

1 **Will Parrish, Vice President | Strategy, Corporate Development, and Investor**
2 **Relations**

3
4 Thank you, Operator, and good morning, everyone. I'd like to welcome you to Accendra
5 Health's First Quarter Earnings Call. Our comments on the call will be focused on the
6 financial results of the first quarter of 2026, all of which are included in today's press
7 release. The press release, along with the first quarter 2026 supplemental slides which
8 we will refer to throughout the call, are posted on the Investor Relations section of our
9 website.

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

21
22 Any forward-looking statements that we make on this call, in our earnings press release,
23 or in our supplemental slides are as of today, and we undertake no obligation to update
24 these statements as a result of new information or future events, except to the extent
25 required by applicable law.

26
27 In our discussion today, we will refer to non-GAAP financial measures and believe they
28 might help investors to better understand our performance or business trends.
29 Information about these measures and reconciliations to the most comparable GAAP
30 financial measures are included in our press release.

31

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

35

36 **Edward A. Pesicka, President & Chief Executive Officer**

37

38 Thank you, Will. Good morning, everyone, and thank you for joining us on the call
39 today.

40

41 It is great to be reporting on our first full quarter as a standalone, pure play, home-based
42 care company. Accendra Health's first quarter results were in line with our expectations
43 and included key accomplishments in our transformation into a leaner, nimbler, and
44 higher margin business, and we are excited about where we will go from here.

45

46 First, I am pleased to report that the transition services and separation activity from
47 Owens & Minor are on track and going according to schedule, allowing Accendra Health
48 to fully function as a completely independent company from Owens & Minor, and we are
49 excited to be devoting all of our focus and energy to growing our leading position and
50 capabilities in the home-based care space.

51

52 Another update that I want to highlight is that, as of the end of the first quarter, we have
53 substantially completed the exit stemming from our previously disclosed transition away
54 from a large commercial payor, and the handover has gone as expected, with our team
55 ensuring continuity of care for the patients while also minimizing our costs to transition
56 the business. To secure this smooth transition for patients, we engaged with another
57 industry player to sell them the substantial amount of Accendra owned equipment that
58 was dedicated to the large commercial payor's patients, and at the same time we
59 facilitated the transition of personnel along with other variable and certain fixed costs
60 from Accendra to that same industry player. This solution provided the best outcome for
61 all stakeholders, particularly patients, and also allowed us to quickly begin the
62 rationalization of our corporate infrastructure as we pivot away from this large

63 commercial payor. Again, while we never want to exit a customer relationship, we
64 maintained our financial discipline throughout the contracting and transition process,
65 and we are excited to have the vast majority of the exit behind us. I'd also like to remind
66 everyone that, while we have exited our largest capitated agreement with this transition,
67 we still have other smaller capitation agreements which are very attractive. Going
68 forward, we continue to be excited about pursuing both fee for service agreements as
69 well as capitated agreements, which still can be very compelling under the right
70 circumstances.

71
72 Staying with our payors, I am happy to announce that we recently reached an
73 agreement for an exclusive multi-year extension with our largest commercial payor for
74 soft goods, such as ostomy, urology, diabetes, incontinence, and other. This extension
75 the longstanding partnership provides certainty for our business in the years ahead.

76
77 In order to provide more clarity around our payor mix, we have provided you with slide
78 number 5 that clearly shows the diversification of our commercial payor portfolio. As a
79 reminder, with the notable exception of the large commercial payor discussed a moment
80 ago, the vast majority of our commercial payor relationships are contracted at the
81 individual state level and are then aggregated under their national parent organization in
82 this slide for presentation purposes. Accordingly, we are well positioned with a
83 diversified commercial payor portfolio with no major renewals on the horizon.

84
85 In addition to the commercial payors just noted, approximately 20% of our revenue is
86 from traditional Medicare. We are supportive of the government's recent efforts to
87 eliminate fraud, waste, and abuse, including the upcoming competitive bidding program.
88 As one of the large national players in the market, we are proud of our ability to operate
89 at scale as well as with our track record of rigid compliance with government
90 requirements while providing the highest quality of service to patients. Thus, we expect
91 to continue to thrive in this new era.

92

93 Next, I would like to provide an update on several of our strategic initiatives which are
94 streamlining our business through centralization, standardization, and automation with
95 the goals of driving topline growth and reducing our overall cost profile all while
96 providing an industry leading experience for patients.

97

98 I'd like to start by highlighting our focus on sleep therapy. I am pleased to report that
99 our Sleep Journey program continues to deliver anticipated results, with the sleep
100 supplies portion of our sleep therapy category delivering strong year-over-year growth.
101 We are particularly proud of this initiative as it helps drive stronger fundamentals in the
102 sleep supply category in the form of higher revenue per order, lower patient attrition,
103 and better patient outcomes through higher therapy adherence rates. We expect this
104 initiative to continue to drive higher patient therapy adherence through the efforts of our
105 dedicated sleep coaches and other clinical initiatives.

106

107 Building on the success of our Sleep Journey as well as our proven track record with
108 our existing Centers of Excellence for other categories, we recently formed our Sleep
109 Center of Excellence, which serves as a centralized and standardized expert-led team
110 which is responsible for the patient's first interaction with Accendra and the initiation of
111 their PAP therapy. This program is building a trusted, patient-first ecosystem that
112 balances operational efficiency with compassionate care. Our dedicated team manages
113 order process, scheduling, and patient onboarding to ensure a consistent, high-quality
114 start to each patient's therapy journey. Our Sleep Center of Excellence is designed to
115 cultivate patient satisfaction and loyalty by ensuring a consistent, high quality patient
116 experience that we expect will enhance provider confidence in our already strong brand,
117 by driving growth in our referral pipeline. This initiative has already seen a successful
118 pilot in select markets during the first quarter, with a nationwide launch continuing in the
119 second quarter.

120

121 The combination of the Sleep Journey and our new Sleep Center of Excellence will
122 enable us to improve patient capture and patient adherence, and to enhance the

123 experience for all stakeholders: patients, providers, and payors, which should result in
124 improved growth in the sleep category.

125

126 Finally, I would like to provide an update on our capital structure. In our press release
127 this morning, we announced a Comprehensive Balance Sheet Optimization Transaction
128 which will strengthen Accendra's balance sheet by paying off our 2027 maturities,
129 significantly reduce total debt, and meaningfully extending maturities while also
130 affording the Company financial and strategic flexibility with ample liquidity. Jon will walk
131 you through the details in a moment, but we believe that this Comprehensive Balance
132 Sheet Optimization Transaction lays the foundation for Accendra's long term trajectory
133 as a standalone business. With this behind us, it will enable us to devote 100% of our
134 focus on the business. We are excited to remove any uncertainty about our 2027
135 maturities and any pressure they may have put on our overall valuation.

136

137 Before I turn the call over to Jon, I would like to reiterate how transformative the last
138 several months have been for Accendra and how excited we are for the future. Our
139 business today is dramatically different than it was prior to the divestiture of Owens &
140 Minor. If you look at page 6 of the supplemental slides, you can see how we have
141 transformed a company with gross margins in the 19% range and EBITDA margins of
142 approximately 4% to a standalone home-based care business with nearly 50% gross
143 margins and double-digit EBITDA margins. Additionally, if you move ahead to slide 7,
144 you can see how much of the earnings and consistent cash flow of what is now
145 Accendra Health backstopped the P&HS business consumption of cash in recent
146 periods. With the divestiture behind us, we look forward to enjoying a much cleaner and
147 less volatile cash flow profile. In closing, we couldn't be more pleased with the
148 transformation we have delivered over the past several months, and, while we have
149 much work ahead of us, we are excited about where Accendra Health is taking home-
150 based care into the future.

151

152 With that, I will now hand the call over to Jon to discuss the financials. Jon?

153 **Jon Leon – Executive Vice President & Chief Financial Officer**

154

155 Thanks Ed and good morning.

156

157 My comments today will cover our first quarter results and outlook for the remainder of
158 the year as well as the expected outcome of our current financing activity, which will
159 lead to a much improved, simpler and longer-dated debt capital structure with plenty of
160 liquidity for the business. I will specifically speak to the balance sheet optimization
161 transaction that we announced in this morning's press release.

162

163 Like recent quarters, unless stated otherwise, my remarks today will focus on the
164 Continuing Operations. The Continuing Operations financial statements represent the
165 total Accendra Health.

166

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

171

172 The first quarter of 2026 was notable for the completion of a previously discussed large
173 commercial payor exit and the initiation of our comprehensive balance sheet
174 optimization activity. Operationally, the business performed to expectations and as
175 usually occurs, the third month of the quarter proved the strongest. Cash flow and debt
176 levels also reflected what we expected & typically see in Q1 - which is early-in-the year
177 softness leading toward greater strength in the back half of the year.

178

179 If you turn to slide 10 in the supplemental slides, you can see that we reported a
180 revenue decline of 6.8% in the quarter, but excluding the impact of the aforementioned
181 large commercial payor, growth would have been about 1%. The leading growth
182 categories were Sleep – excluding the payor impact - and Urology and Ostomy. The
183 large Sleep category grew over 4% and Home Respiratory fell about 4% when the
184 impact of the large commercial payor change is excluded. Diabetes was off slightly

185 versus the prior year as growth in insulin pumps did not quite offset a drop in CGMs.
186 Overall, growth rates were not where they need to be, but we expect improvement
187 throughout the year and are seeing positive signs across a number of categories.

188

189 To facilitate the transition of the large commercial payor, we sold patient service
190 equipment for cash proceeds of \$82 million dollars, resulting in a book gain of \$52
191 million dollars. The positive income statement impact of this one-time transaction is not
192 included our adjusted EBITDA for the quarter, as I'll discuss further on this call.

193

194 If you look at slide 11, you can see that Q1 adjusted EBITDA was \$58 million – again, in
195 line with expectations. We continued to see a lower year-over-year collection rate,
196 inflationary product cost increases and higher health benefit expenses, all of which were
197 partially offset by our cost savings efforts. Of course, pre-divestiture stranded costs
198 elevated selling, general & administrative expenses, lowering adjusted EBITDA. Cost
199 reduction will continue to be a point of emphasis throughout the year.

200

201 Cash flow demonstrated the typical seasonal softness and free cash flow was slightly
202 negative in the quarter following normal profitability, collection rate and working capital
203 sequencing.

204

205 Also, it should be recognized that we had extraordinary payments in the quarter of \$19
206 million to the IRS to conclude tax matters related to international transfer pricing activity
207 between 2015 and 2018 and \$22 million of previously accrued expenses relating to the
208 P&HS divestiture. All of this activity is detailed on slide 12 of the supplemental slides.

209

210 When looking at the cash flow statement, it's also important to note that, as I mentioned,
211 the gain from the one time sale of patient equipment related to the large commercial
212 payor is an adjustment to income in the operating activities section of the cash flow
213 statement and is not included in Adjusted EBITDA due to its one time nature -- and the
214 cash received from these sales sits in the investing activities section of the cash flow
215 statement. The vast majority of this activity occurred in Q1 and there will only be

216 nominal amounts recorded in Q2. Net debt was essentially flat compared to where we
217 ended 2025 at \$1.77 billion and the entire organization remains focused on debt
218 reduction.

219

220 At the end of the quarter, we had \$337 million of cash on the balance sheet and \$195
221 million of available capacity under our committed revolving credit facility, continuing our
222 pattern of maintaining very comfortable liquidity levels. And once again, we ended the
223 quarter well in compliance with our debt covenants.

224

225 Now as Ed mentioned, I want to discuss very exciting news on our capital structure.
226 Pages 13 through 15 of the supplemental slides filed earlier this morning further detail
227 the balance sheet optimization process. We have received commitments from existing
228 creditors that will allow us to conduct a holistic reset of our capital structure and lay the
229 long-term foundation for Accendra. Key benefits include a multi-year extension of our
230 revolving credit facility, paying off our 2027 maturities, extensions of 2029 and 2030
231 Notes through exchange offers for longer dated new notes, and meaningful debt
232 reduction. This comprehensive solution will provide the business with the appropriate
233 level of liquidity and offer financial flexibility for our future. We have received
234 commitments from our revolving lenders, Term Loan B lenders and bondholders for the
235 balance sheet optimization transaction, and, of course, such commitments will be
236 subject to customary closing conditions for agreements of this type.

237

238 As detailed on slide 13, we will offer to all eligible holders of our existing notes the ability
239 to exchange their old notes for new secured notes. The exchanges will include first and
240 second lien notes that will mature in 2032 and 2033, respectively. The offer for each
241 series of existing notes will be further described in an offering document that will be
242 available to all eligible holders of the existing notes. These exchanges are expected to
243 result in meaningful deleveraging of up to about \$115 million dollars.

244

245 Staying on slide 13 -- in connection with the exchange process, we plan to retire our
246 Term Loan A due 2027 with the issuance of new first lien notes. Additionally, we plan to

247 pay off our current revolving credit facility with cash and will be entering into a new \$300
248 million committed revolving facility due in 2030.

249

250 The consummation of these financing transactions will remove concerns about near-
251 term maturities by extending our maturity runway by doubling the weighted average life
252 of the debt capital structure to approximately five- and-a-half years while ensuring plenty
253 of liquidity for a business that has over 80% recurring revenue all while advancing our
254 commitment to deleveraging. We look forward toward the completion of these
255 transactions in the coming weeks. This will be an enormously positive step in having a
256 better capital structure suited for Accendra's strengths.

257

258 In conjunction with the announcement of the balance sheet optimization transaction, we
259 would expect to file an omnibus shelf registration. The company does not have a shelf
260 registration at present and in relation to the financing activity would be the most logical
261 timing and is simply a matter of prudent financial management and good corporate
262 hygiene.

263

264 We are affirming our 2026 outlook for Revenue and Adjusted EBITDA. The financing
265 activity I just discussed will impact interest expense and, obviously, free cash flow. We
266 will be refinancing our existing, lower coupon Notes and while we're satisfied with the
267 anticipated pricing of the new debt described above, we are estimating that annualized
268 cash interest will be higher by about \$40 million dollars. We expect that approximately
269 half of this incremental impact will occur starting in the second half of 2026.

270

271 Finally, as we look ahead quarter by quarter, we see greater revenue growth in the
272 latter months of the year resulting in at least 65% of adjusted EBITDA coming in the
273 third and fourth quarters. Following what we see as a decent in-line quarter, we remain
274 confident in the revenue growth ramping in the months ahead, better collection rates,
275 cost savings and consistently improving cash flow, and we will remain ever diligent on
276 deleveraging the balance sheet as quickly as possible

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

279

280 Operator?

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