for the nine-month period ended September 28, 2024, no such cost was recorded during the three-month period ended September 28, 2024, and $0.2 million and $0.6 million for the three and nine-month periods ended September 30, 2023, respectively. Transitionary costs incurred to integrate acquired companies include IT consulting costs and related integration support costs; salary, severance and retention costs associated with duplicative acquired company personnel until such personnel are exited from the Company; accounting, legal and consulting costs; expenses and impairments related to the closure and consolidation of overlapping markets of acquired companies, including lease termination and relocation costs; costs associated with terminating legacy acquired company contracts and systems; and one-time costs associated with rebranding our acquired companies and locations to the Aveanna brand.
4. Represents legal and forensic costs, as well as settlements associated with resolving legal matters arising during or as a result of our acquisition-related activities. This primarily includes (i) costs of $0.4 million and $1.0 million for the three and nine-month periods ended September 28, 2024, respectively, and $0.0 million and $0.3 million for the three and nine-month periods ended September 30, 2023, respectively, to comply with the U.S. Department of Justice, Antitrust Division's grand jury subpoena related to nurse wages and hiring activities in certain of our markets, in connection with a terminated transaction, and (ii) release of reserve of $3.6 million for the nine-month period ended September 30, 2023, related to the settlement of a legal matter resulting from a 2020 acquisition.
5. Represents costs associated with restructuring our branch and regional administrative footprint as well as our corporate overhead infrastructure costs in order to appropriately size our resources to current volumes, including: (i) branch and regional salary and severance costs; (ii) corporate salary and severance costs; and (iii) rent and lease termination costs associated with the closure of certain office locations. Restructuring costs also include compensation, severance and related benefits costs associated with an executive transition plan initiated in the first quarter of 2024.
6. Represents activity related to accrued legal settlements and the related costs and expenses associated with certain judgments and arbitration awards rendered against the Company where certain insurance coverage is in dispute.

7. Represents: (i) costs associated with the implementation of, and transition to, new electronic medical record systems, billing and collection systems, duplicative system costs while such transformational projects are in-process, and other system transition costs of $0.6 million and $1.3 million for the three-month and nine-month periods ended September 30, 2023, respectively, no such cost was recorded in other presented periods; (ii) a $5.1 million non-cash gain on the acquisition of certain business licenses and other net assets in the three and nine-month periods ended September 30, 2023, there were no such gains recorded in any other periods, and (iii) other costs or (income) that are either non-cash or non-core to the Company's ongoing operations of $0.4 million and $(0.3) million for the three and nine-month periods ended September 28, 2024, respectively, and $(0.2) million and $(0.8) million for the three and nine-month periods ended September 30, 2023, respectively.
8. Derived utilizing a combined statutory rate of 25% for the for the three and nine-month periods ended September 28, 2024, and September 30, 2023, respectively, and applied to the respective adjusted pre-tax loss.
9. Adjustments used to reconcile net loss per diluted share on a GAAP basis to adjusted net income (loss) per diluted share are comprised of the same adjustments, inclusive of the tax impact, used to reconcile net loss to adjusted net income (loss) divided by the weighted-average diluted shares outstanding during the period.

The table below reflects the increase or decrease, and aggregate impact, to the line items included on our consolidated statements of operations based upon the adjustments used in arriving at Adjusted EBITDA from EBITDA for the periods indicated.

	For the three-month periods ended		For the nine-month periods ended	
(dollars in thousands)	**September 28, 2024**	**September 30, 2023**	**September 28, 2024**	**September 30, 2023**
Cost of revenue, excluding depreciation and amortization	$ 281	$ 166	$ 457	$ (4,512)
Branch and regional administrative expenses	2,515	2,765	5,389	6,129
Corporate expenses	5,421	4,445	14,756	10,629
Goodwill impairment	-	105,136	-	105,136
Acquisition-related costs	150	428	150	465
Other operating expense (income)	(8)	(5,090)	2,112	(8,735)
Other (expense) income	25,082	(12,412)	830	(24,982)
Total adjustments	$ 33,441	$ 95,438	$ 23,694	$ 84,130

The following table reconciles the net cash provided by operating activities to free cash flow:

	For the nine-month period ended
(dollars in thousands)	**September 28, 2024**
Net cash provided by operating activities	$ 19,231
Purchases of property and equipment, and software	(4,790)
Principal payments of term loans	(4,600)
Principal payments of notes payable and financing lease obligations	(4,802)
Settlements with swap counterparties	11,681
Free cash flow	$ 16,720