<u>Will Parrish, Vice President | Strategy, Corporate Development, and Investor Relations</u>

Thank you, Operator. Good afternoon, everyone, and welcome to Accendra Health's Fourth Quarter Earnings Call. Our comments on the call will be focused on the financial results of the fourth quarter of 2025, all of which are included in today's press release. The press release, along with the fourth quarter 2025 supplemental slides, are posted on the Investor Relations section of our website.

Please note that during this call, we will make forward-looking statements that reflect the current views of Accendra Health about our business, financial performance, and future events. The matters addressed in these statements are subject to risks and uncertainties which could cause actual results to differ materially from those projected or implied here today. Our expectations, beliefs, and projections are expressed in good faith, and we believe there is a reasonable basis for them. However, there can be no assurance that our expectations, beliefs, and projections will result or be achieved. Please refer to our SEC filings for a full description of these risks and uncertainties, including the Risk Factors section of our annual report on Form 10-K and quarterly reports on Form 10-Q.

Any forward-looking statements that we make on this call or in our earnings press release are as of today, and we undertake no obligation to update these statements as a result of new information or future events, except to the extent required by applicable law.

In our discussion today, we will refer to non-GAAP financial measures and believe they might help investors to better understand our performance or business trends. Information about these measures and reconciliations to the most comparable GAAP financial measures are included in our press release.

Today, I am joined by Ed Pesicka, Accendra Health's President and Chief Executive Officer, Jon Leon, the Company's Chief Financial Officer, and Perry Bernocchi, the Company's Chief Operating Officer. I will now turn the call over to Ed. Ed?

Edward A. Pesicka, President & Chief Executive Officer

Thank you, Will. Good afternoon, everyone, and thank you for joining us on the call today. I am pleased to welcome all of you to our very first earnings call as Accendra Health.

I'd like to begin by giving you my thoughts related to the strengths of Accendra Health, why we are so excited for our future, and where we are going.

First it is important to understand the size of the market that we serve, or the size of the pie. Our expansive payor relationships give us access to approximately 300 million Americans of which the CDC estimates three out of four adults are living with some type of chronic condition, and our nationwide footprint makes Accendra Health a premier choice for all constituents involved in the administration of care in the home-based setting.

In this expansive market, we have developed high brand recognition and customer support and reliance on both Byram and Apria, our two primary go-to-market brands. We have established this through leading service, consistency, and reliability. This continues to be validated by net promoter scores that have exceeded the industry average for the last several years. We also have broad range of growing product offerings and capabilities, which provides us with the ability to serve patients in the home in many of the largest and fastest growing chronic condition categories.

As a result for the foregoing, we are a national leader in home-based care for numerous chronic conditions which afflict millions of Americans, and our strengths are differentiators compared to the vast majority of the thousands of other participants in the industry.

As we look forward, we have a bullish outlook on the long-term demand for our unique offerings. Economic pressures continue to push care to the home-based setting while the country's aging population is afflicted with a rising number of chronic conditions. We are also optimistic about strong long-term demand due to increasing awareness about proactive health management amongst a population which is still meaningfully underdiagnosed, specifically in the Sleep category.

Another area of opportunity for us is in the anticipated competitive bidding, specifically, in diabetes, urology, and ostomy, all categories of strength for Accendra Health. As CMS along with ourselves and other industry leaders work to drive fraud, waste, and abuse out of the system, we believe that we are well positioned for Medicare's competitive bidding process considering our footprint, our efficient service model, and broad existing referral source recognition.

To capitalize on the overall favorable backdrop, we are leveraging technology and automation to ensure that we provide an industry-leading home based care offering built on 1) being a trusted, reliable, and easy to understand Partner for our Patients and their clinicians, 2) an integrated, streamlined, and compliant reimbursement process for our payors while at the same time maintaining a best in class revenue cycle management capability, and 3) providing a streamlined and cost efficient channel to market for our manufacturing partners. Just a few examples of the use of technology to both improve the customer experience while also lowering our cost to serve, including the use of technology to automate payor qualifications, enabling faster and more accurate order validation and improving revenue capture. Another example, building on the strength of our "My Byram" app, is the expected launch of our new "My Apria" app in Q2 of this year, which is expected to enhance the customer experience while also increasing operational efficiency and supporting patient therapy adherence.

Finally, in a practical application of leveraging technology, enhancing the customer experience, and overall focus, we see continued to see success in the 4th quarter with our sleep journey initiative. I am happy to highlight continued success in our sale of sleep supplies, which grew in the range of 8% to 9% for both the quarter and full year.

Finally, we were pleased to finish the fourth quarter with the completion of the sale of our former Products & Healthcare Services business, Owens & Minor, to Platinum Equity on December 31st. I'd like to thank and commend all parties involved for working so diligently to complete the transaction in such a quick timeframe. With the transaction now closed and final separation work well underway, Accendra Health is now devoting all of its focus and energy to strengthening our core home-based care businesses to achieve reliable and growing free cash flow, stable growth, and debt reduction. We're entering 2026 as a much leaner and more nimble business, with a much higher margin profile post P&HS divestiture.

We have already taken actions to lean out our business and expect to continue taking actions to eliminate costs to address the loss of a large commercial payor as well as stranded costs. Despite never wanting to lose a customer, we maintained our financial discipline during the process. Since that time our focus has been to ensure smooth transition of patient care and minimize our cost of transitioning the relationship related to this contract.

Finally, now that we have the sale proceeds in hand, we are well positioned to take a thoughtful approach to optimizing our capital structure, taking into consideration all stakeholders. We are committed to deleveraging combined with metered investments as we move forward. This will be a continuation of what we did in Q4 with investments in technology while also paying down debt by $65 Million from ordinary free cashflow.

Before I turn it over to Jon let me reiterate my excitement about the strength of Accendra Health, the growing market that we participate in and where we are going as a business. With that, I will now turn the call over to Jon to discuss our financial performance in the fourth quarter and our outlook for 2026. Jon?

Jonathan Leon, EVP-Chief Financial Officer

Thanks, Ed, and good afternoon.

I want to start by reminding you that despite the closing of the divestiture at the end of 2025, we will continue to report our results on a Continuing Operations / Discontinued Operations basis for as long as accounting rules require us to show comparable results.

And like the last couple of quarters, unless otherwise stated, my remarks today will focus on the Continuing Operations. The Continuing Operations financial statements are what you should expect from Accendra Health. I am sure we all look forward to much reduced business complexity post divestiture as we move through 2026.

Also, please note that any discussion about the financial results and outlook for the Company will cover only non-GAAP financial measures. You can find GAAP to non-GAAP financial reconciliations in the press release filed a short time ago and residing on our website at accendrahealth.com.

Fourth quarter results were largely in-line with much improved cash flow and lower debt compared to the third quarter. In the fourth quarter there was decent year-over-year growth in the key categories of sleep therapy, ostomy, and urology as we have seen in recent quarters. Diabetes grew by almost 2% versus last year, an improvement as compared to flat year-over-year results in Q3, and insulin pumps led the quarterly diabetes category growth.
The fourth quarter saw the initial impact of a previously discussed contract loss and price impact of a large commercial payor. Overall, this payor’s impact on quarterly revenue was approximately 1% of what would have been over 3% growth. This impact

on revenue will significantly increase throughout 2026 and aggregate to approximately $300 million in 2026 versus 2025 and approximately an additional $40 million in 2027. We anticipate that we will have completely lapped the impact of this revenue loss by the end of the first quarter of 2027. We are on our way to replacing this lost revenue and margin.

For all of 2025 revenue was nearly $2.8 billion up a little more than 3%. Throughout the year, growth in the large, sleep category as well as ostomy and urology led the way. A somewhat weaker collection rate compared to a strong 2024 also inhibited top-line growth.

Fourth quarter adjusted EBITDA was $90 million compared to $102.5 million in last year’s fourth quarter. The change was driven by lower payor prices, inflationary product cost increases, higher health benefit costs, and stranded costs that were only partially offset by lower other teammate benefit costs.

For the full year, adjusted EBITDA was $375 million – up slightly from 2024. The same factors impacting the fourth quarter drove the full year results.

Adjusted EBITDA results include $12 million of stranded costs in the quarter from the pre-divestiture business and $36.5 million for the full year. Beginning with our Q1 2026 results, we will no longer be specifically breaking out stranded costs because - with the finalization of the divestiture, these costs will now be part of the operating expenses of Accendra Health. Expense reduction, including former stranded costs, is a key component of our 2026 expectations.

As I mentioned, we saw much improved cash flow in the fourth quarter and related debt reduction.

For the fourth quarter of 2025, operating cash flow was $68 million, which includes $67 million of cash used by the former discontinued Products & Healthcare Services business, so the continuing operations business generated $135 million of cash from operating activities. For the full year, while the consolidated business of both Continuing and Discontinued Operations had a Use of Cash from Operating Activities of over $100 million, the Continuing Operations – the going forward Accendra – generated $154 million in cash from operating activities. As reminder, the full year cash flow from Continuing Operations includes $98M in cash costs to terminate the Rotech acquisition in the Summer of 2025.

For the Continuing Operations - free cash flow in the fourth quarter - defined as Adjusted EBITDA less patient equipment capital expenditures, net of non-cash convert to sale write off expense, and after consolidated interest paid was $18 million in the fourth quarter and for the year was $98 million. This reinforces the strong cash generation profile of Accendra compared to the legacy business.

At December 31st, net debt was $1.8 billion, down $315 million from September 30th and down $46 million since year-end 2024. Prior to the closing of the divestiture, we had already reduced debt by $65 million from September 30. The net proceeds received from the divestiture of the Products & Healthcare Services business of $342 million are included in the December 31st cash balance. Also, as a result of customary final purchase price adjustments, including a working capital true-up, we expect to receive approximately $12 to $15 million of additional proceeds in the Spring. At divestiture close, we used $66 million from proceeds to settle bank debt obligations under the AR securitization program that were entirely related to P&HS. This is all detailed in slides filed via 8-K just after today’s market close and also residing on our website.

In addition to the $282 million of cash on the balance sheet at December 31st, we had nearly $220 million of available capacity under our committed revolving credit facility and $16 million available under a newly amended accounts receivables securitization program. The bottom line is that we believe there is ample liquidity available for the business. Also, we ended the year comfortably in compliance with our debt covenants. As we have been saying for months – all net proceeds from the divestiture will be used to reduce our debt balance. We have a long-range leverage target of 3x adjusted EBITDA which we believe is very achievable - and debt reduction continues to be a top priority for 2026 and beyond.

We are also committed to maintaining a capital structure that supports the transformation of the business into a pure-play, cash-generative, home-based care company.

We are actively evaluating all options to optimize our capital structure and are engaging stakeholders to help ensure we come away with a structure that is the most appropriate for the new, higher profit, better cash flow Accendra while protecting the interest of our shareholders. We believe this process will conclude in the near term.

Turning now to the 2026 outlook. The slides I referenced earlier also include pages to assist with 2026 guidance – and depict the key drivers from our 2025 results and our 2026 full-year guidance.

I'll begin by walking through the Net Revenue slide. We expect annual revenue to be between $2.55 billion and $2.65 billion. As you will see, the greatest impact results from the changes with the single, large commercial payor, discussed earlier. Of the $300 million plus impact in 2026 compared to 2025, approximately 15% of the reduction versus prior year will occur in Q1 and 25-30% in each of the second through fourth quarters. This will be partially offset by volume growth and improved collection rates.

Looking at the Adjusted EBITDA slide that follows, we expect 2026 Adjusted EBITDA to be in a range of $335 - $355 million. Unsurprisingly the large commercial payor change again has an outsized impact and will be somewhat mitigated by cost reduction directly related to this payor, other expense take-out, and volume growth. The 2026 expense reductions have been identified for some time, and a number of actions have been taken or slated to be taken on a rigid timeframe.

Finally, we included a levered free cash flow walk which again shows the strong cash flow from the Accendra business. At the midpoint, we expect at least $100 million of free cash flow in 2026. Much of the cash flow projected in 2026 is spoken for due to the costs throughout the year to separate Accendra from Owens & Minor and cash outlays related to certain expense reduction activity that I mentioned earlier. This is only a 2026 issue and future free cash flow is expected to be comparable or better and will help drive further debt reduction.

In thinking about quarterly cadence – between cost reduction ramping throughout the year to a full run rate benefit, the replacement of the previously discussed impact of the large commercial payor, time needed to reduce stranded costs and effectively separate from Owens & Minor, and the business' normal seasonality, we expect about 60% of adjusted EBITDA to be realized in the second half of the year with the first quarter of the year being the weakest and Q4 the strongest.

In conclusion, Accendra Health is a very different company than the pre-divestiture Owens & Minor. The investment thesis is much improved, and we are proud to be among markets leaders in a growing and dynamic space and look forward to demonstrating consistent earnings and strong cash flow.

With that, I'll now turn the call back to the operator for Q&A.

Operator?