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

FORM 10-Q

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

For the quarterly period ended March 31, 2024

OR

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

Commission file number: 001-38399

AdaptHealth Corp.

(Exact name of registrant as specified in its charter)

Delaware	**82-3677704**
(State of Other Jurisdiction of incorporation or Organization)	(I.R.S. Employer Identification No.)
220 West Germantown Pike Suite 250, Plymouth Meeting, Pennsylvania	**19462**
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code: (610) 424-4515

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 $0.0001 per share	**AHCO**	**The Nasdaq Stock Market LLC**

Securities registered pursuant to Section 12(g) of the Act: None

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 (§232.0405 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, a 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 ☒

As of May 3, 2024, there were 133,201,924 shares of the Registrant's Common Stock issued and outstanding.

ADAPTHEALTH CORP.

FORM 10-Q
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CAUTIONARY STATEMENT

In this Quarterly Report on Form 10-Q, including "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" in Part I Item 2, and the documents incorporated by reference herein, we make forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements relate to expectations for future financial performance, business strategies or expectations for our business. These statements may be preceded by, followed by or include the words "may," "might," "will," "will likely result," "should," "estimate," "plan," "project," "forecast," "intend," "expect," "anticipate," "believe," "seek," "continue," "target" or similar expressions.

These forward-looking statements are based on information available to us as of the date they were made, and involve a number of risks and uncertainties which may cause them to turn out to be wrong. Accordingly, forward-looking statements should not be relied upon as representing our views as of any subsequent date, and we do not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date they were made, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws. As a result of a number of known and unknown risks and uncertainties, our actual results or performance may be materially different from those expressed or implied by these forward-looking statements. Some factors that could cause actual results to differ include:

- competition and the ability of our business to grow and manage profitable growth;
- fluctuations in the U.S. and/or global stock markets;
- the possibility that we may be adversely affected by other economic, business, and/or competitive factors;
- changes in applicable laws or regulations; and
- other risks and uncertainties set forth in this Form 10-Q.

Investors should carefully consider the foregoing factors and the other risks and uncertainties that may affect our business including those outlined under Item 1A, Risk Factors, in our most recent annual report on Form 10-K and our quarterly reports on Form 10-Q.

PART I – FINANCIAL INFORMATION

Item 1. Interim Consolidated Financial Statements

ADAPTHEALTH CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)
(UNAUDITED)

	March 31, 2024	December 31, 2023
Assets		
Current assets:		
Cash	$ 79,566	$ 77,132
Accounts receivable	429,558	388,910
Inventory	108,585	113,642
Prepaid and other current assets	38,272	69,338
Total current assets	655,981	649,022
Equipment and other fixed assets, net	501,892	495,101
Operating lease right-of-use assets	111,232	110,465
Finance lease right-of-use assets	30,427	31,962
Goodwill	2,718,428	2,724,958
Identifiable intangible assets, net	124,591	130,160
Other assets	20,001	21,128
Deferred tax assets	341,141	345,854
Total Assets	$ 4,503,693	$ 4,508,650
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 340,234	$ 391,994
Current portion of long-term debt	40,000	53,368
Current portion of operating lease obligations	31,530	29,270
Current portion of finance lease obligations	9,245	9,122
Contract liabilities	34,040	38,570
Warrant liability	11,474	4,021
Other liabilities	26,169	10,654
Total current liabilities	492,692	536,999
Long-term debt, less current portion	2,159,161	2,094,614
Operating lease obligations, less current portion	84,115	85,529
Finance lease obligations, less current portion	21,057	22,746
Other long-term liabilities	275,639	302,093
Total Liabilities	3,032,664	3,041,981
Commitments and contingencies (note 14)		
Stockholders' Equity:		
Common Stock, par value of $0.0001 per share, 300,000,000 shares authorized; 133,194,999 and 132,634,850 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively	13	13
Preferred Stock, par value of $0.0001 per share, 5,000,000 shares authorized; 124,060 shares issued and outstanding as of March 31, 2024 and December 31, 2023	1	1
Treasury stock, at cost (3,935,035 shares at March 31, 2024 and December 31, 2023)	(43,267)	(43,267)
Additional paid-in capital	2,154,564	2,149,951
Accumulated deficit	(654,734)	(652,600)
Accumulated other comprehensive income	5,212	4,356
Total stockholders' equity attributable to AdaptHealth Corp.	1,461,789	1,458,454
Noncontrolling interest in subsidiary	9,240	8,215
Total Stockholders' Equity	1,471,029	1,466,669
Total Liabilities and Stockholders' Equity	$ 4,503,693	$ 4,508,650

See accompanying notes to unaudited interim consolidated financial statements.

ADAPTHEALTH CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	Three Months Ended March 31,	
	2024	**2023**
Net revenue	$ 792,497	$ 744,626
Costs and expenses:		
Cost of net revenue	675,693	655,396
General and administrative expenses	48,378	47,521
Depreciation and amortization, excluding patient equipment depreciation	11,365	15,532
Goodwill impairment (note 5)	6,530	—
Total costs and expenses	741,966	718,449
Operating income	50,531	26,177
Interest expense, net	32,472	31,955
Change in fair value of warrant liability (note 10)	7,453	(21,914)
Other loss, net	5,105	1,175
Income before income taxes	5,501	14,961
Income tax expense (benefit)	6,610	(1,714)
Net (loss) income	(1,109)	16,675
Income attributable to noncontrolling interest	1,025	968
Net (loss) income attributable to AdaptHealth Corp.	$ (2,134)	$ 15,707
Weighted average common shares outstanding - basic	132,914	134,525
Weighted average common shares outstanding - diluted	132,914	135,976
Basic net (loss) income per share (note 11)	$ (0.02)	$ 0.11
Diluted net loss per share (note 11)	$ (0.02)	$ (0.06)

See accompanying notes to unaudited interim consolidated financial statements.

ADAPTHEALTH CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(IN THOUSANDS)
(UNAUDITED)

	Three Months Ended March 31,	
	2024	**2023**
Net (loss) income	$ (1,109)	$ 16,675
Other comprehensive income (loss):		
Gain (loss) on interest rate swap agreements, inclusive of reclassification adjustment, net of tax	856	(2,805)
Comprehensive (loss) income	(253)	13,870
Income attributable to noncontrolling interest	1,025	968
Comprehensive (loss) income attributable to AdaptHealth Corp.	$ (1,278)	$ 12,902

See accompanying notes to unaudited interim consolidated financial statements.

ADAPTHEALTH CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(IN THOUSANDS)
(UNAUDITED)

	Common Stock		Preferred Stock		Treasury Stock		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income	Noncontrolling interest in subsidiary	Total
	Shares	Amount	Shares	Amount	Shares	Amount					
Balance, December 31, 2023	132,635	$ 13	124	$ 1	3,935	$(43,267)	$2,149,951	$(652,600)	$ 4,356	$ 8,215	$1,466,669
Equity-based compensation	300	—	—	—	—	—	4,533	—	—	—	4,533
Exercise of stock options	177	—	—	—	—	—	545	—	—	—	545
Payments for tax withholdings from restricted stock vesting	—	—	—	—	—	—	(1,072)	—	—	—	(1,072)
Common Stock issued in connection with employee stock purchase plan	83	—	—	—	—	—	607	—	—	—	607
Net (loss) income	—	—	—	—	—	—	—	(2,134)	—	1,025	(1,109)
Change in fair value of interest rate swaps, inclusive of reclassification adjustment	—	—	—	—	—	—	—	—	856	—	856
Balance, March 31, 2024	133,195	$ 13	124	$ 1	3,935	$(43,267)	$2,154,564	$(654,734)	$ 5,212	$ 9,240	$1,471,029

	Common Stock		Preferred Stock		Treasury Stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Noncontrolling interest in subsidiary	Total
	Shares	Amount	Shares	Amount	Shares	Amount					
Balance, December 31, 2022	134,435	$ 13	124	$ 1	751	$(13,992)	$2,130,148	$ 26,295	$ 8,693	$ 6,600	$2,157,758
Equity-based compensation	292	—	—	—	—	—	5,916	—	—	—	5,916
Payments for tax withholdings from restricted stock vesting	—	—	—	—	—	—	(1,883)	—	—	—	(1,883)
Common Stock issued in connection with employee stock purchase plan	53	—	—	—	—	—	1,021	—	—	—	1,021
Shares purchased under share repurchase program	(632)	—	—	—	632	(9,224)	—	—	—	—	(9,224)
Net income	—	—	—	—	—	—	—	15,707	—	968	16,675
Change in fair value of interest rate swaps, inclusive of reclassification adjustment	—	—	—	—	—	—	—	—	(2,805)	—	(2,805)
Balance, March 31, 2023	134,148	$ 13	124	$ 1	1,383	$(23,216)	$2,135,202	$ 42,002	$ 5,888	$ 7,568	$2,167,458

See accompanying notes to unaudited interim consolidated financial statements.

ADAPTHEALTH CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	Three Months Ended March 31,	
	2024	2023
Cash flows from operating activities:		
Net (loss) income	$ (1,109)	$ 16,675
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization, including patient equipment depreciation	92,876	93,813
Goodwill impairment	6,530	—
Equity-based compensation	4,533	5,916
Change in fair value of warrant liability	7,453	(21,914)
Reduction in the carrying amount of operating lease right-of-use assets	10,730	8,486
Reduction in the carrying amount of finance lease right-of-use assets	2,255	427
Deferred income tax expense (benefit)	4,389	(2,327)
Change in fair value of interest rate swaps, net of reclassification adjustment	(367)	(579)
Amortization of deferred financing costs	1,309	1,309
Payment of contingent consideration from an acquisition	(1,850)	—
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable	(40,647)	5,920
Inventory	5,056	(8,149)
Prepaid and other assets	33,610	(4,503)
Operating lease obligations	(10,653)	(9,451)
Operating liabilities	(65,080)	54,625
Net cash provided by operating activities	49,035	140,248
Cash flows from investing activities:		
Purchases of equipment and other fixed assets	(87,891)	(89,120)
Payments for business acquisitions, net of cash acquired	—	(447)
Net cash used in investing activities	(87,891)	(89,567)
Cash flows from financing activities:		
Proceeds from borrowings on lines of credit	75,000	50,000
Repayments on long-term debt and lines of credit	(25,000)	(30,000)
Repayments of finance lease obligations	(2,291)	(981)
Payments for shares purchased under share repurchase program	—	(9,224)
Proceeds from the exercise of stock options	545	—
Proceeds received in connection with employee stock purchase plan	607	1,021
Payments relating to the Tax Receivable Agreement	(1,432)	(3,202)
Payments for tax withholdings from restricted stock vesting	(1,139)	(2,492)
Payments of contingent consideration and deferred purchase price from acquisitions	(5,000)	(674)
Net cash provided by financing activities	41,290	4,448
Net increase in cash	2,434	55,129
Cash at beginning of period	77,132	46,272
Cash at end of period	$ 79,566	$ 101,401
Supplemental disclosures:		
Cash paid for interest	$ 50,259	$ 50,051
Cash paid for income taxes	(328)	384
Noncash investing and financing activities:		
Unpaid equipment and other fixed asset purchases at end of period	42,074	34,940
Assets subject to operating lease obligations	12,987	3,847
Operating lease obligations	(12,987)	(3,847)
Write-off of assets subject to operating lease obligations	(1,488)	(1,843)
Write-off of operating lease obligations	1,488	1,843
Assets subject to finance lease obligations	1,023	2,407
Finance lease obligations	(1,023)	(2,407)
Deferred purchase price in connection with acquisitions	—	50

See accompanying notes to unaudited interim consolidated financial statements.

ADAPTHEALTH CORP. AND SUBSIDIARIES

Notes to Interim Consolidated Financial Statements (Unaudited)

(1) General Information

AdaptHealth Corp. and subsidiaries ("AdaptHealth" or the "Company") is a national leader in providing patient-centered, healthcare-at-home solutions including home medical equipment ("HME"), medical supplies, and related services. AdaptHealth focuses primarily on providing (i) sleep therapy equipment, supplies and related services (including CPAP and bi PAP services) to individuals suffering from obstructive sleep apnea ("OSA"), (ii) medical devices and supplies to patients for the treatment of diabetes (including continuous glucose monitors ("CGM") and insulin pumps), (iii) home medical equipment to patients discharged from acute care and other facilities, (iv) oxygen and related chronic therapy services in the home, and (v) other HME devices and supplies on behalf of chronically ill patients with wound care, urological, incontinence, ostomy and nutritional supply needs. AdaptHealth services beneficiaries of Medicare, Medicaid and commercial insurance payors.

Richard Barasch, Chairman of the Board of AdaptHealth and Interim Chief Executive Officer, has been serving as the Company's Interim Chief Executive Officer since June 30, 2023. On April 17, 2024, the Company announced the appointment of Suzanne Foster to serve as Chief Executive Officer and a member of the board of directors of the Company effective May 20, 2024. On April 10, 2024, the Company entered into an employment agreement with Ms. Foster (the "CEO Employment Agreement") that will govern the terms of her employment as the Chief Executive Officer of the Company from and after May 20, 2024. In connection with the Company's execution of the CEO Employment Agreement, Mr. Barasch will cease to serve as the Company's Interim Chief Executive Officer effective on May 20, 2024. On April 15, 2024, Mr. Barasch informed the Company that he intends to resign as a director of the Company effective June 30, 2024. For the period from May 20, 2024 through June 30, 2024, in his role as Chair of the Board, Mr. Barasch will actively assist with the transition of his duties and responsibilities as the Interim CEO to Ms. Foster. The Board of Directors is in the process of identifying a replacement Board Chair.

The interim consolidated financial statements are unaudited, but reflect all normal recurring adjustments that are, in the opinion of management, necessary to fairly present the information set forth herein. The interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023. Interim results are not necessarily indicative of the results for a full year.

There have been no material changes in the Company's significant accounting policies as compared to the significant accounting policies described in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

(a) Basis of Presentation

The interim consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). In the opinion of management, the interim consolidated financial statements include all necessary adjustments for a fair presentation of the financial position and results of operations for the periods presented.

(b) Basis of Consolidation

The accompanying interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

(c) Concentration of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash and trade accounts receivable. The Company maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

(d) Accounting Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and reported amounts of revenues and expenses during the reporting period. Management bases these estimates and assumptions upon historical experience, existing and known circumstances, authoritative accounting pronouncements and other factors that management believes to be reasonable. Significant areas requiring the use of management estimates relate to revenue recognition and the valuation of accounts receivable (implicit price concession), income taxes and the tax receivable agreement, equity-based compensation, warrant liability, long-lived assets, including goodwill and identifiable intangible assets, and contingencies. Actual results could differ from those estimates.

(e) Valuation of Goodwill

The Company has a significant amount of goodwill on its balance sheet that resulted from the business acquisitions the Company has made. Goodwill is not amortized, rather, it is assessed for impairment annually and also upon the occurrence of a triggering event or change in circumstances indicating a possible impairment. Such triggering events potentially warranting an annual or interim goodwill impairment assessment include, among other factors, declines in historical or projected revenue, operating income or cash flows, and sustained decreases in the Company's stock price or market capitalization. Such changes in circumstance can include, among others, changes in the legal environment, reimbursement environment, operating performance, and/or future prospects. The Company performs its annual impairment assessment of goodwill during the fourth quarter of each year. The impairment assessment can be performed on either a quantitative or qualitative basis. The Company first assesses qualitative factors to determine whether it is necessary to perform a quantitative goodwill impairment analysis. If determined necessary, the Company applies the quantitative impairment test to identify and measure the amount of impairment, if any. Fair value determinations require considerable judgment and are sensitive to changes in underlying assumptions and factors, such as estimates of a reporting unit's fair value, including the revenue growth rates, discount rate, and control premium used to estimate the reporting unit's fair value, and judgment about impairment triggering events. As a result, there can be no assurance that the estimates and assumptions made for purposes of the annual or interim goodwill impairment test will prove to be accurate predictions of the future.

(f) Long-Lived Assets

The Company's long-lived assets, such as equipment and other fixed assets, operating lease right-of-use assets, finance lease right-of-use assets and definite-lived identifiable intangible assets, are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Definite-lived identifiable intangible assets consist of tradenames, payor contracts, contractual rental agreements and developed technology. These assets are amortized using the straight-line method over their estimated useful lives, which reflects the pattern in which the economic benefits of the assets are expected to be consumed. In addition to consideration of impairment upon the events or changes in circumstances described above, management regularly evaluates the remaining useful lives of its long-lived assets. The following table summarizes the useful lives of the Company's identifiable intangible assets:

Tradenames	5 to 10 years
Payor contracts	10 years
Developed technology	5 years

The Company did not recognize any impairment charges on long-lived assets for the three months ended March 31, 2024 and 2023.

(g) Equity-based Compensation

The Company accounts for its equity-based compensation in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 718, *Compensation - Stock Compensation*, which establishes accounting for share-based awards exchanged for employee services and requires companies to expense the estimated fair value of these awards over the requisite employee service period. Equity-based compensation expense related to these grants is included within general and administrative expenses and cost of net revenue in the accompanying consolidated statements of operations. The Company measures and recognizes equity-based compensation expense for such awards based on their estimated fair values on the date of grant. For share-based awards with service only or service and performance conditions, the value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service period in the Company's consolidated financial statements. For share-based awards with only a service condition, equity-based compensation expense is recognized on a straight-line basis over the requisite service period. For awards with performance conditions, equity-based compensation expense is recognized straight-line on a tranche-by-tranche basis over the employees' requisite service period subject to management's estimation of the probability of vesting of such awards. If management determines that the performance conditions are no longer probable of achievement, the Company will reverse the previously recognized equity-based compensation expense in the period of determination. For awards with market conditions, the grant-date fair value is estimated using a monte-carlo simulation analysis, which is recognized straight-line on a tranche-by-tranche basis over the employees' requisite service period regardless of whether or the extent to which the awards ultimately vest. The Company does not estimate forfeitures in connection with its accounting for equity-based compensation, and instead accounts for forfeitures as they occur. See Note 10, *Stockholders' Equity*, for additional information regarding the Company's equity-based compensation expense.

(h) Business Segment

Operating segments are defined as components of an enterprise for which discrete financial information is available that is evaluated regularly by the Chief Operating Decision Maker ("CODM") for the purposes of allocating resources and evaluating financial performance. The Company's CODM is its Interim Chief Executive Officer, who reviews financial information on a consolidated level for purposes of allocating resources and evaluating financial performance, and as such, the Company's operations constitute one operating segment and one reportable segment.

(i) Accounting for Leases

The Company accounts for its leases in accordance with FASB ASC Topic 842, *Leases* ("ASC 842"). ASC 842 requires the Company to recognize a lease liability, which represents the discounted obligation to make future minimum lease payments, and a corresponding right-of-use ("ROU") asset on its consolidated balance sheet for most leases, and disclose key information about leasing arrangements. ASC 842 applies to a number of arrangements to which the Company is a party.

Generally, upon the commencement of a lease, the Company will record a lease liability and a ROU asset. However, the Company has elected, for all underlying leases with initial terms of twelve months or less (known as short-term leases), to not recognize a lease liability or ROU asset. Lease liabilities are initially recorded at lease commencement as the present value of future lease payments. ROU assets are initially recorded at lease commencement as the initial amount of the lease liability, together with the following, if applicable: (i) initial direct costs incurred by the lessee and (ii) lease payments made to the lessor net of lease incentives received, prior to lease commencement.

Over the lease term, the Company generally increases its lease liabilities using the effective interest method and decreases its lease liabilities for lease payments made. For finance leases, amortization and interest expense are recognized separately in the consolidated statements of operations, with amortization expense generally recorded on a straight-line basis over the lease term and interest expense recorded using the effective interest method. For operating leases, a single lease cost is generally recognized in the consolidated statements of operations on a straight-line basis over the lease term unless an impairment has been recorded with respect to a leased asset. Lease costs for short-term leases not recognized in the consolidated balance sheets are recognized in the consolidated statements of operations on a straight-line basis over the lease term. Variable lease costs not initially included in the lease liability and ROU asset impairment charges are expensed as incurred. ROU assets are assessed for impairment, similar to other long-lived assets.

See Note 12, *Leases,* for additional information.

(j) Recently Issued Accounting Pronouncements Not Yet Adopted

On March 21, 2024, the FASB issued Accounting Standards update "ASU" 2024-01, *Compensation-Stock Compensation ("Topic 718")*, which provides illustrative guidance to help entities determine whether profits interest and similar awards should be accounted for as share-based payment arrangements within the scope of ASC 718. ASU 2024-01 is effective for annual periods beginning after December 15, 2024, and interim periods within those annual periods. The Company is currently evaluating the impact that this standard will have on its consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes ("Topic 740")*. This ASU improves the transparency of income tax disclosures by requiring public business entities to disclose specific categories in the annual rate reconciliation as well as disclose income tax expense (or benefit) and the amount of income taxes paid disaggregated by jurisdiction. ASU 2023-09 is effective on a prospective basis for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact that this standard will have on its consolidated financial statements and related disclosures.

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting ("Topic 280")*, which requires disclosure of incremental segment information, including significant segment expenses that are regularly provided to the chief operating decision maker and to disclose how reported measures of segment profit or loss are used in assessing segment performance and allocating resources. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact that this standard will have on its consolidated financial statements and related disclosures.

In August 2023, the FASB issued ASU No. 2023-05, *Business Combinations-Joint Venture Formations ("Topic 805-60")*, which requires that all entities that qualifies as either a joint venture or a corporate joint venture are required to apply a new basis of accounting. Specifically, the ASU provides that a joint venture or a corporate joint venture must initially measure its assets and liabilities at fair value on the formation date. ASU 2023-05 is effective for all joint ventures that are formed on or after January 1, 2025, with early adoption permitted. The Company is currently evaluating the impact that this standard will have on its consolidated financial statements and related disclosures.

(2) Revenue Recognition and Accounts Receivable

Revenue Recognition

The Company generates revenues for services and related products that the Company provides to patients for home medical equipment, related supplies, and other items. The Company's revenues are recognized in the period in which services and related products are provided to customers and are recorded either at a point in time for the sale of supplies and disposables, over the fixed monthly service period for equipment, or in the month in which eligible members are entitled to receive healthcare services in connection with at-risk capitation arrangements.

Revenues are recognized when control of the promised good or service is transferred to customers, in an amount that reflects the consideration to which the Company expects to receive from patients or under reimbursement arrangements with Medicare, Medicaid and third-party payors, in exchange for those goods and services.

The Company determines the transaction price based on contractually agreed-upon amounts or rates, referred to as explicit price concessions, adjusted for estimates of variable consideration, such as implicit price concessions, based on historical reimbursement experience. The Company utilizes the expected value method to determine the amount of variable consideration, including implicit and explicit price concessions, that should be included to arrive at the transaction price, using contractual agreements and historical reimbursement experience. The Company applies constraint to the transaction price, such that net revenue is recorded only to the extent that it is probable that a significant reversal in the amount of the cumulative revenue recognized will not occur in the future. If actual amounts of consideration ultimately received differ from the Company's estimates, the Company adjusts these estimates, which would affect net revenue in the period such adjustments become known.

Sales revenue is recognized upon transfer of control of products or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products or services. Revenues for the sale of sleep

therapy equipment supplies (including CPAP resupply products), home medical equipment and related supplies (including wheelchairs, hospital beds and infusion pumps), diabetic medical devices and supplies (including CGM and insulin pumps), and other HME products and supplies are recognized when control of the promised good or service is transferred to customers, which is generally upon shipment for direct to consumer medical devices and supplies and upon delivery to the home for home medical equipment.

The Company provides certain equipment to patients which is reimbursed periodically in fixed monthly payments for as long as the patient is using the equipment and medical necessity continues (in certain cases, the fixed monthly payments are capped at a certain amount). The equipment provided to the patient is based upon medical necessity as documented by prescriptions and other documentation received from the patient's physician. The patient generally does not negotiate or select the manufacturer or model of the equipment prescribed by their physician and delivered by the Company. Once initial delivery of this equipment is made to the patient for initial setup, a monthly billing process is established based on the initial setup service date. The Company recognizes the fixed monthly revenue ratably over the service period as earned, less estimated adjustments, and defers revenue for the portion of the monthly bill that is unearned. No separate revenue is earned from the initial setup process. Included in fixed monthly revenue are unbilled amounts for which the revenue recognition criteria had been met as of period-end but were not yet billed to the payor. The estimate of net unbilled fixed monthly revenue recognized is based on historical trends and estimates of future collectability.

The Company receives a per member per month ("PMPM") fee under certain at-risk capitation arrangements, which refers to a model in which the Company receives a PMPM fee from the third-party payor, and is responsible for managing a range of healthcare services and associated costs of its members. In at-risk capitation arrangements, the Company is responsible for the cost of contracted healthcare services required by those members in accordance with the terms of each agreement. Capitated revenue contracts with payors are generally multi-year arrangements and have a single monthly stand ready performance obligation to provide all aspects of necessary medical care to members for the contracted period in accordance with the scope of the agreements. The Company recognizes revenue in the month in which eligible members are entitled to receive healthcare services during the contract term. The Company's revenue recognized under its capitation arrangements for the three months ended March 31, 2024 is included in the table below. The Company's revenue recognized under its capitation arrangements for the three months ended March 31, 2023 is included in net sales revenue and net revenue from fixed monthly equipment reimbursements by core product line in the table below, which was immaterial for that period.

The Company's billing system contains payor-specific price tables that reflect the fee schedule amounts in effect or contractually agreed upon by various government and commercial insurance payors for each item of equipment or supply provided to a customer. Revenues are recorded based on the applicable fee schedule. The Company has established a contractual allowance, referred to as an explicit price concession, to account for adjustments that result from differences between the payment amount received and the expected realizable amount. If the payment amount received differs from the net realizable amount, an adjustment is recorded to revenues in the period that these payment differences are determined. The Company reports revenues in its consolidated financial statements net of such adjustments.

The Company recognizes revenue in the consolidated statements of operations and contract assets on the consolidated balance sheets only when services have been provided. Since the Company has performed its obligation under the contract, it has unconditional rights to the consideration recorded as contract assets and therefore classifies those billed and unbilled contract assets as accounts receivable.

Fixed monthly payments that the Company receives from customers in advance of providing services represent contract liabilities. Such payments primarily relate to patients who are billed monthly in advance and are recognized over the period as earned.

The Company disaggregates net revenue from contracts with customers by payor type and by core product lines. The Company believes that disaggregation of net revenue into these categories depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The payment terms and conditions within the Company's revenue-generating contracts vary by payor type and payor source.

ADAPTHEALTH CORP. AND SUBSIDIARIES

Notes to Interim Consolidated Financial Statements (Unaudited) (Continued)

The composition of net revenue by payor type for the three months ended March 31, 2024 and 2023 are as follows (in thousands):

	Three Months Ended March 31,	
	2024	**2023**
Insurance	$ 483,365	$ 436,784
Government	198,398	188,847
Patient pay	110,734	118,995
Net revenue	$ 792,497	$ 744,626

ADAPTHEALTH CORP. AND SUBSIDIARIES

Notes to Interim Consolidated Financial Statements (Unaudited) (Continued)

The composition of net revenue by core product lines for the three months ended March 31, 2024 and 2023 are as follows (in thousands):

	Three Months Ended March 31,	
	2024	2023
Net sales revenue:		
Sleep	$ 225,526	$ 213,457
Diabetes	146,979	142,544
Supplies to the home	44,648	46,555
Respiratory	7,704	7,929
HME	25,622	28,563
Other	55,661	53,207
Total net sales revenue	$ 506,140	$ 492,255
Net revenue from fixed monthly equipment reimbursements		
Sleep	$ 80,690	$ 80,922
Diabetes	2,279	3,831
Respiratory	137,232	134,723
HME	22,566	22,341
Other	11,571	10,554
Total net revenue from fixed monthly equipment reimbursements	$ 254,338	$ 252,371
Net revenue from capitated revenue arrangements	$ 32,019	$ —
Total net revenue:		
Sleep	$ 306,216	$ 294,379
Diabetes	149,258	146,375
Supplies to the home	44,648	46,555
Respiratory	144,936	142,652
HME	48,188	50,904
Other	67,232	63,761
Capitated revenue arrangements	32,019	$ —
Total net revenue	$ 792,497	$ 744,626

Accounts Receivable

Due to the continuing changes in the healthcare industry and third-party reimbursement environment, certain estimates are required to record accounts receivable at their net realizable values. Inherent in these estimates is the risk that they will have to be revised or updated as additional information becomes available. The complexity of third-party billing arrangements and laws and regulations governing Medicare and Medicaid may result in adjustments to amounts originally recorded.

The Company performs a periodic analysis to review the valuation of accounts receivable and collectability of outstanding balances. Management's evaluation takes into consideration such factors as historical cash collections experience, business and economic conditions, trends in healthcare coverage, other collection indicators and information about specific receivables. The Company's evaluation also considers the age and composition of the outstanding amounts in determining their estimated net realizable value.

Receivables are considered past due when not collected by established due dates. Specific patient balances are written off after collection efforts have been followed and the account has been determined to be uncollectible. Revisions in receivable estimates are considered implicit price concession adjustments and are recognized as an adjustment to net revenue in the period of revision. The Company does not have any material bad debt expense.

Included in accounts receivable are earned but unbilled accounts receivables. Billing delays, ranging from several days to several weeks, can occur due to the Company's policy of compiling required payor specific documentation prior to billing for its services rendered. As of March 31, 2024 and December 31, 2023, the Company's unbilled accounts receivable was $31.9 million and $68.4 million, respectively.

(3) Acquisitions

The Company's acquisitions are accounted for using the acquisition method pursuant to the requirements of FASB ASC Topic 805, *Business Combinations*, and are included in the Company's consolidated financial statements since the respective acquisition date.

The Company did not complete any acquisitions during the three months ended March 31, 2024. During the three months ended March 31, 2023, the Company acquired 100% of the equity interests of a provider of home medical equipment ("HME"). The consideration paid consisted of a cash payment of $0.4 million and a deferred payment of $0.1 million. The Company allocated the consideration paid to the net assets acquired based on their estimated acquisition date fair values, including $0.1 million to inventory, $0.3 million to equipment and other fixed assets and $0.1 million to goodwill.

Net revenue and operating income in the period of acquisition since the respective acquisition date for the acquisition described above were immaterial for the three months ended March 31, 2023.

(4) Equipment and Other Fixed Assets

Equipment and other fixed assets as of March 31, 2024 and December 31, 2023 are as follows (in thousands):

	March 31, 2024	December 31, 2023
Patient medical equipment	$ 801,645	$ 791,349
Computers and software	89,646	85,509
Delivery vehicles	35,021	35,021
Other	21,076	20,203
Gross carrying value	947,388	932,082
Less accumulated depreciation	(445,496)	(436,981)
Equipment and other fixed assets, net	$ 501,892	$ 495,101

For the three months ended March 31, 2024 and 2023, the Company recorded depreciation expense of $87.3 million and $83.8 million, respectively.

(5) Goodwill and Identifiable Intangible Assets

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. The change in the carrying amount of goodwill for the three months ended March 31, 2024 was as follows (in thousands):

	Gross carrying amount
Balance at December 31, 2023	$ 2,724,958
Goodwill impairment	(6,530)
Balance at March 31, 2024	$ 2,718,428

Management is required to perform an assessment of the recoverability of goodwill on an annual basis and upon the identification of a triggering event. Triggering events potentially warranting an interim goodwill impairment assessment include, among other factors, declines in historical or projected revenue, operating results or cash flows, and sustained decreases in the Company's stock price or market capitalization. While management cannot predict if or when future goodwill impairments may occur, a non-cash goodwill impairment charge could have a material adverse effect on the Company's operating results, net assets and the Company's cost of, or access to, capital. The Company did not identify any triggering events indicating a possible impairment of goodwill at March 31, 2024.

The non-cash goodwill impairment charge included in the table above relates to an immaterial business disposal during 2024.

Identifiable intangible assets that are separable and have determinable useful lives are valued separately and amortized over the period which reflects the pattern in which the economic benefits of the assets are expected to be consumed. Identifiable intangible assets consisted of the following at March 31, 2024 and December 31, 2023 (in thousands):

	March 31, 2024	
		Weighted-Average Remaining Life (Years)
Tradenames, net of accumulated amortization of $41,518	$ 71,282	6.4
Payor contracts, net of accumulated amortization of $30,266	51,734	6.3
Developed technology, net of accumulated amortization of $4,725	1,575	1.3
Identifiable intangible assets, net	$ 124,591	

	December 31, 2023	
		Weighted-Average Remaining Life (Years)
Tradenames, net of accumulated amortization of $38,314	$ 74,486	6.6
Payor contracts, net of accumulated amortization of $28,216	53,784	6.6
Developed technology, net of accumulated amortization of $4,410	1,890	1.5
Identifiable intangible assets, net	$ 130,160	

Amortization expense related to identifiable intangible assets, which is included in depreciation and amortization, excluding patient equipment depreciation, in the accompanying statements of operations was $5.6 million and $10.0 million for the three months ended March 31, 2024 and 2023, respectively.

Future amortization expense related to identifiable intangible assets is estimated to be as follows (in thousands):

Twelve months ending March 31,		
2025	$	22,262
2026		20,759
2027		18,784
2028		17,936
2029		17,936
Thereafter		26,914
Total	$	124,591

The Company did not recognize any impairment charges related to identifiable intangible assets during the three months ended March 31, 2024 and 2023.

(6) Fair Value of Assets and Liabilities

FASB ASC Topic 820, *Fair Value Measurements and Disclosures* ("ASC 820"), creates a single definition of fair value, establishes a framework for measuring fair value in U.S. GAAP and expands disclosures about fair value measurements. Assets and liabilities adjusted to fair value in the balance sheet are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs, as defined by ASC 820, are as follows:

Level input	Input Definition
Level 1	Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
Level 2	Inputs, other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with market data at the measurement date.
Level 3	Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

The following table presents the valuation of the Company's financial assets and liabilities as of March 31, 2024 and December 31, 2023 measured at fair value on a recurring basis. The fair value estimates presented herein are based on information available to management as of March 31, 2024 and December 31, 2023. These estimates are not necessarily indicative of the amounts the Company could ultimately realize.

(in thousands)	Level 1	Level 2	Level 3
March 31, 2024			
Assets			
Interest rate swap agreements-short term	$ —	$ 4,899	$ —
Interest rate swap agreements-long term	—	2,115	—
Total assets measured at fair value	$ —	$ 7,014	$ —
Liabilities			
Warrant liability	—	—	11,474
Total liabilities measured at fair value	$ —	$ —	$ 11,474

(in thousands)	Level 1	Level 2	Level 3
December 31, 2023			
Assets			
Interest rate swap agreements-short term	$ —	$ 4,482	$ —
Interest rate swap agreements-long term	—	986	—
Total assets measured at fair value	$ —	$ 5,468	$ —
Liabilities			
Acquisition-related contingent consideration-short term	$ —	$ —	$ 6,850
Warrant liability	—	—	4,021
Total liabilities measured at fair value	$ —	$ —	$ 10,871

Interest Rate Swaps

The Company uses interest rate swap agreements to manage interest rate risk by converting a portion of its variable rate borrowings to a fixed rate and recognizes these derivative instruments as either assets or liabilities in the accompanying consolidated balance sheets at fair value. The valuation of these derivative instruments is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. The fair value of the Company's interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash payments and the discounted expected variable cash payments receipts. The variable cash receipts are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. To comply with the provisions of FASB ASC Topic 820, *Fair Value Measurement*, the Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts and guarantees.

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with the Company's derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by the Company and the respective counterparties. The Company has determined that the significance of the impact of the credit valuation adjustments made to its derivative contracts, which determination was based on the fair value of each individual contract, was not significant to the overall valuation. As a result, all of the Company's derivatives held as of March 31, 2024 and December 31, 2023 were classified as Level 2 of the fair value hierarchy. See Note 7, *Derivative Instruments and Hedging Activities*, for additional information regarding the Company's derivative instruments.

Acquisition-Related Contingent Consideration

The Company estimates the fair value of acquisition-related contingent consideration liabilities by applying the income approach using a probability-weighted discounted cash flow model. This fair value measurement is based on significant inputs not observed in the market and thus represents a Level 3 measurement. Level 3 instruments are valued based on unobservable inputs that are supported by little or no market activity and reflect the Company's own assumptions in measuring fair value. Each period, the Company evaluates the fair value of acquisition-related contingent consideration obligations and records any changes in the fair value of such liabilities in other income/loss in the Company's consolidated statements of operations. At December 31, 2023, contingent consideration liabilities of $6.9 million was included in other current liabilities in the accompanying consolidated balance sheets. There were no contingent consideration liabilities as of March 31, 2024. A reconciliation of the Company's contingent consideration liabilities related to acquisitions for the three months ended March 31, 2024 and 2023 is as follows (in thousands):

Three Months Ended March 31, 2024	Beginning Balance	Payments	Ending Balance
Contingent consideration - Level 3 liabilities	$ 6,850	$ (6,850)	$ —
Three Months Ended March 31, 2023			
Contingent consideration - Level 3 liabilities	$ 7,500	$ —	$ 7,500

Warrant Liability

The warrant liability represents the estimated fair value of the Company's outstanding private warrants. The fair value of the private warrants was estimated using the Black-Scholes option pricing model. See Note 10, *Stockholders' Equity*, for additional discussion of the warrant liability and the material assumptions leveraged for the pricing model.

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

During the three months ended March 31, 2024 and 2023, there were no fair value measurements on a non-recurring basis for the Company's non-financial assets.

(7) Derivative Instruments and Hedging Activities

The Company records all derivatives on its consolidated balance sheet at fair value. As of March 31, 2024, the Company had outstanding interest rate derivatives with third parties in which the Company pays a fixed interest rate and receives a rate equal to the one-month Secured Overnight Financing Rate ("Term SOFR"). The notional amount associated with the Company's interest rate swap agreements that were outstanding as of March 31, 2024 was $250 million and have a maturity date in January 2026. The Company has designated its swaps as effective cash flow hedges of interest rate risk. Accordingly, changes in the fair value of the interest rate swaps are recorded as a component of accumulated other comprehensive income within stockholders' equity and subsequently reclassified into interest expense in the same period during which the hedged transaction affects earnings.

The table below presents the fair value of the Company's derivatives related to its interest rate swap agreements, which are designated as hedging instruments, as well as their classification in the consolidated balance sheets at March 31, 2024 and December 31, 2023 (in thousands):

Balance Sheet Location	March 31, 2024	December 31, 2023
	Asset	
Prepaid and other current assets	$ 4,899	$ 4,482
Other assets	2,115	986
Total	$ 7,014	$ 5,468

During the three months ended March 31, 2024 and 2023, as a result of the effect of cash flow hedge accounting, the Company recognized a gain, net of tax, of $1.2 million and a loss, net of tax, of $2.2 million, respectively, in other comprehensive income. In addition, during the three months ended March 31, 2024 and 2023, $0.4 million and $0.6 million, respectively, was reclassified from other comprehensive income and recognized as a reduction to interest expense, net, in the accompanying consolidated statements of operations.

(8) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses as of March 31, 2024 and December 31, 2023 consisted of the following (in thousands):

	March 31, 2024	December 31, 2023
Accounts payable	$ 226,422	$ 211,504
Employee-related accruals	44,310	47,462
Litigation settlement	12,445	57,340
Accrued interest	10,593	29,327
Other	46,464	46,361
Total	$ 340,234	$ 391,994

(9) Debt

The following is a summary of long term-debt as of March 31, 2024 and December 31, 2023 (in thousands):

	March 31, 2024	December 31, 2023
Secured term loan	$ 695,000	$ 720,000
Revolving credit facility	75,000	—
Senior unsecured notes	1,450,000	1,450,000
Unamortized deferred financing fees	(20,839)	(22,018)
	2,199,161	2,147,982
Current portion	(40,000)	(53,368)
Long-term portion	$ 2,159,161	$ 2,094,614

In January 2021, the Company entered into a credit agreement (as amended, the "2021 Credit Agreement"). The 2021 Credit Agreement included borrowings of $800 million under a secured term loan (the "2021 Term Loan"), and $450 million in commitments for revolving credit loans (the "2021 Revolver"). The 2021 Revolver has a $55 million letter of credit sublimit. The 2021 Term Loan and the 2021 Revolver both have maturities in January 2026. At the option of the Company, amounts borrowed under the 2021 Credit Agreement bear interest at variable rates based upon either the Base Rate (as defined), payable quarterly, or Term SOFR (as defined), payable monthly or quarterly. Interest periods for loans based on Term SOFR are available for one or three months at the option of the Company. Borrowings using Base Rate accrue interest at a per annum rate equal to the sum of (a) the Base Rate determined on each day (subject to a zero percent floor), plus an Applicable Margin (as defined) ranging from 0.50% to 2.25% per annum determined based on the Consolidated Senior Secured Leverage Ratio (as defined) of the Company. Borrowings using Term SOFR accrue interest at a per annum rate equal to the sum of (a) Term SOFR for the applicable interest period (subject to a zero percent floor), plus (b) a Term SOFR adjustment of 0.10%, plus (c) an Applicable Margin (as defined) ranging from 1.50% to 3.25% per annum determined based on the Consolidated Senior Secured Leverage Ratio of the Company. The 2021 Revolver carries a commitment fee during the term of the 2021 Credit Agreement ranging from 0.25% to 0.50% per annum of the actual daily undrawn portion of the 2021 Revolver depending upon the Consolidated Senior Secured Leverage Ratio of the Company.

Under the 2021 Credit Agreement, the Company is subject to a number of restrictive covenants that, among other things, impose operating and financial restrictions on the Company. Financial covenants include a Consolidated Total Leverage Ratio and a Consolidated Interest Coverage Ratio, both as defined in the 2021 Credit Agreement. The 2021 Credit Agreement also contains certain customary events of default, including, among other things, failure to make payments when due thereunder, failure to observe or perform certain covenants, cross-defaults, bankruptcy and insolvency-related events, and non-compliance with healthcare laws. The Company was in compliance with the applicable covenants in the 2021 Credit Agreement as of March 31, 2024.

Any borrowing under the 2021 Credit Agreement may be repaid, in whole or in part, at any time and from time to time without premium or penalty, other than customary breakage costs, and any amounts repaid under the 2021 Revolver may be reborrowed. Mandatory prepayments are required under the 2021 Revolver when borrowings and letter of credit usage exceed the total commitments for revolving credit loans. Mandatory prepayments are also required in connection with the disposition of assets to the extent proceeds thereof are not reinvested, unpermitted debt transactions, and from annual Excess Cash Flow (as defined) if certain leverage tests are not met.

Secured Term Loan

The outstanding borrowing under the 2021 Term Loan requires quarterly principal repayments of $10.0 million through December 31, 2025, and the unpaid principal balance is due at maturity in January 2026. As a result of the calculation of excess cash flow as of December 31, 2023, the Company was required to make a mandatory prepayment of $13.4 million on the 2021 Term Loan, which was paid in March 2024. In addition, the Company made a voluntary repayment on the 2021 Term Loan of $1.6 million during the three months ended March 31, 2024. At March 31, 2024 and December 31, 2023, there was $695.0 million and $720.0 million, respectively, outstanding under the 2021 Term Loan. The per annum interest rate under the 2021 Term Loan was 7.43% at March 31, 2024. In addition, the Company made a voluntary repayment of $15.0 million on the 2021 Term Loan in April 2024.

Revolving Credit Facility

During the three months ended March 31, 2024, the Company borrowed $75.0 million under the 2021 Revolver. At March 31, 2024, there was $75.0 million outstanding under the 2021 Revolver which was repaid in April 2024, and $21.6 million outstanding under letters of credit. During the three months ended March 31, 2023, the Company borrowed $50.0 million under the 2021 Revolver, and repaid $25.0 million during the period. Borrowings under the 2021 Revolver may be used for working capital and other general corporate purposes, including for capital expenditures and acquisitions permitted under the 2021 Credit Agreement. At March 31, 2024, based on the financial debt covenants under the 2021 Credit Agreement, the maximum amount the Company could borrow under the 2021 Revolver and remain in compliance with the financial debt covenants under the agreement was $263.8 million.

Senior Unsecured Notes

In August 2021, the Company issued $600.0 million aggregate principal amount of 5.125% senior unsecured notes (the "5.125% Senior Notes"). The 5.125% Senior Notes will mature on March 1, 2030. Interest on the 5.125% Senior Notes is payable on March 1st and September 1st of each year. The 5.125% Senior Notes will be redeemable at the Company's option, in whole or in part, at any time on or after March 1, 2025, and the redemption price for the 5.125% Senior Notes if redeemed during the 12 months beginning (i) March 1, 2025 is 102.563%, (ii) March 1, 2026 is 101.281%, (iii) March 1, 2027 and thereafter is 100.000%, in each case together with accrued and unpaid interest. The Company may also redeem some or all of the 5.125% Senior Notes before March 1, 2025 at a redemption price of 100% of the principal amount of the 5.125% Senior Notes, plus a "make-whole" premium, together with accrued and unpaid interest. In addition, the Company may redeem up to 40% of the original aggregate principal amount of the 5.125% Senior Notes before March 1, 2025 with the proceeds from certain equity offerings at a redemption price equal to 105.125% of the principal amount of the 5.125% Senior Notes, together with accrued and unpaid interest. Furthermore, the Company may be required to make an offer to purchase the 5.125% Senior Notes upon the sale of certain assets or upon specific kinds of changes of control.

In January 2021, the Company issued $500.0 million aggregate principal amount of 4.625% senior unsecured notes (the "4.625% Senior Notes"). The 4.625% Senior Notes will mature on August 1, 2029. Interest on the 4.625% Senior Notes is payable on February 1st and August 1st of each year. The 4.625% Senior Notes will be redeemable at the Company's option, in whole or in part, at any time on or after February 1, 2024, and the redemption price for the 4.625% Senior Notes if redeemed during the 12 months beginning (i) February 1, 2024 is 102.313%, (ii) February 1, 2025 is 101.156%, (iii) February 1, 2026 and thereafter is 100.000%, in each case together with accrued and unpaid interest. The Company may also redeem some or all of the 4.625% Senior Notes before February 1, 2024 at a redemption price of 100% of the principal amount of the 4.625% Senior Notes, plus a "make-whole" premium, together with accrued and unpaid interest. In addition, the Company may redeem up to 40% of the original aggregate principal amount of the 4.625% Senior Notes before February 1, 2024 with

the proceeds from certain equity offerings at a redemption price equal to 104.625% of the principal amount of the 4.625% Senior Notes, together with accrued and unpaid interest. Furthermore, the Company may be required to make an offer to purchase the 4.625% Senior Notes upon the sale of certain assets or upon specific kinds of changes of control.

In July 2020, the Company issued $350.0 million aggregate principal amount of 6.125% senior unsecured notes (the "6.125% Senior Notes"). The 6.125% Senior Notes will mature on August 1, 2028. Interest on the 6.125% Senior Notes is payable on February 1st and August 1st of each year. The 6.125% Senior Notes will be redeemable at the Company's option, in whole or in part, at any time on or after August 1, 2023, and the redemption price for the 6.125% Senior Notes if redeemed during the 12 months beginning (i) August 1, 2023 is 103.063%, (ii) August 1, 2024 is 102.042%, (iii) August 1, 2025 is 101.021% and (iv) August 1, 2026 and thereafter is 100.000%, in each case together with accrued and unpaid interest. The Company may also redeem some or all of the 6.125% Senior Notes before August 1, 2023 at a redemption price of 100% of the principal amount of the 6.125% Senior Notes, plus a "make-whole" premium, together with accrued and unpaid interest. In addition, the Company may redeem up to 40% of the original aggregate principal amount of the 6.125% Senior Notes before August 1, 2023 with the proceeds from certain equity offerings at a redemption price equal to 106.125% of the principal amount of the 6.125% Senior Notes, together with accrued and unpaid interest. Furthermore, the Company may be required to make an offer to purchase the 6.125% Senior Notes upon the sale of certain assets or upon specific kinds of changes of control.

(10) Stockholders' Equity

Under the Company's Third Amended and Restated Certificate of Incorporation, there are 300,000,000 shares of authorized Common Stock and 5,000,000 shares of authorized Preferred Stock. Holders of Common Stock are entitled to one vote for each share. The shares of Preferred Stock shall be issued with such designations, voting and other rights and preferences as may be determined from time to time by the Company's board of directors.

Treasury Stock

In May 2022, the Company's board of directors authorized a share repurchase program for up to $200.0 million of the Company's Common Stock, which expired on December 31, 2023 (the "Share Repurchase Program"). The timing and actual number of shares repurchased depended upon market conditions and other factors. Shares of the Company's Common Stock were repurchased from time to time on the open market through privately negotiated transactions or otherwise. During the three months ended March 31, 2023, the Company purchased 631,953 shares of the Company's Common Stock for $9.2 million under the Share Repurchase Program, which is reflected in Treasury Stock in the accompanying consolidated statements of stockholders' equity.

Warrants

As of March 31, 2024, the Company had 3,871,557 warrants outstanding, which have an expiration date of November 20, 2024. Each warrant is exercisable into one share of Common Stock at a price of $11.50 per share. The exercise price and number of shares of Common Stock issuable upon exercise of the warrants may be adjusted in certain circumstances including in the event of a share dividend, or recapitalization, reorganization, merger or consolidation. However, the warrants will not be adjusted for the issuance of Common Stock at a price below its exercise price. There were no warrants exercised during the three months ended March 31, 2024 and 2023.

The Company classifies its warrants as a liability in its consolidated balance sheets because of certain terms included in the corresponding warrant agreement. The estimated fair value of the warrants is recorded as a liability, with such fair value reclassified to stockholders' equity upon the exercise of such warrants. Prior to exercise, the change in the estimated fair value of such warrants each period is recognized as a non-cash charge or gain in the Company's consolidated statements of operations.

A reconciliation of the changes in the warrant liability during the three months ended March 31, 2024 and 2023 was as follows (in thousands):

Estimated fair value of warrant liability at December 31, 2023	$	4,021
Change in estimated fair value of the warrant liability		7,453
Estimated fair value of warrant liability at March 31, 2024	$	11,474
Estimated fair value of warrant liability at December 31, 2022	$	38,503
Change in estimated fair value of the warrant liability		(21,914)
Estimated fair value of warrant liability at March 31, 2023	$	16,589

The warrant liability is classified as a current liability as of March 31, 2024 and December 31, 2023 in the accompanying consolidated balance sheets since the expiration date of the warrants is less than one year as of such dates.

Equity-based Compensation

In connection with the Company's 2019 Stock Incentive Plan (the "2019 Plan"), the Company provides equity-based compensation to attract and retain employees while also aligning employees' interest with the interests of its stockholders. The 2019 Plan permits the grant of various equity-based awards to selected employees and non-employee directors. The 2019 Plan permits the grant of up to 10,000,000 shares of Common Stock, subject to certain adjustments and limitations. At March 31, 2024, 235,077 shares of the Company's Common Stock were available for issuance under the 2019 Plan.

Stock Options

There were no stock options granted during the three months ended March 31, 2024 and 2023. The following table provides the activity regarding the Company's outstanding stock options during the three months ended March 31, 2024 that were granted in connection with the 2019 Plan (in thousands, except per share data):

	Number of Options		Weighted-Average Grant Date Fair Value per Share		Weighted-Average Exercise Price per Share	Weighted-Average Remaining Contractual Term
Outstanding, December 31, 2023	2,219	$	3.75	$	19.36	5.1 Years
Expired	(735)	$	4.58	$	23.38	
Outstanding, March 31, 2024	1,484	$	3.34	$	17.38	5.0 Years

The following table provides the activity for all outstanding stock options during the three months ended March 31, 2024 (in thousands, except per share data):

	Number of Options		Weighted-Average Exercise Price per Share	Weighted-Average Remaining Contractual Term
Outstanding, December 31, 2023	3,409	$	14.90	4.9 Years
Exercised	(177)	$	3.08	
Expired	(735)	$	23.38	
Outstanding, March 31, 2024	2,497	$	13.24	5.0 Years

During the three months ended March 31, 2024, 176,623 stock options were exercised resulting in $0.5 million of cash proceeds received by the Company and the issuance of 176,623 shares of the Company's Common Stock. There were no stock option exercises during the three months ended March 31, 2023.

Restricted Stock

During the three months ended March 31, 2024, the Company granted the following shares of restricted stock:

- 972,925 shares of restricted stock to various employees which vest ratably over the three-year period following the vesting commencement dates, subject to the employees' continuous employment through the applicable vesting date. The grant-date fair value of these awards was $7.3 million.

- 53,739 shares of restricted stock to an employee which vests ratably over the two-year period following the vesting commencement date, subject to the employee's continuous employment through the applicable vesting date. The grant-date fair value of this award was $0.6 million.

- 43,497 shares of restricted stock to an employee which vest on the two-month anniversary following the applicable vesting commencement dates. The grant-date fair value of these awards was $0.4 million.

- 327,021 shares of performance-vested restricted stock units ("Performance RSUs") to certain employees of the Company which will vest on the third anniversary of the vesting commencement date subject to the achievement of specified goals relative to the Company's three-year relative total shareholder return ("Relative TSR") performance versus the Company's defined peer group (the "Peer Group"), which is considered a market condition, and is also subject to the employees' continuous employment through the vesting date. The grant-date fair value of these awards, using a Monte-Carlo simulation analysis, was $6.4 million. The payout of shares on the vesting date are as follows based on the Company's Relative TSR versus the Peer Group (for performance between the stated goals noted below, straight-line interpolation will be applied):

- Less than 25th Percentile – No payout
- Greater than or equal to 25th Percentile – 50% of Performance RSUs
- Equal to 50th Percentile – 100% of Performance RSUs
- Greater than or equal to 75th Percentile – 200% of Performance RSUs

Activity related to the Company's non-vested restricted stock grants for the three months ended March 31, 2024 is presented below (in thousands, except per share data):

	Number of Shares of Restricted Stock	Weighted-Average Grant Date Fair Value per Share
Non-vested balance, December 31, 2023	2,068	$ 19.16
Granted	1,397	$ 10.49
Vested	(430)	$ 21.15
Forfeited	(33)	$ 21.21
Non-vested balance, March 31, 2024	3,002	$ 14.85

Equity-Based Compensation Expense

The Company recorded equity-based compensation expense of $4.5 million during the three months ended March 31, 2024, of which $3.5 million and $1.0 million is included in general and administrative expenses and cost of net revenue, respectively, in the accompanying consolidated statements of operations. The Company recorded equity-based compensation expense of $5.9 million during the three months ended March 31, 2023, of which $4.6 million and $1.3 million is included in general and administrative expenses and cost of net revenue, respectively, in the accompanying consolidated

statements of operations. At March 31, 2024, there was $29.6 million of unrecognized compensation expense related to equity-based compensation awards, which is expected to be recognized over a weighted-average period of 2.1 years.

(11) Earnings (Loss) Per Share

Earnings (Loss) Per Share ("EPS") is computed by dividing net (loss) income by the weighted average number of common shares outstanding during the period on a basic and diluted basis. The Company computes diluted net (loss) income per share using the more dilutive of the treasury stock method and the two-class method after giving effect to all potential dilutive common stock.

The Company's potentially dilutive securities include potential common shares related to outstanding warrants, unvested restricted stock, outstanding stock options and outstanding preferred stock. See Note 10, *Stockholders' Equity*, for additional discussion of these potential dilutive securities.

Diluted net (loss) income per share considers the impact of potentially dilutive securities except when the potential common shares have an antidilutive effect. The Company's outstanding preferred stock are considered participating securities, thus requiring the two-class method of computing diluted net (loss) income per share. Computation of diluted net (loss) income per share under the two-class method excludes from the numerator any dividends paid or owed on participating securities and any undistributed earnings considered to be attributable to participating securities. The related participating securities are similarly excluded from the denominator.

Computations of basic and diluted net (loss) income per share were as follows (in thousands, except per share data):

	Three Months Ended March 31,	
	2024	2023
Numerator		
Net (loss) income attributable to AdaptHealth Corp.	$ (2,134)	$ 15,707
Less: Earnings allocated to participating securities [1]	—	1,327
Net (loss) income for basic EPS	$ (2,134)	$ 14,380
Change in fair value of warrant liability [2]	—	(21,914)
Net loss for diluted EPS	$ (2,134)	$ (7,534)
Denominator [1] [2]		
Basic weighted-average common shares outstanding	132,914	134,525
Add: Warrants [2]	—	1,451
Add: Stock options	—	—
Add: Unvested restricted stock	—	—
Diluted weighted-average common shares outstanding	132,914	135,976
Basic net (loss) income per share	$ (0.02)	$ 0.11
Diluted net loss per share	$ (0.02)	$ (0.06)

(1) The Company's preferred stock are considered participating securities. Computation of EPS under the two-class method excludes from the numerator any dividends paid or owed on participating securities and any undistributed earnings considered to be attributable to participating securities. The related participating securities are similarly excluded from the denominator. There was no amount allocated to the participating securities during the three months ended March 31, 2024 due to the net loss reported in that period.

(2) For the three months ended March 31, 2023, the impact to earnings from the change in fair value of the Company's warrant liability is excluded from the numerator, and the corresponding security is included in the denominator, for purposes of computing diluted net loss per share. This adjustment is included as the effect of the numerator and

denominator adjustment for this derivative instrument is dilutive as a result of the non-cash gain recorded for the change in fair value of this instrument during the period. For the three months ended March 31, 2024, this adjustment is excluded from the computation of diluted net loss per share under the treasury stock method since its inclusion would have been anti-dilutive.

Due to the Company reporting a net loss attributable to AdaptHealth Corp. for the three months ended March 31, 2024, all potentially dilutive securities related to unvested restricted stock and outstanding stock options were excluded from the computation of diluted net loss per share for that period as their inclusion would have been anti-dilutive.

The table below provides the weighted-average number of potential common shares associated with outstanding securities not included in the Company's computation of diluted net (loss) income per share for the three months ended March 31, 2024 and 2023 because to do so would be anti-dilutive (in thousands):

	Three Months Ended March 31,	
	2024	2023
Preferred Stock	12,406	12,406
Warrants	3,872	—
Stock options	2,498	4,962
Unvested restricted stock	2,934	1,636
Total	21,710	19,004

(12) Leases

The Company leases its operating locations and office facilities under noncancelable lease agreements which expire at various dates through May 2038. Some of these lease agreements include an option to renew at the end of the term. The Company also leases certain office facilities on a month-to-month basis. In some instances, the Company is also required to pay its pro rata share of real estate taxes and utility costs in connection with the premises. Some of the leases contain fixed annual increases of minimum rent.

The Company's leases frequently allow for lease payments that could vary based on factors such as inflation and the incurrence of contractual charges such as those for common area maintenance or utilities.

Renewal and/or early termination options are common in the lease arrangements, particularly with respect to real estate leases. The Company's right-of-use ("ROU") assets and lease liabilities generally include periods covered by renewal options and exclude periods covered by early termination options (based on the conclusion that it is reasonably certain that the Company will exercise such renewal options and not exercise such early termination options).

The Company is also party to certain sublease arrangements related to real estate leases, where the Company acts as the lessee and intermediate lessor.

The Company leases certain of its vehicles through finance leases. The finance lease obligations represent the present value of minimum lease payments under the respective agreement, payable monthly at various interest rates.

The following table presents information about lease costs and expenses and sublease income for the three months ended March 31, 2024 and 2023 (in thousands). The amounts below, with the exception of interest on lease liabilities, are included in cost of net revenue in the accompanying consolidated statements of operations for the periods presented. The

interest on lease liabilities is included in interest expense, net in the accompanying consolidated statements of operations for the periods presented.

	Three Months Ended March 31,	
	2024	2023
Operating lease costs	$ 13,046	$ 10,474
Finance lease costs:		
Amortization of ROU assets	$ 2,255	$ 530
Interest on lease liabilities	$ 507	$ —
Other lease costs and income:		
Variable leases costs [1]	$ 5,871	$ 6,021
Sublease income	$ 280	$ 378

[1] Amounts represent variable costs incurred that were not included in the initial measurement of the lease liability such as common area maintenance and utilities costs associated with leased real estate.

The following table provides the weighted average remaining lease terms and weighted average discount rates for the Company's leases as of March 31, 2024 and December 31, 2023:

	March 31, 2024	December 31, 2023
Weighted average remaining lease term, weighted based on lease liability balances:		
Operating leases	5.3 years	5.6 years
Finance leases	3.4 years	3.6 years
Weighted average discount rate, weighted based on remaining balance of lease payments:		
Operating leases	4.5 %	4.4 %
Finance leases	6.7 %	6.7 %

The following table provides the undiscounted amount of future cash flows related to the Company's operating and finance leases, as well as a reconciliation of such undiscounted cash flows to the amounts included in the Company's lease liabilities as of March 31, 2024 (in thousands):

	Operating Leases	Finance Leases
2024	$ 27,318	$ 8,198
2025	31,201	10,341
2026	22,294	9,300
2027	14,344	5,823
2028	11,155	113
Thereafter	24,316	104
Total future undiscounted lease payments	$ 130,628	$ 33,879
Less: amount representing interest	(14,983)	(3,577)
Present value of future lease payments (lease liability)	$ 115,645	$ 30,302

The following table provides certain cash flow and supplemental non-cash information related to the Company's lease liabilities for the three months ended March 31, 2024 and 2023, respectively (in thousands):

	Three Months Ended March 31,	
Cash paid for amounts included in the measurement of lease liabilities:	2024	2023
Operating cash payments for operating leases	$ 12,876	$ 11,356
Financing cash payments for finance leases	$ 2,291	$ 981
Lease liabilities arising from obtaining right-of-use assets:		
Operating leases	$ 12,987	$ 3,847
Finance leases	$ 1,023	$ 2,407

(13) Income Taxes

The Company is subject to U.S. federal, state, and local income taxes. For the three months ended March 31, 2024 and 2023, the Company recorded income tax expense of $6.6 million and an income tax benefit of $1.7 million, respectively. For the three months ended March 31, 2024, the Company recognized a $0.5 million income tax benefit, and corresponding increase to net deferred tax assets, related to a non-cash goodwill impairment charge of $6.5 million. See Note 5, *Goodwill and Identifiable Intangible Assets*, for additional details.

As of March 31, 2024 and December 31, 2023, the Company had an unrecognized tax benefit of $5.2 million and $6.6 million, respectively.

Tax Receivable Agreement

AdaptHealth Corp. is party to a Tax Receivable Agreement ("TRA") with certain current and former members of AdaptHealth Holdings LLC, a Delaware limited liability company ("AdaptHealth Holdings"). The TRA provides for the payment by AdaptHealth Corp. of 85% of the tax savings, if any, that AdaptHealth Corp. realizes (or is deemed to realize in certain circumstances) as a result of (i) certain tax attributes of the corresponding sellers existing prior to the Business Combination; (ii) certain increases in tax basis resulting from exchanges of New AdaptHealth Units and shares of Class B Common Stock; (iii) imputed interest deemed to be paid by the Company as a result of payments it makes under the TRA; and (iv) certain increases in tax basis resulting from payments the Company makes under the TRA. Under the TRA, the benefits deemed realized by the Company as a result of the increase in tax basis attributable to the AdaptHealth Holdings members generally will be computed by comparing the actual income tax liability of the Company to the amount of such taxes that the Company would have been required to pay had there been no such increase in tax basis.

At March 31, 2024, the Company's liability relating to the TRA was $290.2 million, of which $24.3 million and $265.9 million is included in other current liabilities and other long-term liabilities, respectively, in the accompanying consolidated balance sheets. At December 31, 2023, the Company's liability relating to the TRA was $291.6 million, of which $1.5 million and $290.1 million is included in other liabilities and other long-term liabilities, respectively, in the accompanying consolidated balance sheets.

(14) Commitments and Contingencies

In the normal course of business, the Company is subject to loss contingencies, such as legal proceedings and claims arising out of its business that cover a wide range of matters. In accordance with FASB ASC Topic 450, *Accounting for Contingencies*, the Company records accruals for such loss contingencies when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. If there is no probable estimate within a range of reasonably possible outcomes, the Company's policy is to record at the low end of the range of such reasonably possible outcomes. Significant judgment is required to determine both probability and the estimated amount. The Company reviews its accruals at least quarterly and adjusts accordingly to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and updated information. At this time, the Company has no material accruals related to lawsuits, claims, investigations and proceedings, except as disclosed below. While there can be no assurance, based on the Company's evaluation of information currently available, the Company's management believes any liability that may ultimately result from resolution of such loss contingencies will not have a material adverse effect on the Company's financial conditions or results of operations.

However, the Company's assessment may be affected by limited information. Accordingly, the Company's assessment may change in the future based upon availability of new information and further developments in the proceedings of such matters. The results of legal proceedings are inherently uncertain, and material adverse outcomes are possible. Professional legal fees are expensed as they are incurred.

On July 29, 2021, Robert Charles Faille Jr., a purported shareholder of the Company, filed a purported class action complaint against the Company and certain of its current and former officers in the United States District Court for the Eastern District of Pennsylvania for alleged violations of the federal securities laws arising from allegedly false and misleading statements and/or failures to disclose material information regarding changes made to the methodology used to calculate the Company's organic growth trajectory. On October 14, 2021, the court appointed Delaware County Employees Retirement System and the Bucks County Employees Retirement System as Lead Plaintiffs. On November 22, 2021, Lead Plaintiffs filed a consolidated complaint against the Company and certain of its current and former officers and directors on behalf of shareholders that purchased or otherwise acquired the Company's stock and options between November 8, 2019 and July 16, 2021 (as to the complaint, the "Consolidated Complaint"; as to the action, the "Consolidated Class Action"). The Consolidated Complaint generally alleges that the defendants violated federal securities laws by making allegedly false and misleading statements and/or failing to disclose material information regarding changes made to the methodology used to calculate the Company's organic growth trajectory and the Company's former Co-CEO's alleged tax fraud arising from certain past private activity. The Consolidated Complaint seeks unspecified damages. On January 20, 2022, the defendants filed a motion to dismiss the Consolidated Complaint, which the court denied on June 9, 2022. On June 7, 2023, the court entered an order staying the Consolidated Class Action pending the outcome of a private mediation between the parties.

On February 26, 2024, defendants entered into a stipulation and agreement of settlement with the Lead Plaintiffs (the "Securities Settlement"). The Company's portion of the proposed settlement consists of (i) $32.2 million of cash from the Company's insurance carriers; (ii) $17.8 million of cash from the Company; (iii) 1 million shares of the Company's Common Stock (the "Settlement Shares"), which had a fair value of $7.3 million recognized at December 31, 2023; and (iv) the implementation of certain corporate governance reforms. All of the aforementioned cash consideration has been paid consistent with the Securities Settlement during the three months ended March 31, 2024. The Company anticipates that the Settlement Shares, the only outstanding portion of the Company's financial consideration, will be issued from available Treasury Stock. For the three months ended March 31, 2024, the Company recognized a pre-tax expense of $4.2 million for the change in fair value of the Settlement Shares, which is included in other loss, net in the accompanying consolidated statements of operations. As of March 31, 2024, the Company recorded a liability of $11.5 million relating to the Settlement Shares; such liability is included in accounts payable and accrued expenses in the accompanying consolidated balance sheets. Upon issuance of the Settlement Shares, $11.5 million will be reclassified from liabilities to stockholders' equity.

The proposed settlement remains subject to final court approval and other customary closing conditions. On March 5, 2024, the court granted preliminary approval of the settlement, and set the final approval hearing for June 20, 2024. Upon the effectiveness of the proposed settlement, the Company and its directors and officers as well as the other defendants named in the Consolidated Complaint will be released from the claims that were asserted or could have been asserted in the Consolidated Class Action, with certain limitations, by class members participating in the settlement. The Company has always maintained, and continues to believe, that it did not engage in any wrongdoing or otherwise commit any violation of federal or state securities laws or other laws. The settlement includes no admission of liability or wrongdoing and is subject to court approval. There can be no assurance that the settlement will be approved and, even if approved, whether the conditions to closing will be satisfied, and the actual outcome of this matter may differ materially from the terms of the settlement described herein.

On March 7, 2024, the Company entered into a settlement agreement with its directors and officers liability insurers to resolve a proceeding that the Company filed in Delaware Superior Court concerning coverage in connection with the Consolidated Class Action and the Derivative Action discussed immediately below. If the Securities Settlement becomes final, the insurance settlement will exhaust $35.0 million in D&O coverage limits available to the Company for the policy period from November 8, 2020 to November 8, 2021. There can be no assurance that the conditions to closing will be satisfied, and the actual outcome of this matter may differ materially from the terms of the settlement described herein.

On December 6, 2021, a putative shareholder of the Company, Carol Hessler (the "Derivative Plaintiff"), filed a shareholder derivative complaint against certain current and former directors and officers of the Company in the United States District Court for the Eastern District of Pennsylvania (as to the complaint, the "Derivative Complaint"; as to the action, the "Derivative Action"). The Derivative Complaint generally alleges that the defendants breached their fiduciary

duties owed to the Company by, among other things, allegedly causing or allowing misrepresentations and/or omissions regarding changes made to the methodology used to calculate the Company's organic growth and the Company's former Co-CEO's alleged criminal activity and engaging in insider trading. The Derivative Complaint also alleges claims for waste of corporate assets and unjust enrichment. Finally, the Derivative Complaint alleges that certain of the individual defendants violated Section 14(a) of the Securities Exchange Act by allegedly negligently issuing, causing to be issued, and participating in the issuance of materially misleading statements to stockholders in the Company's Proxy Statements on Schedule DEF 14A in connection with a Special Meeting of Stockholders, held on March 3, 2021, and the 2021 Annual Meeting of Stockholders, held on July 27, 2021. The Derivative Complaint seeks, among other things, an award of money damages.

On March 4, 2022, the parties to the Derivative Action stipulated to stay the Derivative Action pending final resolution of the Consolidated Class Action. On March 7, 2022, the court so-ordered the parties' stipulation.

On April 23, 2024, defendants entered into a stipulation and agreement of settlement with the Derivative Plaintiff. In exchange for full releases, the proposed settlement consists of (i) $0.9 million in attorneys' fees and expenses, which will be funded with cash from the Company; and (ii) the implementation of corporate governance reforms separate from those negotiated in Securities Settlement. For the three months ended March 31, 2024, the Company recorded a pre-tax expense of $0.9 million associated with the settlement, which is included in other loss, net in the accompanying consolidated statements of operations. As of March 31, 2024, the Company recorded a liability of $0.9 million relating to the settlement; such liability is included in accounts payable and accrued expenses in the accompanying consolidated balance sheets.

The proposed settlement remains subject to preliminary and final court approval and other customary closing conditions. Upon the effectiveness of the proposed settlement, the Company and its directors and officers as well as the other defendants named in the Derivative Complaint will be released from the claims that were asserted or could have been asserted in the Derivative Action, with certain limitations, by class members participating in the settlement. The Company has always maintained, and continues to believe, that it did not engage in any wrongdoing or otherwise commit any violation of federal or state securities laws or other laws. The settlement includes no admission of liability or wrongdoing and is subject to court approval. There can be no assurance that the settlement will be finalized and approved and, even if approved, whether the conditions to settlement will be satisfied, and the actual outcome of this matter may differ materially from the terms of the settlement described herein.

On May 2, 2022, the U.S. Attorney's Office for the Southern District of New York issued a civil investigative demand to a subsidiary of the Company, pursuant to the False Claims Act, 31 U.S.C. § 3733 ("FCA") surrounding whether the subsidiary submitted false claims in violation of the FCA related to its billing of, and reimbursements from, federal health care programs for ventilators provided to patients from January 1, 2015 to the present. The Company is fully cooperating with the investigation. Given the stage of the investigation, it is not possible to determine whether it will have a material adverse effect on the Company.

On October 24, 2023, Allegheny County Employees' Retirement System, a purported shareholder of the Company, filed a purported class action complaint against the Company and certain of its current and former officers, and certain underwriters in the United States District Court for the Eastern District of Pennsylvania (the "Allegheny County Complaint"). The Allegheny County Complaint purports to be asserted on behalf of a class of persons who purchased the Company's stock between August 4, 2020 and February 27, 2023. The Allegheny County Complaint alleges, among other things, that the defendants violated federal securities laws by making allegedly false and misleading statements and/or failing to disclose material information regarding the Company's organic growth in its diabetes business. The Allegheny County Complaint seeks unspecified damages. On January 23, 2024, the court entered an order appointing Allegheny County Employees' Retirement System, International Union of Operating Engineers, Local No. 793, Members Pension Benefit Trust of Ontario, and City of Tallahassee Pension Plan as Lead Plaintiffs. On April 22, 2024, the court entered a joint stipulation outlining deadlines for Lead Plaintiffs to identify an operative complaint or file an amended or consolidated complaint and for defendants to respond to the operative complaint.

The Company intends to vigorously defend against the allegations contained in the Allegheny County Complaint, but there can be no assurance that the defense will be successful.

On March 20, 2024, a putative shareholder of the Company, Weiding Wu, filed a shareholder derivative complaint related to the allegations in the Allegheny County Complaint, and against certain current and former directors and officers of the Company in the United States District Court for the Eastern District of Pennsylvania (as to the complaint, the "Wu

Derivative Complaint"). The Wu Derivative Complaint alleges, among other things, that the defendants breached their fiduciary duties and violated federal securities laws by making allegedly false and misleading statements and/or failing to disclose material information regarding the Company's organic growth in its diabetes business. The Wu Derivative Complaint also alleges claims for unjust enrichment, waste of corporate assets, abuse of control, and gross mismanagement. The Derivative Complaint seeks, among other things, an award of money damages.

The Company intends to vigorously defend against the allegations contained in the Wu Complaint, but there can be no assurance that the defense will be successful.

(15) Related Party Transactions

The Company and one of its executive officers and shareholder own an equity interest in a vendor of the Company that provides automated order intake software. The individual's equity ownership is less than 1%. The expense related to this vendor was $3.4 million and $2.3 million for the three months ended March 31, 2024 and 2023, respectively. The Company accounts for this investment under the cost method of accounting based on its level of equity ownership. As of March 31, 2024 and December 31, 2023, the Company had an immaterial outstanding accounts payable balance to this vendor.

A director of the Company serves on the board of directors of a third-party payor that does business with the Company in the normal course of providing services to patients. Net revenue from this third-party payor was less than 1.0% of the Company's consolidated net revenue during the three months ended March 31, 2024 and 2023. As of March 31, 2024 and December 31, 2023, the Company had an immaterial outstanding accounts receivable balance from this third-party payor.

A director of the Company is an employee of a beneficial owner of more than 5% of the Company's Common Stock as of March 31, 2024. This beneficial owner is also a minority shareholder of a vendor that provides medical equipment and supplies to the Company in the normal course of business. Purchases from this vendor were $0.4 million and $11.2 million for the three months ended March 31, 2024 and 2023, respectively. As of March 31, 2024 and December 31, 2023, the Company had an immaterial outstanding accounts payable balance to this vendor.

A former regional manager of the Company is a shareholder of a business which provides contract labor to the Company. The regional manager no longer provides service to the Company effective March 31, 2024. Payments to this service provider were $5.3 million and $3.9 million for the three months ended March 31, 2024 and 2023, respectively. As of March 31, 2024 and December 31, 2023, the Company had an immaterial outstanding accounts payable balance to this vendor.

(16) Subsequent Events

The Company evaluated subsequent events for the period from March 31, 2024 through the date that the Company's consolidated financial statements were available to be issued. There were no subsequent events requiring adjustment to the Company's consolidated financial statements or additional disclosure.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with AdaptHealth Corp.'s ("AdaptHealth" or the "Company") consolidated financial statements and the accompanying notes included in this report. All amounts presented are in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), except as noted. In addition to historical information, this discussion contains forward-looking statements that involve risks, uncertainties and assumptions that could cause actual results to differ materially from management's expectations. Factors that could cause such differences include, but are not limited to, those discussed in Item 1A, "*Risk Factors*", in our 2023 Annual Report on Form 10-K filed with the SEC on February 27, 2024. Certain amounts that appear in this section may not sum due to rounding.

AdaptHealth Corp. Overview

AdaptHealth is a national leader in providing patient-centered, healthcare-at-home solutions including home medical equipment ("HME"), medical supplies, and related services. The Company focuses primarily on providing (i) sleep therapy equipment, supplies and related services (including CPAP and bi PAP services) to individuals suffering from obstructive sleep apnea ("OSA"), (ii) medical devices and supplies to patients for the treatment of diabetes (including continuous glucose monitors and insulin pumps), (iii) home medical equipment to patients discharged from acute care and other facilities, (iv) oxygen and related chronic therapy services in the home, and (v) other HME devices and supplies on behalf of chronically ill patients with wound care, urological, incontinence, ostomy and nutritional supply needs. The Company services beneficiaries of Medicare, Medicaid and commercial insurance payors. As of March 31, 2024, AdaptHealth serviced approximately 4.1 million patients annually in all 50 states through its network of approximately 670 locations in 47 states. The Company's principal executive offices are located at 220 West Germantown Pike, Suite 250, Plymouth Meeting, Pennsylvania 19462.

Impact of Inflation

Current and future inflationary effects may be driven by, among other things, general inflationary cost increases, supply chain disruptions and governmental stimulus or fiscal policies. The cost to manufacture and distribute the equipment and products that AdaptHealth provides to patients is influenced by the cost of materials, labor, and transportation, including fuel costs. AdaptHealth continues to experience inflationary pressure and higher costs as a result of the increasing cost of materials, labor and transportation. The increase in the cost of equipment and products is due in part to higher cost of shipping and general inflationary cost increases. Additionally, it is not certain that AdaptHealth will be able to pass increased costs onto customers to offset inflationary pressures. Continuing increases in inflation could impact the overall demand for AdaptHealth's products and services, its costs for labor, equipment and products, and the margins it is able to realize on its products, all of which could have an adverse impact on AdaptHealth's business, financial position, results of operations and cash flows. In addition, future volatility of general price inflation and the impact of inflation on costs and availability of materials, costs for shipping and warehousing and other operational overhead could adversely affect AdaptHealth's financial results. Although there have been increases in inflation, AdaptHealth cannot predict whether these trends will continue. AdaptHealth's mitigation efforts relating to these inflationary pressures include utilizing AdaptHealth's purchasing power in negotiations with vendors and the increased use of technology to drive operating efficiencies and control costs, such as AdaptHealth's digital platform for prescriptions, orders and delivery.

Key Components of Operating Results

Net Revenue. Net revenue is recognized for services and related products that AdaptHealth provides to patients for home healthcare equipment, medical supplies to the home and related services. AdaptHealth' s primary product lines are (i) sleep therapy equipment, supplies and related services (including CPAP and bi PAP services) to individuals suffering from OSA, (ii) medical devices and supplies to patients for the treatment of diabetes (including continuous glucose monitors and insulin pumps), (iii) home medical equipment to patients discharged from acute care and other facilities, (iv) oxygen and related chronic therapy services in the home, and (v) other HME devices and supplies on behalf of chronically ill patients with wound care, urological, incontinence, ostomy and nutritional supply needs. Revenues are recognized either at a point in time for the sale of supplies and disposables, over the service period for equipment rental (including, but not limited to, CPAP machines, hospital beds, wheelchairs and other equipment), net of implicit price concessions for amounts estimated to be received from patients or under reimbursement arrangements with Medicare, Medicaid and other third-party payors, including private insurers, or in the month in which eligible members are entitled to receive healthcare services in connection with at-risk capitation arrangements. Certain trends or uncertainties that may have a material impact on revenue growth and

operating results include the Company's ability to obtain new patient starts and to generate referrals from patient referral sources and the ability to meet the increased demand considering inflationary pressures.

Cost of Net Revenue. Cost of net revenue primarily includes the cost of non-capitalized medical equipment and supplies, distribution expenses, labor costs, facilities and vehicle rental costs, revenue cycle management costs and depreciation for capitalized patient equipment. Distribution expenses represent the cost incurred to coordinate and deliver products and services to the patients. Included in distribution expenses are leasing, maintenance, licensing and fuel costs for the vehicle fleet; salaries, benefits and other costs related to drivers and dispatch personnel; and amounts paid to couriers.

General and Administrative Expenses. General and administrative expenses consist of corporate support costs including information technology, human resources, finance, contracting, legal, compliance, equity-based compensation, and other administrative costs.

Depreciation and Amortization, Excluding Patient Equipment Depreciation. Depreciation expense includes depreciation charges for capital assets other than patient equipment (which is included as part of the cost of net revenue). Amortization expense includes amortization of identifiable intangible assets.

Factors Affecting AdaptHealth's Operating Results

AdaptHealth's operating results and financial performance are influenced by certain unique events during the periods discussed herein, including the following:

Goodwill Impairment

AdaptHealth has a significant amount of goodwill on its balance sheet that resulted from the business acquisitions AdaptHealth has made. Goodwill is not amortized, rather, it is assessed for impairment annually and upon the occurrence of a triggering event or change in circumstances indicating a possible impairment. Such triggering events potentially warranting an annual or interim goodwill impairment assessment include, among other factors, declines in historical or projected revenue, operating income or cash flows, and sustained decreases in AdaptHealth's stock price or market capitalization. Such changes in circumstance can include, among others, changes in the legal environment, reimbursement environment, operating performance, and/or future prospects. AdaptHealth performs its annual impairment assessment of goodwill during the fourth quarter of each year. The impairment assessment can be performed on either a quantitative or qualitative basis. AdaptHealth first assesses qualitative factors to determine whether it is necessary to perform a quantitative goodwill impairment analysis. If determined necessary, AdaptHealth applies the quantitative impairment test to identify and measure the amount of impairment, if any. Fair value determinations require considerable judgment and are sensitive to changes in underlying assumptions and factors, such as estimates of a reporting unit's fair value, including the revenue growth rates, discount rate, and control premium used to estimate the reporting unit's fair value, and judgment about impairment triggering events. As a result, there can be no assurance that the estimates and assumptions made for purposes of the annual or interim goodwill impairment test will prove to be accurate predictions of the future.

Seasonality

AdaptHealth's business experiences some seasonality. Its patients are generally responsible for a greater percentage of the cost of their treatment or therapy during the early months of the year due to co-insurance, co-payments and deductibles, and therefore may defer treatment and services of certain therapies until meeting their annual deductibles. In addition, changes to employer insurance coverage often go into effect at the beginning of each calendar year which may impact eligibility requirements and delay or defer treatment. Also, net revenue generated by the Company's diabetes product line is typically higher in the fourth quarter compared to the earlier part of the year due to the timing of when patients meet their annual deductibles and their associated reordering patterns. These factors may lead to lower net revenue and cash flow in the early part of the year versus the latter half of the year. Additionally, the increased incidence of respiratory infections during the winter season may result in initiation of additional respiratory services such as oxygen therapy for certain patient populations. AdaptHealth's quarterly operating results may fluctuate significantly in the future depending on these and other factors.

Key Business Metrics

AdaptHealth focuses on Net revenue, EBITDA, Adjusted EBITDA and Free Cash Flow as it reviews its performance. Refer to EBITDA, Adjusted EBITDA and Free Cash Flow included in the Non-GAAP measures section below.

Total net revenue is comprised of net sales revenue, net revenue from fixed monthly equipment reimbursements, and net revenue from capitated revenue arrangements. Net sales revenue consists of revenue recognized at a point in time for the sale of supplies and disposables. Net revenue from fixed monthly equipment reimbursements consists of revenue recognized over the service period for equipment (including, but not limited to, CPAP machines, oxygen concentrators, ventilators, hospital beds, wheelchairs and other equipment).

	Three Months Ended			
	March 31, 2024		March 31, 2023	
Net Revenue (dollars in thousands)	**Dollars**	**Revenue Percentage**	**Dollars**	**Revenue Percentage**
	(Unaudited)			
Net sales revenue:				
Sleep	$ 225,526	28.5 %	$ 213,457	28.7 %
Diabetes	146,979	18.5 %	142,544	19.1 %
Supplies to the home	44,648	5.6 %	46,555	6.3 %
Respiratory	7,704	1.0 %	7,929	1.1 %
HME	25,622	3.3 %	28,563	3.8 %
Other	55,661	7.0 %	53,207	7.1 %
Total net sales revenue	$ 506,140	63.9 %	$ 492,255	66.1 %
Net revenue from fixed monthly equipment reimbursements:				
Sleep	$ 80,690	10.2 %	$ 80,922	10.9 %
Diabetes	2,279	0.3 %	3,831	0.5 %
Respiratory	137,232	17.3 %	134,723	18.1 %
HME	22,566	2.8 %	22,341	3.0 %
Other	11,571	1.5 %	10,554	1.4 %
Total net revenue from fixed monthly equipment reimbursements	$ 254,338	32.1 %	$ 252,371	33.9 %
Net revenue from capitated revenue arrangements	$ 32,019	4.0 %	$ —	— %
Total net revenue:				
Sleep	$ 306,216	38.7 %	$ 294,379	39.6 %
Diabetes	149,258	18.8 %	146,375	19.6 %
Supplies to the home	44,648	5.6 %	46,555	6.3 %
Respiratory	144,936	18.3 %	142,652	19.2 %
HME	48,188	6.1 %	50,904	6.8 %
Other	67,232	8.5 %	63,761	8.5 %
Capitated revenue arrangements	32,019	4.0 %	—	— %
Total net revenue	$ 792,497	100.0 %	$ 744,626	100.0 %

Results of Operations

Comparison of Three Months Ended March 31, 2024 and Three Months Ended March 31, 2023.

The following table summarizes AdaptHealth's consolidated results of operations for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,					
	2024		2023		Increase/(Decrease)	
(in thousands, except percentages)	Dollars	Revenue Percentage	Dollars	Revenue Percentage	Dollars	Percentage
	(unaudited)					
Net revenue	$ 792,497	100.0%	$ 744,626	100.0%	**$ 47,871**	**6.4%**
Costs and expenses:						
Cost of net revenue	675,693	85.3%	655,396	88.0%	20,297	3.1%
General and administrative expenses	48,378	6.1%	47,521	6.4%	857	1.8%
Depreciation and amortization, excluding patient equipment depreciation	11,365	1.4%	15,532	2.1%	(4,167)	(26.8)%
Goodwill impairment	6,530	0.8%	—	—%	6,530	—%
Total costs and expenses	**741,966**	**93.6%**	**718,449**	**96.5%**	**23,517**	**3.3%**
Operating income	**50,531**	**6.4%**	**26,177**	**3.5%**	**24,354**	**93.0 %**
Interest expense, net	32,472	4.1%	31,955	4.3%	517	1.6%
Change in fair value of warrant liability	7,453	0.9%	(21,914)	(2.9) %	29,367	(134.0)%
Other loss, net	5,105	0.6%	1,175	0.2 %	3,930	334.5%
Income before income taxes	**5,501**	**0.7%**	**14,961**	**1.9%**	**(9,460)**	**(63.2) %**
Income tax expense (benefit)	6,610	0.8%	(1,714)	(0.2)%	8,324	(485.6)%
Net (loss) income	**(1,109)**	**(0.1)%**	**16,675**	**2.1%**	**(17,784)**	**(106.7) %**
Income attributable to noncontrolling interest	1,025	0.1%	968	0.1%	57	5.9%
Net (loss) income attributable to AdaptHealth Corp.	**$ (2,134)**	**(0.3)%**	**$ 15,707**	**2.0%**	**$ (17,841)**	**(113.6) %**

Net Revenue. The comparability of AdaptHealth's net revenue between periods was impacted by certain factors as described below. The table below presents the items that impacted the change in AdaptHealth's net revenue between periods.

	Three Months Ended March 31, Variance 2024 vs. 2023	
(in thousands, except percentages)	$	%
Revenue change driver:	(Unaudited)	
Increase from non-acquired growth	$ 46,083	6.2 %
Increase from acquisitions	1,788	0.2 %
Total change in net revenue	**$ 47,871**	**6.4 %**

Net revenue for the three months ended March 31, 2024 and 2023 was $792.5 million and $744.6 million, respectively, an increase of $47.9 million or 6.4%. The increase in net revenue was driven by non-acquired growth of $46.1 million, and acquisitions, which increased net revenue by $1.8 million. Net revenue from AdaptHealth's sleep business increased by $11.8 million, or 4.0%, for the three months ended March 31, 2024 compared to the prior year period, primarily due to increased patient census driven by strong patient demand for sleep products, including CPAP resupply products. Net revenue from AdaptHealth's respiratory business increased by $2.3 million, or 1.6%, for the three months ended March 31, 2024 compared to the prior year period, primarily due to increased patient census driven by strong patient demand for

respiratory products. Net revenue from AdaptHealth's diabetes business increased by $2.9 million, or 2.0%, for the three months ended March 31, 2024 compared to the prior year period, primarily due to an increase in CGM patient census, partially offset by a shift in diabetes patients by certain large commercial insurance and other payors from DME suppliers to dual-benefit and pharmacy-only suppliers, and lower net revenue from insulin pumps and supplies as a result of a shift toward more pumps being sold to patients through the pharmacy channel, as well as the effect from manufacturers bringing additional distribution business in-house. In addition, the increase in net revenue was due to an increase in revenue from capitated revenue arrangements from the timing of such agreements.

For the three months ended March 31, 2024, net sales revenue (recognized at a point in time) comprised 64% of total net revenue, compared to 66% of total net revenue for the three months ended March 31, 2023. For the three months ended March 31, 2024, net revenue from fixed monthly equipment reimbursements comprised 32% of total net revenue, compared to 34% of total net revenue for the three months ended March 31, 2023. For the three months ended March 31, 2024, net revenue from capitated revenue arrangements comprised 4% of total net revenue. For the three months ended March 31, 2023, net revenue from capitated revenue arrangements was immaterial.

Cost of Net Revenue.

The following table summarizes cost of net revenue for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,					
	2024		2023		Increase/(Decrease)	
(in thousands, except percentages)	Dollars	Revenue Percentage	Dollars	Revenue Percentage	Dollars	Percentage
	(unaudited)					
Costs of net revenue:						
Cost of products and supplies	$ 314,862	39.7 %	$ 311,025	41.8 %	$ 3,837	1.2 %
Salaries, labor and benefits	196,185	24.8 %	194,324	26.1 %	1,861	1.0 %
Patient equipment depreciation	81,511	10.3 %	78,281	10.5 %	3,230	4.1 %
Other operating expenses	64,440	8.1 %	54,514	7.3 %	9,926	18.2 %
Rent and occupancy	18,695	2.4 %	17,252	2.3 %	1,443	8.4 %
Total cost of net revenue	**$ 675,693**	**85.3 %**	**$ 655,396**	**88.0 %**	**$ 20,297**	**3.1 %**

Cost of net revenue for the three months ended March 31, 2024 and 2023 was $675.7 million and $655.4 million, respectively, an increase of $20.3 million or 3.1%. Costs of products and supplies increased by $3.8 million, primarily as a result of increased net sales revenue and general inflationary cost increases. Salaries, labor and benefits increased by $1.9 million, primarily due to workforce wage pressure driven by inflation, partially offset by cost savings actions implemented in the second half of 2023 resulting in headcount reductions. Patient equipment depreciation increased by $3.2 million, primarily as a result of higher medical equipment prices.

General and Administrative Expenses. General and administrative expenses for the three months ended March 31, 2024 and 2023 were $48.4 million and $47.5 million respectively, an increase of $0.9 million or 1.8%. This increase is primarily due to higher professional and consulting fees and incentive-based compensation, partially offset by lower legal fees and equity-based compensation. General and administrative expenses as a percentage of net revenue was 6.1% in the 2024 period, compared to 6.4% in the 2023 period. General and administrative expenses in the 2024 period included $3.5 million of equity-based compensation expense and other non-recurring expenses of $3.3 million, consisting of $1.2 million of expenses associated with litigation, $1.1 million of professional and consulting expenses, and $1.0 million of expenses associated with systems implementation activities. General and administrative expenses in the 2023 period included $4.6 million of equity-based compensation expense and other non-recurring expenses of $8.1 million, consisting of $6.0 million of expenses associated with litigation, $1.2 million of expenses associated with systems implementation activities, and $0.9 million of other expenses.

Depreciation and amortization, excluding patient equipment depreciation. Depreciation and amortization, excluding patient equipment depreciation, for the three months ended March 31, 2024 and 2023 was $11.4 million and $15.5 million, respectively, a decrease of $4.2 million, primarily related to lower intangible amortization expense.

Goodwill Impairment. The goodwill impairment charge for the three months ended March 31, 2024 relates to an immaterial business disposal during 2024.

Interest Expense, net. Interest expense, net for the three months ended March 31, 2024 and 2023 was $32.5 million and $32.0 million, respectively, an increase of $0.5 million. Interest expense related to AdaptHealth's credit agreement increased slightly in 2024 compared to 2023 as a result of higher interest rates, offset by lower average outstanding borrowings in 2024 compared to 2023. Interest expense on AdaptHealth's finance leases increased by $0.5 million in 2024 compared to 2023.

Change in Fair Value of Warrant Liability. AdaptHealth has outstanding warrants to purchase shares of Common Stock, as discussed in Note 10, *Stockholders' Equity*, to the accompanying March 31, 2024 interim consolidated financial statements. These warrants are liability-classified, and the change in fair value of the warrant liability represents a non-cash charge in the three months ended March 31, 2024 and a non-cash gain in the three months ended March 31, 2023, for the change in estimated fair value of such liability during the respective periods.

Other Loss, net. Other loss, net for the three months ended March 31, 2024 consisted a pre-tax expense of $4.2 million for the change in fair value of shares of the Company's Common Stock expected to be issued in connection with the settlement of a previously disclosed securities class action lawsuit, as well as an expense of $0.9 million to settle a shareholder derivative complaint. See Note 14, *Commitments and Contingencies* for additional information. Other loss, net for the three months ended March 31, 2023 consisted of expenses associated with legal settlements.

Income Tax Expense (Benefit). For the three months ended March 31, 2024 and 2023, the Company recorded income tax expense of $6.6 million and an income tax benefit of $1.7 million, respectively. The increase in income tax expense was primarily related to higher pre-tax income, net of warrant liability fair value adjustments. Additionally, the Company recognized a $0.5 million income tax benefit, and corresponding increase to net deferred tax assets, related to a non-cash goodwill impairment charge of $6.5 million recognized during the three months ended March 31, 2024. See Note 5, G*oodwill and Identifiable Intangible Assets*, for additional details.

EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin

AdaptHealth uses EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin, which are financial measures that are not in accordance with generally accepted accounting principles in the United States, or U.S. GAAP, to analyze its financial results and believes that they are useful to investors, as a supplement to U.S. GAAP measures. In addition, AdaptHealth's ability to incur additional indebtedness and make investments under its existing credit agreement is governed, in part, by its ability to satisfy tests based on a variation of Adjusted EBITDA.

AdaptHealth defines EBITDA as net income (loss) attributable to AdaptHealth Corp., plus net income (loss) attributable to noncontrolling interests, interest expense, net, income tax expense (benefit), and depreciation and amortization, including patient equipment depreciation.

AdaptHealth defines Adjusted EBITDA as EBITDA (as defined above), plus equity-based compensation expense, change in fair value of the warrant liability, goodwill impairment, litigation settlement expense, and certain other non-recurring items of expense or income.

AdaptHealth defines Adjusted EBITDA Margin as Adjusted EBITDA (as defined above) as a percentage of net revenue.

AdaptHealth believes Adjusted EBITDA and Adjusted EBITDA Margin are useful to investors in evaluating AdaptHealth's financial performance. AdaptHealth uses Adjusted EBITDA as the profitability measure in its incentive compensation plans that have a profitability component and to evaluate acquisition opportunities, where it is most often used for purposes of contingent consideration arrangements.

EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin should not be considered as measures of financial performance under U.S. GAAP, and the items excluded from EBITDA and Adjusted EBITDA are significant components in understanding and assessing financial performance. Accordingly, these key business metrics have limitations as an analytical tool. They should not be considered as an alternative to net income or any other performance measures derived in accordance with U.S. GAAP or as an alternative to cash flows from operating activities as a measure of AdaptHealth's liquidity.

The following unaudited table presents the reconciliation of net (loss) income attributable to AdaptHealth Corp. to EBITDA and Adjusted EBITDA, and the reconciliation of net (loss) income attributable to AdaptHealth Corp. as a percentage of net revenue to Adjusted EBITDA Margin, for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,			
	2024		2023	
	(Unaudited)			
(in thousands, except percentages)	**Dollars**	**Revenue Percentage**	**Dollars**	**Revenue Percentage**
Net (loss) income attributable to AdaptHealth Corp.	$ (2,134)	(0.3)%	$ 15,707	2.1%
Income attributable to noncontrolling interest	1,025	0.1%	968	0.1%
Interest expense, net	32,472	4.1%	31,955	4.3%
Income tax expense (benefit)	6,610	0.8%	(1,714)	(0.2)%
Depreciation and amortization, including patient equipment depreciation	92,876	11.7%	93,813	12.6%
EBITDA	**130,849**	**16.5%**	**140,729**	**18.9%**
Equity-based compensation expense (a)	4,533	0.6%	5,916	0.8%
Change in fair value of warrant liability (b)	7,453	0.9%	(21,914)	(2.9)%
Goodwill impairment (c)	6,530	0.8%	—	—%
Litigation settlement expense (d)	5,105	0.6%	—	—%
Other non-recurring expenses, net (e)	4,015	0.5%	9,233	1.2%
Adjusted EBITDA	**$ 158,485**	**20.0%**	**$ 133,964**	**18.0%**
Adjusted EBITDA Margin		**20.0%**		**18.0%**

(a) Represents equity-based compensation expense for awards granted to employees and non-employee directors.

(b) Represents a non-cash charge or gain for the change in the estimated fair value of the warrant liability. See Note 10, *Stockholders' Equity*, included in the accompanying notes to the interim consolidated financial statements for the three months ended March 31, 2024 and 2023 for additional discussion of such non-cash charge or gain.

(c) Represents a non-cash goodwill impairment charge relating to an immaterial business disposal during 2024.

(d) Represents a $4.2 million charge for the change in fair value of shares expected to be issued in connection with the settlement of the previously disclosed Securities Settlement, as well as an expense of $0.9 million to settle a shareholder derivative complaint. The proposed settlements remain subject to final court approval and other customary closing conditions. See Note 14, *Commitments and Contingencies*, included in the accompanying notes to the interim consolidated financial statements for the three months ended March 31, 2024 for additional information.

(e) The 2024 period consists of $1.2 million of expenses associated with litigation, $1.0 million of consulting expenses associated with systems implementation activities, a $0.7 million write-down of assets, and $1.1 million of other non-recurring expenses. The 2023 period consists of $7.1 million of expenses associated with litigation, $1.2 million of consulting expenses associated with systems implementation activities, and $0.9 million of other non-recurring expenses.

Free Cash Flow

AdaptHealth uses free cash flow, which is a financial measure that is not in accordance with U.S. GAAP, in its operational and financial decision-making and believes free cash flow is useful to investors because similar measures are frequently used by securities analysts, investors, ratings agencies and other interested parties to evaluate AdaptHealth's competitors and to measure the ability of companies to service their debt. AdaptHealth's presentation of free cash flow should not be construed as a measure of liquidity or discretionary cash available to AdaptHealth to fund its cash needs, including investing in the growth of its business and meeting its obligations.

Free cash flow should not be considered as a measure of financial performance under U.S. GAAP. Accordingly, this key business metric has limitations as an analytical tool. It should not be considered as an alternative to any performance measures derived in accordance with U.S. GAAP or as an alternative to cash flows from operating activities as a measure of AdaptHealth's liquidity.

AdaptHealth defines free cash flow as net cash provided by operating activities less cash paid for purchases of equipment and other fixed assets. For further discussion on free cash flow, including a reconciliation from cash flows provided by operating activities, see *Liquidity and Capital Resources - Free Cash Flow* below.

Liquidity and Capital Resources

AdaptHealth's principal sources of liquidity are its operating cash flows, borrowings under its credit agreements and other debt arrangements, and proceeds from equity issuances. AdaptHealth has used these funds to meet its capital requirements, which primarily consist of capital expenditures including patient equipment, product and supply costs, salaries, labor, benefits and other employee-related costs, third-party customer service, billing and collections and logistics costs, acquisitions and debt service, and to fund share repurchases. AdaptHealth's future capital expenditure requirements will depend on many factors, including its patient volume and revenue growth rates.

AdaptHealth's capital expenditures are made in advance of patients beginning service. Certain operating costs are incurred at the beginning of the equipment service period and during initial patient set up.

AdaptHealth believes that its expected operating cash flows, together with its existing cash and amounts available under its existing credit agreement, will continue to be sufficient to fund its operations and growth strategies for at least the next twelve months.

AdaptHealth may seek additional equity or debt financing in connection with the growth of its business, primarily for acquisitions. In addition, economic conditions may cause disruption in the capital markets, which could make financing more difficult and/or expensive. In the event that additional financing is required from outside sources, AdaptHealth may not be able to raise it on acceptable terms or at all. If additional capital is unavailable when desired, AdaptHealth's business, results of operations, and financial condition could be materially adversely affected.

As of March 31, 2024, AdaptHealth had approximately $79.6 million of cash.

In January 2021, AdaptHealth entered into a credit agreement (as amended, the "2021 Credit Agreement"). As of March 31, 2024, AdaptHealth had $770.0 million outstanding under the 2021 Credit Agreement. The 2021 Credit Agreement consisted of a $800 million term loan (the "2021 Term Loan") and $450 million in commitments for revolving credit loans with a $55.0 million letter of credit sublimit (the "2021 Revolver"), both with maturities in January 2026. The outstanding borrowing under the 2021 Term Loan requires quarterly principal repayments of $10.0 million through December 31, 2025, and the unpaid principal balance is due at maturity in January 2026. In addition, the Company made a voluntary repayment of $15.0 million on the 2021 Term Loan in April 2024. Borrowings under the 2021 Revolver may be used for working capital and other general corporate purposes, including for capital expenditures and acquisitions permitted under the 2021 Credit Agreement. As of March 31, 2024, there was $75.0 million outstanding under the 2021 Revolver, which was repaid in April 2024, and $21.6 million outstanding under letters of credit. As of the date of this filing, there were no outstanding borrowings under the 2021 Revolver. As of March 31, 2024, based on the financial debt covenants under the 2021 Credit Agreement, the maximum amount the Company could borrow under the 2021 Revolver, net of outstanding borrowings, and remain in compliance with the financial debt covenants under the agreement was $263.8 million.

At the option of AdaptHealth, amounts borrowed under the 2021 Credit Agreement bear interest at variable rates based upon either the Base Rate (as defined), payable quarterly, or Term SOFR (as defined), payable monthly or quarterly.

Interest periods for loans based on Term SOFR are available for one or three months at the option of AdaptHealth. Borrowings using Base Rate accrue interest at a per annum rate equal to the sum of (a) the Base Rate determined on each day (subject to a zero percent floor), plus (b) an Applicable Margin (as defined) ranging from 0.50% to 2.25% per annum determined based on the Consolidated Senior Secured Leverage Ratio (as defined) of AdaptHealth. Borrowings using Term SOFR accrue interest at a per annum rate equal to the sum of (a) Term SOFR for the applicable interest period (subject to a zero percent floor), plus (b) a Term SOFR Adjustment (as defined) of 0.10%, plus (c) an Applicable Margin (as defined) ranging from 1.50% to 3.25% per annum determined based on the Consolidated Senior Secured Leverage Ratio of AdaptHealth. The 2021 Revolver carries a commitment fee during the term of the 2021 Credit Agreement ranging from 0.25% to 0.50% per annum of the actual daily undrawn portion of the 2021 Revolver depending on the Consolidated Senior Secured Leverage Ratio of AdaptHealth.

Under the 2021 Credit Agreement, AdaptHealth is subject to a number of restrictive covenants that, among other things, impose operating and financial restrictions on AdaptHealth. Financial covenants include a Consolidated Total Leverage Ratio and a Consolidated Interest Coverage Ratio, both as defined in the 2021 Credit Agreement. The 2021 Credit Agreement also contains certain customary events of default, including, among other things, failure to make payments when due thereunder, failure to observe or perform certain covenants, cross-defaults, bankruptcy and insolvency-related events, and non-compliance with healthcare laws. AdaptHealth was in compliance with the applicable covenants in the 2021 Credit Agreement as of March 31, 2024.

Any borrowings under the 2021 Credit Agreement may be repaid, in whole or in part, at any time and from time to time without premium or penalty, other than customary breakage costs, and any amounts repaid under the 2021 Revolver may be reborrowed. Mandatory prepayments are required under the 2021 Revolver when borrowings and letter of credit usage exceed the total commitments for revolving credit loans. Mandatory prepayments are also required in connection with the disposition of assets to the extent the proceeds thereof are not reinvested, unpermitted debt transactions, and from annual Excess Cash Flow (as defined) if certain leverage tests are not met.

At March 31, 2024, AdaptHealth had $1,450.0 million aggregate principal amount of unsecured senior notes outstanding. In August 2021, AdaptHealth LLC issued $600.0 million aggregate principal amount of 5.125% senior unsecured notes (the "5.125% Senior Notes"). The 5.125% Senior Notes will mature on March 1, 2030. Interest on the 5.125% Senior Notes is payable on March 1st and September 1st of each year. The 5.125% Senior Notes will be redeemable at AdaptHealth's option, in whole or in part, at any time on or after March 1, 2025, and the redemption price for the 5.125% Senior Notes if redeemed during the 12 months beginning (i) March 1, 2025 is 102.563%, (ii) March 1, 2026 is 101.281%, (iii) March 1, 2027 and thereafter is 100.000%, in each case together with accrued and unpaid interest. AdaptHealth may also redeem some or all of the 5.125% Senior Notes before March 1, 2025 at a redemption price of 100% of the principal amount of the 5.125% Senior Notes, plus a "make-whole" premium, together with accrued and unpaid interest. In addition, AdaptHealth may redeem up to 40% of the original aggregate principal amount of the 5.125% Senior Notes before March 1, 2025 with the proceeds from certain equity offerings at a redemption price equal to 105.125% of the principal amount of the 5.125% Senior Notes, together with accrued and unpaid interest. Furthermore, AdaptHealth may be required to make an offer to purchase the 5.125% Senior Notes upon the sale of certain assets or upon specific kinds of changes of control.

In January 2021, AdaptHealth LLC issued $500.0 million aggregate principal amount of 4.625% senior unsecured notes (the "4.625% Senior Notes"). The 4.625% Senior Notes will mature on August 1, 2029. Interest on the 4.625% Senior Notes is payable on February 1st and August 1st of each year. The 4.625% Senior Notes will be redeemable at AdaptHealth's option, in whole or in part, at any time on or after February 1, 2024, and the redemption price for the 4.625% Senior Notes if redeemed during the 12 months beginning (i) February 1, 2024 is 102.313%, (ii) February 1, 2025 is 101.156%, and (iii) February 1, 2026 and thereafter is 100.000% in each case together with accrued and unpaid interest. AdaptHealth may also redeem some or all of the 4.625% Senior Notes before February 1, 2024 at a redemption price of 100% of the principal amount of the 4.625% Senior Notes, plus a "make-whole" premium, together with accrued and unpaid interest. In addition, AdaptHealth may redeem up to 40% of the original aggregate principal amount of the 4.625% Senior Notes before February 1, 2024 with the proceeds from certain equity offerings at a redemption price equal to 104.625% of the principal amount of the 4.625% Senior Notes, together with accrued and unpaid interest. Furthermore, AdaptHealth may be required to make an offer to purchase the 4.625% Senior Notes upon the sale of certain assets or upon specific kinds of changes of control.

In July 2020, AdaptHealth LLC issued $350.0 million aggregate principal amount of 6.125% senior unsecured notes (the "6.125% Senior Notes"). The 6.125% Senior Notes will mature on August 1, 2028. Interest on the 6.125% Senior Notes is payable on February 1st and August 1st of each year. The 6.125% Senior Notes will be redeemable at AdaptHealth's

option, in whole or in part, at any time on or after August 1, 2023, and the redemption price for the 6.125% Senior Notes if redeemed during the 12 months beginning (i) August 1, 2023 is 103.063%, (ii) August 1, 2024 is 102.042%, (iii) August 1, 2025 is 101.021% and (iv) August 1, 2026 and thereafter is 100.000%, in each case together with accrued and unpaid interest. AdaptHealth may also redeem some or all of the 6.125% Senior Notes before August 1, 2023 at a redemption price of 100% of the principal amount of the 6.125% Senior Notes, plus a "make-whole" premium, together with accrued and unpaid interest. In addition, AdaptHealth may redeem up to 40% of the original aggregate principal amount of the 6.125% Senior Notes before August 1, 2023 with the proceeds from certain equity offerings at a redemption price equal to 106.125% of the principal amount of the 6.125% Senior Notes, together with accrued and unpaid interest. Furthermore, AdaptHealth may be required to make an offer to purchase the 6.125% Senior Notes upon the sale of certain assets or upon specific kinds of changes of control.

As of March 31, 2024 and December 31, 2023, AdaptHealth had working capital of $163.3 million and $112.0 million, respectively. A significant portion of AdaptHealth's current assets consists of accounts receivable from third-party payors that are responsible for payment for the products and services that AdaptHealth provides.

Cash Flow. The following table presents selected data from AdaptHealth's consolidated statements of cash flows for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,	
(in thousands)	**2024**	**2023**
	(unaudited)	
Net cash provided by operating activities	$ 49,035	$ 140,248
Net cash used in investing activities	(87,891)	(89,567)
Net cash provided by financing activities	41,290	4,448
Net increase in cash	2,434	55,129
Cash at beginning of period	77,132	46,272
Cash at end of period	$ 79,566	$ 101,401

Net cash provided by operating activities for the three months ended March 31, 2024 and 2023 was $49.0 million and $140.2 million, respectively, a decrease of $91.2 million. The decrease was the result of a $17.8 million reduction in net income, a net increase of $44.6 million in non-cash charges, primarily from a goodwill impairment charge, depreciation and amortization, the change in the estimated fair value of the warrant liability, deferred income taxes, and the reduction in the carrying amount of operating and finance lease right-of-use assets, a payment of $1.9 million for contingent consideration in connection with an acquisition, and a net $116.2 million decrease resulting from the change in operating assets and liabilities, primarily from the change in accounts receivable, inventory and accounts payable and accrued expenses.

As previously disclosed, in February 2024, the Company learned that a cyber security threat actor had gained access to some of the information technology systems of Change Healthcare, a subsidiary of UnitedHealth Group, with which one of the Company's third-party software providers interfaces in connection with the Company's claims processing activity. UnitedHealth Group isolated the impacted systems upon learning of this threat and Change Healthcare suspended its claims processing activity with the Company's software provider.

The Company has been working with its software provider to identify and implement alternative processes to help maintain its claims processing activity. However, this has only partially offset the material adverse impact on the timing of collection of certain accounts receivable. Pending claims from this incident peaked shortly following the data breach, however, as of March 31, 2024, the pending claims balance had been reduced significantly. These payment collection delays increased the Company's accounts receivable balances and materially adversely impacted the Company's operating cash flows during the three months ended March 31, 2024. Nearly all of the pending claims were released by the end of April 2024, and the Company expects that the issues relating to the claims processing activity resulting from this incident will be resolved and that the Company's operating cash flows will normalize during the second quarter of 2024. Given these impacts, and certain other cash requirements, including the previously disclosed class action securities litigation settlement, the Company borrowed $75.0 million under the 2021 Revolver to fund its operating cash requirements during the three months ended March 31, 2024. As discussed above, the Company repaid this amount in April 2024.

Net cash used in investing activities for the three months ended March 31, 2024 and 2023 was $87.9 million and $89.6 million, respectively. The use of funds in the 2024 period related to equipment and other fixed asset purchases. The use of funds in the 2023 period consisted of $89.1 million for equipment and other fixed asset purchases and $0.5 million for business acquisitions.

Net cash provided by financing activities for the three months ended March 31, 2024 and 2023 was $41.3 million and $4.4 million, respectively. Net cash provided by financing activities for the 2024 period consisted of borrowings on lines of credit of $75.0 million, proceeds of $0.6 million in connection with the employee stock purchase plan and proceeds of $0.5 million relating to stock option exercises, offset by repayments of $27.3 million on long-term debt and finance lease liabilities, a payment of $5.0 million for contingent consideration in connection with an acquisition, payments of $1.4 million in connection with the Company's liability relating to the TRA, and payments of $1.1 million for tax withholdings associated with equity-based compensation. Net cash provided by financing activities for the 2023 period consisted of borrowings on lines of credit of $50.0 million and proceeds of $1.0 million in connection with the employee stock purchase plan, offset by repayments of $31.0 million on long-term debt, lines of credit and finance lease liabilities, payments of $9.2 million for Common Stock purchases under a share repurchase program, payments of $3.2 million in connection with the Company's liability relating to the TRA, payments of $2.5 million for tax withholdings associated with equity-based compensation, and payments of $0.7 million for deferred purchase price in connection with acquisitions.

Free Cash Flow

The following table reconciles net cash provided by operating activities to free cash flow, which is a non-GAAP measure, for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,	
(in thousands)	**2024**	**2023**
	(Unaudited)	
Net cash provided by operating activities	$ 49,035	$ 140,248
Purchases of equipment and other fixed assets	(87,891)	(89,120)
Free cash flow	**$ (38,856)**	**$ 51,128**

Free cash flow was negative $38.9 million for the three months ended March 31, 2024 compared to positive $51.1 million for the three months ended March 31, 2023. The decrease in free cash flow was due to lower net cash provided by operating activities, primarily due to a net increase in the use of cash from operating assets and liabilities related to accounts receivable, inventory and accounts payable and accrued expenses. In addition, during the three months ended March 31, 2024, free cash flow was materially adversely impacted by the Change Healthcare cybersecurity incident as discussed above. The lower net cash provided by operating activities was offset by a decrease in, and timing of, purchases of patient medical equipment for operating requirements.

Critical Accounting Policies and Estimates

The discussion and analysis of the Company’s financial condition and results of operations is based upon the Company’s consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of the Company’s consolidated financial statements requires its management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses and related disclosures of contingent assets and liabilities. The Company’s management bases its estimates, assumptions and judgments on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Different assumptions and judgments would change the estimates used in the preparation of the Company’s consolidated financial statements which, in turn, could change the results from those reported. In addition, actual results may differ from these estimates and such differences could be material to the Company’s financial position and results of operations.

Critical estimates are those that the Company’s management considers the most important to the portrayal of the Company’s financial condition and results of operations because they require management’s most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

The Company's critical estimates in relation to its consolidated financial statements include those related to revenue recognition and valuation of goodwill. There have been no material changes in the Company's critical accounting policies and critical estimates as compared to the critical accounting policies and critical estimates described in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

Commitments and Contingencies

In the normal course of business, the Company is subject to loss contingencies, such as legal proceedings and claims arising out of its business that cover a wide range of matters. In accordance with FASB ASC Topic 450, *Accounting for Contingencies*, the Company records accruals for such loss contingencies when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. If there is no probable estimate within a range of reasonably possible outcomes, the Company's policy is to record at the low end of the range of such reasonably possible outcomes. Significant judgment is required to determine both probability and the estimated amount. The Company reviews its accruals at least quarterly and adjusts accordingly to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and updated information. At this time, the Company has no material accruals related to lawsuits, claims, investigations and proceedings, except as disclosed below. While there can be no assurance, based on the Company's evaluation of information currently available, the Company's management believes any liability that may ultimately result from resolution of such loss contingencies will not have a material adverse effect on the Company's financial conditions or results of operations. However, the Company's assessment may be affected by limited information. Accordingly, the Company's assessment may change in the future based upon availability of new information and further developments in the proceedings of such matters. The results of legal proceedings are inherently uncertain, and material adverse outcomes are possible. Professional legal fees are expensed as they are incurred.

On July 29, 2021, Robert Charles Faille Jr., a purported shareholder of the Company, filed a purported class action complaint against the Company and certain of its current and former officers in the United States District Court for the Eastern District of Pennsylvania for alleged violations of the federal securities laws arising from allegedly false and misleading statements and/or failures to disclose material information regarding changes made to the methodology used to calculate the Company's organic growth trajectory. On October 14, 2021, the court appointed Delaware County Employees Retirement System and the Bucks County Employees Retirement System as Lead Plaintiffs. On November 22, 2021, Lead Plaintiffs filed a consolidated complaint against the Company and certain of its current and former officers and directors on behalf of shareholders that purchased or otherwise acquired the Company's stock and options between November 8, 2019 and July 16, 2021 (as to the complaint, the "Consolidated Complaint"; as to the action, the "Consolidated Class Action"). The Consolidated Complaint generally alleges that the defendants violated federal securities laws by making allegedly false and misleading statements and/or failing to disclose material information regarding changes made to the methodology used to calculate the Company's organic growth trajectory and the Company's former Co-CEO's alleged tax fraud arising from certain past private activity. The Consolidated Complaint seeks unspecified damages. On January 20, 2022, the defendants filed a motion to dismiss the Consolidated Complaint, which the court denied on June 9, 2022. On June 7, 2023, the court entered an order staying the Consolidated Class Action pending the outcome of a private mediation between the parties.

On February 26, 2024, defendants entered into a stipulation and agreement of settlement with the Lead Plaintiffs (the "Securities Settlement"). The Company's portion of the proposed settlement consists of (i) $32.2 million of cash from the Company's insurance carriers; (ii) $17.8 million of cash from the Company; (iii) 1 million shares of the Company's Common Stock (the "Settlement Shares"), which had a fair value of $7.3 million recognized at December 31, 2023; and (iv) the implementation of certain corporate governance reforms. All of the aforementioned cash consideration has been paid consistent with the Securities Settlement during the three months ended March 31, 2024. The Company anticipates that the Settlement Shares, the only outstanding portion of the Company's financial consideration, will be issued from available Treasury Stock. For the three months ended March 31, 2024, the Company recognized a pre-tax expense of $4.2 million for the change in fair value of the Settlement Shares, which is included in other loss, net in the accompanying consolidated statements of operations. As of March 31, 2024, the Company recorded a liability of $11.5 million relating to the Settlement Shares; such liability is included in accounts payable and accrued expenses in the accompanying consolidated balance sheets. Upon issuance of the Settlement Shares, $11.5 million will be reclassified from liabilities to stockholders' equity.

The proposed settlement remains subject to final court approval and other customary closing conditions. On March 5, 2024, the court granted preliminary approval of the settlement, and set the final approval hearing for June 20, 2024. Upon the effectiveness of the proposed settlement, the Company and its directors and officers as well as the other defendants named

in the Consolidated Complaint will be released from the claims that were asserted or could have been asserted in the Consolidated Class Action, with certain limitations, by class members participating in the settlement. The Company has always maintained, and continues to believe, that it did not engage in any wrongdoing or otherwise commit any violation of federal or state securities laws or other laws. The settlement includes no admission of liability or wrongdoing and is subject to court approval. There can be no assurance that the settlement will be approved and, even if approved, whether the conditions to closing will be satisfied, and the actual outcome of this matter may differ materially from the terms of the settlement described herein.

On March 7, 2024, the Company entered into a settlement agreement with its directors and officers liability insurers to resolve a proceeding that the Company filed in Delaware Superior Court concerning coverage in connection with the Consolidated Class Action and the Derivative Action discussed immediately below. If the Securities Settlement becomes final, the insurance settlement will exhaust $35.0 million in D&O coverage limits available to the Company for the policy period from November 8, 2020 to November 8, 2021. There can be no assurance that the conditions to closing will be satisfied, and the actual outcome of this matter may differ materially from the terms of the settlement described herein.

On December 6, 2021, a putative shareholder of the Company, Carol Hessler (the "Derivative Plaintiff"), filed a shareholder derivative complaint against certain current and former directors and officers of the Company in the United States District Court for the Eastern District of Pennsylvania (as to the complaint, the "Derivative Complaint"; as to the action, the "Derivative Action"). The Derivative Complaint generally alleges that the defendants breached their fiduciary duties owed to the Company by, among other things, allegedly causing or allowing misrepresentations and/or omissions regarding changes made to the methodology used to calculate the Company's organic growth and the Company's former Co-CEO's alleged criminal activity and engaging in insider trading. The Derivative Complaint also alleges claims for waste of corporate assets and unjust enrichment. Finally, the Derivative Complaint alleges that certain of the individual defendants violated Section 14(a) of the Securities Exchange Act by allegedly negligently issuing, causing to be issued, and participating in the issuance of materially misleading statements to stockholders in the Company's Proxy Statements on Schedule DEF 14A in connection with a Special Meeting of Stockholders, held on March 3, 2021, and the 2021 Annual Meeting of Stockholders, held on July 27, 2021. The Derivative Complaint seeks, among other things, an award of money damages.

On March 4, 2022, the parties to the Derivative Action stipulated to stay the Derivative Action pending final resolution of the Consolidated Class Action. On March 7, 2022, the court so-ordered the parties' stipulation.

On April 23, 2024, defendants entered into a stipulation and agreement of settlement with the Derivative Plaintiff. In exchange for full releases, the proposed settlement consists of (i) $0.9 million in attorneys' fees and expenses, which will be funded with cash from the Company; and (ii) the implementation of corporate governance reforms separate from those negotiated in Securities Settlement. For the three months ended March 31, 2024, the Company recorded a pre-tax expense of $0.9 million associated with the settlement, which is included in other loss, net in the accompanying consolidated statements of operations. As of March 31, 2024, the Company recorded a liability of $0.9 million relating to the settlement; such liability is included in accounts payable and accrued expenses in the accompanying consolidated balance sheets.

The proposed settlement remains subject to preliminary and final court approval and other customary closing conditions. Upon the effectiveness of the proposed settlement, the Company and its directors and officers as well as the other defendants named in the Derivative Complaint will be released from the claims that were asserted or could have been asserted in the Derivative Action, with certain limitations, by class members participating in the settlement. The Company has always maintained, and continues to believe, that it did not engage in any wrongdoing or otherwise commit any violation of federal or state securities laws or other laws. The settlement includes no admission of liability or wrongdoing and is subject to court approval. There can be no assurance that the settlement will be finalized and approved and, even if approved, whether the conditions to settlement will be satisfied, and the actual outcome of this matter may differ materially from the terms of the settlement described herein.

On May 2, 2022, the U.S. Attorney's Office for the Southern District of New York issued a civil investigative demand to a subsidiary of the Company, pursuant to the False Claims Act, 31 U.S.C. § 3733 ("FCA") surrounding whether the subsidiary submitted false claims in violation of the FCA related to its billing of, and reimbursements from, federal health care programs for ventilators provided to patients from January 1, 2015 to the present. The Company is fully cooperating with the investigation. Given the stage of the investigation, it is not possible to determine whether it will have a material adverse effect on the Company.

On October 24, 2023, Allegheny County Employees' Retirement System, a purported shareholder of the Company, filed a purported class action complaint against the Company and certain of its current and former officers, and certain underwriters in the United States District Court for the Eastern District of Pennsylvania (the "Allegheny County Complaint"). The Allegheny County Complaint purports to be asserted on behalf of a class of persons who purchased the Company's stock between August 4, 2020 and February 27, 2023. The Allegheny County Complaint alleges, among other things, that the defendants violated federal securities laws by making allegedly false and misleading statements and/or failing to disclose material information regarding the Company's organic growth in its diabetes business. The Allegheny County Complaint seeks unspecified damages. On January 23, 2024, the court entered an order appointing Allegheny County Employees' Retirement System, International Union of Operating Engineers, Local No. 793, Members Pension Benefit Trust of Ontario, and City of Tallahassee Pension Plan as Lead Plaintiffs. On April 22, 2024, the court entered a joint stipulation outlining deadlines for Lead Plaintiffs to identify an operative complaint or file an amended or consolidated complaint and for defendants to respond to the operative complaint.

The Company intends to vigorously defend against the allegations contained in the Allegheny County Complaint, but there can be no assurance that the defense will be successful.

On March 20, 2024, a putative shareholder of the Company, Weiding Wu, filed a shareholder derivative complaint related to the allegations in the Allegheny County Complaint, and against certain current and former directors and officers of the Company in the United States District Court for the Eastern District of Pennsylvania (as to the complaint, the "Wu Derivative Complaint"). The Wu Derivative Complaint alleges, among other things, that the defendants breached their fiduciary duties and violated federal securities laws by making allegedly false and misleading statements and/or failing to disclose material information regarding the Company's organic growth in its diabetes business. The Wu Derivative Complaint also alleges claims for unjust enrichment, waste of corporate assets, abuse of control, and gross mismanagement. The Derivative Complaint seeks, among other things, an award of money damages.

The Company intends to vigorously defend against the allegations contained in the Wu Complaint, but there can be no assurance that the defense will be successful.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our exposure to market risk relates to fluctuations in interest rates from borrowings under the 2021 Credit Agreement. As of March 31, 2024, there was $695.0 million outstanding under the 2021 Term Loan, $75.0 million of outstanding borrowings under the 2021 Revolver, $21.6 million outstanding under letters of credit, and based on the financial debt covenants under the 2021 Credit Agreement, the maximum amount the Company could borrow under the 2021 Revolver and remain in compliance with the financial debt covenants under the agreement was $263.8 million. Amounts borrowed under the 2021 Credit Agreement bear interest at variable rates determined in relation to the Base Rate (as defined) or Term SOFR (as defined), at our option. Due to the interest rates being variable, fluctuations in interest rates may impact our earnings. Based on our current level of debt, we estimate that a 100 basis point change in interest rates would have a $5.2 million annual impact on our net income (loss) before taxes.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of March 31, 2024. Disclosure controls and procedures are designed to ensure that information required to be disclosed by us in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Interim Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. Based on this evaluation, our Interim Chief Executive Officer and Chief Financial Officer have concluded that, during the period covered by this Quarterly Report, our disclosure controls and procedures were not effective due to material weaknesses in internal control over financial reporting, as further described below in Management's Report on Internal Control Over Financial Reporting.

As previously disclosed in Part II, Item 9A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, management identified material weaknesses in internal control over financial reporting. The following material weaknesses in internal control over financial reporting were identified by the Company as of December 31, 2023:

- The Company uses a third-party service provider under a software as a service contract to initiate and process the majority of its revenue transactions. The service provider uses a subservice organization to consolidate and reformat transactional revenue data before it is recorded in the Company's general ledger. The Company obtains from the service provider a System and Organization Controls (SOC) 1 Type 2 report as part of the evidence used in its evaluation of the Company's internal control over financial reporting. Due to insufficient communication between the Company and the service provider regarding its expectations for controls over the activities of the subservice organization, the SOC 1 Type 2 report for the service provider did not provide evidence of design, implementation, and operating effectiveness of controls over the completeness and accuracy of the Company's transactional revenue data processed by the subservice organization. The Company also did not design and implement such controls on its own. Substantially all manual and automated controls within the revenue process rely on the integrity of the information processed by the third-party service provider and its subservice organization and, therefore, are also considered to be ineffective.

- The Company did not design and implement a three-way match control (comparing the purchase order, delivery receipt, and invoice) over its procurement of medical equipment inventory through a third-party distribution channel. Specifically, because these procurement transactions are initiated through technology that is not integrated with the technology utilized for vendor invoice payments, the Company was not able to reconcile the quantities of the equipment invoiced by its vendors to the quantities actually received which could affect the completeness, existence, and accuracy of the Company's cost of sales and the related accounts payable.

- The Company did not design and implement process-level controls over the determination of excess or obsolete medical equipment and other inventory balances. Specifically, the Company did not have a mechanism in place to track the movement and status of specific medical equipment and other inventory which could affect the valuation of its inventory.

Notwithstanding the identified material weaknesses, management, including our principal executive officer and principal financial officer, believes the interim consolidated financial statements included in this Quarterly Report on Form 10-Q fairly represent in all material respects our financial condition, results of operations and cash flows at and for the periods presented in accordance with U.S. GAAP.

Remediation of Previously Reported Material Weaknesses in Internal Control Over Financing Reporting

With respect to the material weaknesses that existed as of December 31, 2023, management continues to take steps to remediate such material weaknesses, including 1) working with the third-party service provider to ensure its SOC 1 Type 2 report includes evidence of implementation and testing of controls for all relevant sub-service providers impacting the revenue transactional data used by the Company, 2) completing the implementation of technology to bring the third-party distribution channel transaction information into one system to facilitate a three-way match of the purchase order, delivery receipt and invoice, 3) expanding the implementation of a perpetual inventory system to a larger number of Company locations, and 4) using the information from the perpetual inventory system to support the determination of excess or obsolete medical equipment and other inventory. While management has completed a risk assessment to identify controls, the material weaknesses cannot be considered remediated until the enhanced controls have been fully implemented and determined to be operating effectively for a sufficient period of time.

Changes in Internal Control over Financial Reporting

Except with respect to the changes in connection with the implementation of the initiatives to remediate the material weaknesses noted above, there were no changes in the Company's internal control over financial reporting that occurred during the quarter ended March 31, 2024 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

See Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations —Commitments and Contingencies".

Item 1A. Risk Factors

Factors that could cause our actual results to differ materially from those in this report are any of the risks disclosed under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023 filed with the SEC on February 27, 2024. Any of those factors could result in a significant or material adverse effect on our results of operations or financial condition. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations.

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

We had no sales of unregistered equity securities during the period covered by this report that were not previously reported in a Quarterly Report on Form 10-Q or a Current Report on Form 8-K.

There were no purchases of our Common Stock made during the three months ended March 31, 2024 by us or any of our "affiliated purchasers" as defined in Rule 10b-18(a)(3) under the Exchange Act.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

On March 11, 2024, Albert Prast, the Company's Chief Technology Officer, terminated his Rule 10b5-1 Trading Plan intended to satisfy the affirmative defense conditions of Securities Exchange Act Rule 10b5-1(c) (the "Prast 10b5-1 Plan"), which he had previously adopted on March 17, 2023 and subsequently amended on November 6, 2023 to allow for the potential exercise of vested stock options and the associated sale of up to 200,000 shares of the Company's common stock pursuant to its terms. The Prast 10b5-1 Plan was to expire on March 21, 2024, or upon the earlier completion of all authorized transactions under the plan.

Item 6. Exhibits

See Exhibit Index for documents filed or furnished herewith and incorporated herein by reference.

EXHIBIT INDEX

Exhibit Number	Description
3.1	Third Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K, filed with the SEC on July 29, 2021).
3.2	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 of the Company's Current Report on Form 8-K, filed with the SEC on November 14, 2019).
3.3	Certificate of Designation of Preferences, Rights and Limitations of Series B-1 Convertible Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on June 26, 2020).
10.1†	Revised Offer of Employment, dated April 28, 2023, between AdaptHealth Corp. and Shaw Rietkerk.
10.2†	Revised Offer of Employment, dated September 22, 2023 between AdaptHealth Corp. and Shaw Rietkerk.
10.3†	Revised Offer of Employment, dated December 18, 2023 between AdaptHealth Corp. and Shaw Rietkerk.
10.4	Stipulation and Agreement of Settlement, dated as of February 26, 2024 (incorporated by reference to Exhibit 10.31 of the Company's Current Report on Form 10-K filed with the SEC on February 27, 2024).
10.5†	Fourth Amendment to Letter Agreement, dated March 3, 2024, between AdaptHealth Corp. and Richard Barasch (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the SEC on March 4, 2024).
10.6†	Employment Agreement, dated April 10, 2024, by and between AdaptHealth Corp. and Suzanne Foster (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the SEC on April 17, 2024).
10.7†	Fifth Amendment to Letter Agreement, dated April 15, 2024, between AdaptHealth Corp. and Richard Barasch (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed with the SEC on April 17, 2024).
10.8†	Amendment to Employment Agreement, dated April 15, 2024, between AdaptHealth Corp. and Jason Clemens (incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K filed with the SEC on April 17, 2024).
31.1*	Certification of Chief Executive Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32**	Certification of Chief Executive Officer and Chief 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***	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH***	XBRL Taxonomy Extension Schema Document
101.CAL***	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF***	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB***	XBRL Taxonomy Extension Label Linkbase Document
101.PRE***	XBRL Taxonomy Extension Presentation Linkbase Document
Exhibit 104***	Cover Page Interactive Data File - The cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document

* Filed herewith.
** Furnished herewith.
*** XBRL (eXtensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.
† Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

AdaptHealth Corp.

May 7, 2024 By: /s/ Richard Barasch

Richard Barasch
Interim Chief Executive Officer and Chairman of the Board
(Principal Executive Officer)

May 7, 2024 By: /s/ Jason Clemens

Jason Clemens
Chief Financial Officer
(Principal Financial Officer)

May 7, 2024 By: /s/ Christine Archbold

Christine Archbold
Chief Accounting Officer
(Principal Accounting Officer)