

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

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934
Date of Report (Date of earliest event reported): November 8, 2023



P3 Health Partners Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation)

001-40033

(Commission File Number)

85-2992794

(I.R.S. Employer Identification No.)

2370 Corporate Circle, Suite 300 Henderson, Nevada

(Address of principal executive offices)

89074

(Zip Code)

(702) 910-3950

(Registrant's telephone number, including area code)

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, par value \$0.0001 per share	PIII	The Nasdaq Stock Market LLC
Warrants, each whole warrant exercisable for one share of Class A common stock at an exercise price of \$11.50	PIIIW	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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. ☐

Item 2.02. Results of Operations and Financial Condition.

On November 8, 2023, P3 Health Partners Inc. (the “Company”) announced its financial results for the three and nine months ended September 30, 2023. The full text of the press release issued in connection with the announcement is furnished as Exhibit 99.1 to this Current Report on Form 8-K (the “Report”).

The information in this Item 2.02, including the information contained in Exhibit 99.1 of this Report, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Exchange Act or the Securities Act of 1933, as amended (the “Securities Act”), except as expressly set forth by specific reference in such a filing.

Item 7.01. Regulation FD Disclosure.

On November 8, 2023, the Company posted supplemental financial information, including certain non-GAAP financial measures, and the reconciliations thereof, to the Investor page of the Company’s website available at ir.p3hp.org.

The information in this Item 7.01, including the referenced supplemental information, shall not be deemed “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Exchange Act or the Securities Act, except as expressly set forth by specific reference in such a filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit Number	Description
99.1	Press Release of the Company, dated November 8, 2023
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

P3 Health Partners Inc.

Date: November 8, 2023

By: /s/ Atul Kavthekar
Atul Kavthekar
Chief Financial Officer

P3 Health Partners Announces Third-Quarter and Year-to-Date 2023 Results

YTD total revenue growth of 16%

Continued strong performance across markets, re-affirming 2023 guidance

Provides preliminary 2024 Full-Year Adjusted EBITDA guidance of +\$20 million to +\$40 million

Management to Host Conference Call and Webcast November 8, 2023 at 4:30 PM ET

HENDERSON, NV—November 8, 2023—P3 Health Partners Inc. (“P3” or the “Company”) (NASDAQ: PIII), a patient-centered and physician-led population health management company, today announced its financial results for the third quarter ended September 30, 2023.

“Our results for the third quarter show the continued improvement of the business as providers and patients mature on our platform. All key metrics are tracking as expected and net cash used in operating activities has improved to negative \$8 million for the quarter. We are re-affirming our existing full-year 2023 guidance and providing preliminary 2024 full-year Adjusted EBITDA guidance of \$20 million to \$40 million,” said Dr. Sherif Abdou, CEO of P3.

Third-Quarter 2023 Financial Results

- Total revenue was \$288.4 million, an increase of 16% compared to \$248.3 million in the third quarter of the prior year. Net loss was \$37.3 million, an increase of approximately 43% compared to a net loss of \$65.3 million in the third quarter of the prior year. Net loss PMPM was \$119 compared to a net loss PMPM of \$218 the third quarter of the prior year
- Adjusted EBITDA⁽¹⁾ loss was \$22.3 million, compared to an Adjusted EBITDA loss of \$40.3 million in the third quarter of the prior year. Adjusted EBITDA PMPM⁽¹⁾ was a loss of \$71, compared to an Adjusted EBITDA loss PMPM of \$135 in the third quarter of the prior year
- Gross profit was \$9.1 million, as compared to negative \$6.5 million in the prior year. Gross profit PMPM was \$29, compared to a loss of \$22 PMPM in the prior year
- Medical margin⁽¹⁾ was \$36.2 million, an increase of 306.1% compared to \$8.9 million in the third quarter of the prior year. Medical margin PMPM⁽¹⁾ was \$115, an increase of 286.3% compared to a medical margin PMPM of \$30 in the prior year

Key Financial and Operating Metrics as Reported (\$ millions):

	Three Months Ended September 30,		Change %YOY
	2023	2022	
Capitated Revenue	\$285	\$244	17%
Total Revenues	\$288	\$248	16%
Gross Profit	\$9	(\$7)	240%
Medical Margin	\$36	\$9	306%
Net Loss	(\$37)	(\$65)	43%
Adjusted EBITDA	(\$22)	(\$40)	45%

Year-to-Date 2023 Financial Results

- Total revenue was \$919.5 million, an increase of 16% compared to \$791.3 million in the same period in the prior year. Net loss was \$117.3 million, compared to a net loss of \$1,029.2 million in the same period of the prior year. The year-to date results of 2022 were negatively impacted by a goodwill impairment charge of \$851 million. Net loss PMPM was \$126 compared to a net loss PMPM of \$1,148 in the same period of the prior year
- Adjusted EBITDA⁽¹⁾ loss was \$41.2 million, compared to an Adjusted EBITDA loss of \$87.9 million in the same period of the prior year. Adjusted EBITDA PMPM⁽¹⁾ loss was \$44, compared to an Adjusted EBITDA loss of \$98 PMPM in the same period of the prior year
- Gross profit was \$52.5 million, compared to \$3.2 million in the same period of the prior year. Gross profit PMPM was \$56, compared to \$4 in the same period of the prior year
- Medical margin⁽¹⁾ was \$126.0 million, an increase of 127.0% compared to \$55.5 million in the same period of the prior year. Medical margin PMPM⁽¹⁾ was \$135, an increase of 118.1% compared to a medical margin PMPM of \$62 in the same period of the prior year

Key Financial and Operating Metrics as Reported (\$ millions):

	Nine Months Ended September 30,		Change %YOY
	2023	2022	
Capitated Revenue	\$909	\$781	16%
Total Revenues	\$920	\$791	16%
Gross Profit	\$52	\$3	1533%
Medical Margin	\$126	\$56	127%
Net Loss	(\$117)	(\$1,029)	89%
Adjusted EBITDA	(\$41)	(\$88)	53%

Full-Year 2023 Guidance

	Year Ending December 31, 2023	
	Low	High
Medicare Advantage Members	115,000	120,000
Total Revenues (in millions)	\$1,200	\$1,250
Medical margin ⁽²⁾ (in millions)	\$155	\$175
Medical margin ⁽²⁾ PMPM	\$120	\$130
Adjusted EBITDA ⁽²⁾ Loss (in millions)	\$(50)	\$(30)

⁽¹⁾ Adjusted EBITDA, Adjusted EBITDA per member, per month ("PMPM"), medical margin and medical margin PMPM are non-GAAP financial measures. For reconciliations of these measures to the most directly comparable GAAP measures and more information regarding the Company's use of non-GAAP financial measures, please see the section titled "Non-GAAP Financial Measures" and the tables at the end of this press release.

⁽²⁾ The Company is not able to provide a quantitative reconciliation of full-year 2023 or 2024 guidance for Adjusted EBITDA loss to net income, or quantitative reconciliations for full-year 2023 guidance for medical margin and medical margin PMPM to net income (loss), gross profit and gross profit PMPM, the most directly comparable GAAP measures, respectively, and has not provided forward-looking guidance for net income (loss), gross profit (loss) or gross profit (loss) PMPM because of the uncertainty around certain items that may impact net income (loss), gross profit (loss) or gross profit (loss) PMPM that are not within our control or cannot be reasonably predicted without unreasonable effort. For more information regarding the non-GAAP financial measures discussed in this press release, please see "Non-GAAP Financial Measures" below.

Title & Webcast	P3 Health Third-Quarter Earnings Conference Call
Date & Time	November 8, 2023, 4:30pm Eastern Time
Conference Call Details	Toll-Free 1-833 316 0546 (US) International 1-412 317 0692 Ask to be joined into the P3 Health Partners call
<p>The conference call will also be webcast live in the “Events & Presentations” section of the Investor page of the P3 website ir.p3hp.org). The Company’s press release will be available on the Investor page of P3’s website in advance of the conference call. An archived recording of the webcast will be available on the Investor page of P3’s website for a period of 90 days following the conference call.</p> <p>For supplemental financial information, including certain non-GAAP financial measures, and the reconciliations thereof, please visit the Company’s Investor Relations site (ir.p3hp.org).</p>	

About P3 Health Partners (NASDAQ: PIII):

P3 Health Partners Inc. is a leading population health management company committed to transforming healthcare by improving the lives of both patients and providers. Founded and led by physicians, P3 has an expansive network of more than 2,700 affiliated primary care providers across the country. Our local teams of health care professionals manage the care of thousands of patients in 18 counties across five states. P3 supports primary care providers with value-based care coordination and administrative services that improve patient outcomes and lower costs. Through partnerships with these local providers, the P3 care team creates an enhanced patient experience by navigating, coordinating, and integrating the patient’s care within the healthcare system. For more information, visit www.p3hp.org and follow us on LinkedIn and [Facebook.com/p3healthpartners](https://www.facebook.com/p3healthpartners).

Non-GAAP Financial Measures

In addition to the financial results prepared in accordance accounting principles generally accepted in the U.S. (“GAAP”), this press release contains certain non-GAAP financial measures as defined by the SEC rules, including Adjusted EBITDA, Adjusted EBITDA PMPM, medical margin and medical margin PMPM. EBITDA is defined as GAAP net income (loss) before (i) interest, (ii) income taxes and (iii) depreciation and amortization. Adjusted EBITDA is defined as EBITDA, further adjusted to exclude the effect of certain supplemental adjustments, such as (i) mark-to-market warrant gain/loss, (ii) premium deficiency reserves, (iii) equity-based compensation expense and (iv) certain other items that we believe are not indicative of our core operating performances. Adjusted EBITDA PMPM is defined as Adjusted EBITDA divided by the number of Medicare Advantage members each month divided by the number of months in the period. We believe these non-GAAP financial measures provide an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing our financial measures with other similar companies. Medical margin represents the amount earned from capitation revenue after medical claims expenses are deducted and medical margin PMPM is defined as medical margin divided by the number of Medicare Advantage members each month divided by the number of months in the period. Medical claims expenses represent costs incurred for medical services provided to our members. As our platform grows and matures over time, we expect medical margin to increase in absolute dollars; however, medical margin PMPM may vary as the percentage of new members brought onto our platform fluctuates. New membership added to the platform is typically dilutive to medical margin PMPM. We do not consider these non-GAAP measures in isolation or as an alternative to financial measures determined in accordance with GAAP. These non-GAAP financial measures are subject to inherent limitations as they reflect the exercise of judgments by management about which expense and income are excluded or included in determining these non-GAAP financial measures. In addition, other companies may calculate non-GAAP financial measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of our non-GAAP financial measures as tools for comparison. The tables at the end of this press release present a reconciliation of Adjusted EBITDA to net income (loss) and Adjusted EBITDA PMPM to net income (loss) PMPM, and medical margin to gross profit and medical margin PMPM to gross profit PMPM, which are the most directly comparable financial measures calculated in accordance with GAAP.

Cautionary Note Regarding Forward-Looking Statements

This press release contains forward-looking statements within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended. Words such as "anticipate," "believe," "budget," "contemplate," "continue," "could," "envision," "estimate," "expect," "guidance," "indicate," "intend," "may," "might," "plan," "possibly," "potential," "predict," "probably," "pro-forma," "project," "seek," "should," "target," or "will," or the negative or other variations thereof, and similar words or phrases or comparable terminology, are intended to identify forward-looking statements. These forward-looking statements address various matters, including the Company's future expected growth strategy and operating performance; current expectations regarding the Company's current cash position and outlook as to revenue, at-risk Medicare Advantage membership, medical margin, medical margin PMPM, Adjusted EBITDA loss for the full year 2023 outlook as to and Adjusted EBITDA for the full-year 2024, all of which reflect the Company's expectations based upon currently available information and data. Because such statements are based on expectations as to future financial and operating results and are not statements of fact, actual results may differ materially from those projected or estimated and you are cautioned not to place undue reliance on these forward-looking statements. These forward-looking statements are not guarantees of future performance, conditions or results, and involve a number of known and unknown risks, uncertainties, assumptions and other important factors, many of which are outside the Company's control, that could cause actual results or outcomes to differ materially from those discussed in the forward-looking statements.

Important risks and uncertainties that could cause our actual results and financial condition to differ materially from those indicated in forward-looking statements include, among others, our ability to continue as a going concern; our potential need to raise additional capital to fund our existing operations or develop and commercialize new services or expand our operations; our ability to achieve or maintain profitability; our ability to maintain compliance with our debt covenants in the future, or obtain required waivers from our lenders if future operating performance were to fall below current projections of if there are material changes to management's assumptions, we could be required to recognize non-cash charges to operating earnings for goodwill and/or other intangible asset impairment; our ability to identify and develop successful new geographies, physician partners, payors and patients; changes in market or industry conditions, regulatory environment, competitive conditions, and receptivity to our services; our ability to fund our growth and expand our operations; changes in laws and regulations applicable to our business; our ability to maintain our relationships with health plans and other key payers; the impact of COVID-19, including the impact of new variants of the virus, or another pandemic, epidemic or outbreak of infectious disease on our business and results of operation; increased labor costs; our ability to recruit and retain qualified team members and independent physicians; and other factors discussed in Part I, Item 1A. "Risk Factors" of the Company's Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC on March 31, 2023, as updated by Part II, Item 1A. "Risk Factors" in the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2023 to be filed with the SEC, and in the Company's other filings with the SEC. All information in this press release is as of the date hereof, and we undertake no duty to update or revise this information unless required by law. You are cautioned not to place undue reliance on any forward-looking statements contained in this press release.

Contacts

Investor Relations

Karen Blomquist
Vice President, Investor Relations
P3 Health Partners
kblomquist@p3hp.org

Kassi Belz
Executive Vice President, Communications
P3 Health Partners
(904) 415-2744
kbelz@p3hp.org

P3 HEALTH PARTNERS INC. and SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)
(unaudited)

	September 30, 2023	December 31, 2022
ASSETS		
CURRENT ASSETS:		
Cash	\$ 52,562	\$ 17,537
Restricted cash	4,878	920
Health plan receivable, net of allowance for credit losses of \$150 and \$0, respectively	117,200	72,092
Clinic fees, insurance and other receivable	2,225	7,500
Prepaid expenses and other current assets	2,799	2,643
TOTAL CURRENT ASSETS	179,664	100,692
Property and equipment, net	9,360	8,839
Intangible assets, net	687,875	751,050
Other long-term assets	19,993	15,990
TOTAL ASSETS ⁽¹⁾	\$ 896,892	\$ 876,571
LIABILITIES, MEZZANINE EQUITY and STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 11,630	\$ 11,542
Accrued expenses and other current liabilities	20,957	16,647
Accrued payroll	5,629	8,224
Health plan settlements payable	35,422	13,608
Claims payable	155,497	151,207
Premium deficiency reserve	17,014	26,375
Accrued interest	21,153	14,061
TOTAL CURRENT LIABILITIES	267,302	241,664
Operating lease liability	13,556	11,516
Warrant liabilities	1,844	1,517
Contingent consideration	4,907	4,794
Long-term debt, net	108,252	94,421
TOTAL LIABILITIES ⁽¹⁾	395,861	353,912
COMMITMENTS AND CONTINGENCIES (Note 12)		
MEZZANINE EQUITY:		
Redeemable non-controlling interest	313,088	516,805
STOCKHOLDERS' EQUITY:		
Class A common stock, \$.0001 par value; 800,000 shares authorized; 114,249 shares and 41,579 shares issued and outstanding, respectively	11	4
Class V common stock, \$.0001 par value; 205,000 shares authorized; 198,354 shares and 201,592 shares issued and outstanding, respectively	20	20
Additional paid in capital	529,794	315,375
Accumulated deficit	(341,882)	(309,545)
TOTAL STOCKHOLDERS' EQUITY	187,943	5,854
TOTAL LIABILITIES, MEZZANINE EQUITY & STOCKHOLDERS' EQUITY	\$ 896,892	\$ 876,571

(1) The Company's condensed consolidated balance sheets include the assets and liabilities of its consolidated variable interest entities ("VIEs"). As discussed in Note 13 "Variable Interest Entities," P3 LLC is itself a VIE. P3 LLC represents substantially all the assets and liabilities of the Company. As a result, the language and amounts below refer only to VIEs held at the P3 LLC level. The condensed consolidated balance sheets include total assets that can be used only to settle obligations of the P3 LLC's VIEs totaling \$11.1 million and \$3.1 million as of September 30, 2023 and December 31, 2022, respectively, and total liabilities of the P3 LLC's consolidated VIEs for which creditors do not have recourse to the general credit of the Company totaled \$15.9 million and \$9.9 million as of September 30, 2023 and December 31, 2022, respectively. These VIE assets and liabilities do not include \$45.9 million and \$33.0 million of net amounts due to affiliates as of September 30, 2023 and December 31, 2022, respectively, as these are eliminated in consolidation and not presented within the condensed consolidated balance sheets. See Note 13 "Variable Interest Entities."

P3 HEALTH PARTNERS INC. and SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
OPERATING REVENUE:				
Capitated revenue	\$ 285,153	\$ 243,988	\$ 909,473	\$ 780,775
Other patient service revenue	3,198	4,272	10,041	10,483
TOTAL OPERATING REVENUE	288,351	248,260	919,514	791,258
OPERATING EXPENSE:				
Medical expense	279,220	254,777	867,061	788,046
Premium deficiency reserve	(12,489)	(7,302)	(9,361)	(10,116)
Corporate, general and administrative expense	33,065	37,863	97,931	117,560
Sales and marketing expense	654	1,118	2,512	3,391
Depreciation and amortization	21,721	21,815	65,041	65,287
Goodwill impairment	—	—	—	851,456
TOTAL OPERATING EXPENSE	322,171	308,271	1,023,184	1,815,624
OPERATING LOSS	(33,820)	(60,011)	(103,670)	(1,024,366)
OTHER INCOME (EXPENSE):				
Interest expense, net	(4,002)	(2,963)	(11,939)	(8,418)
Mark-to-market of stock warrants	755	(2,568)	(327)	3,386
Other	190	213	(455)	173
TOTAL OTHER EXPENSE	(3,057)	(5,318)	(12,721)	(4,859)
LOSS BEFORE INCOME TAXES	(36,877)	(65,329)	(116,391)	(1,029,225)
PROVISION FOR INCOME TAXES	(412)	—	(928)	—
NET LOSS	(37,289)	(65,329)	(117,319)	(1,029,225)
LESS: NET LOSS ATTRIBUTABLE TO REDEEMABLE NON-CONTROLLING INTEREST	(23,993)	(54,156)	(85,008)	(853,125)
NET LOSS ATTRIBUTABLE TO CONTROLLING INTEREST	\$ (13,296)	\$ (11,173)	\$ (32,311)	\$ (176,100)
NET LOSS PER SHARE (Note 9):				
Basic	\$ (0.12)	\$ (0.27)	\$ (0.37)	\$ (4.24)
Diluted	\$ (0.12)	\$ (0.27)	\$ (0.41)	\$ (4.27)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING (Note 9):				
Basic	114,198	41,579	88,010	41,579
Diluted	312,679	243,036	288,379	241,263

P3 HEALTH PARTNERS INC. and SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (117,319)	\$ (1,029,225)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	65,041	65,287
Equity-based compensation	4,259	17,211
Goodwill impairment	—	851,456
Amortization of original issue discount and debt issuance costs	405	—
Accretion of contingent consideration	113	291
Mark-to-market adjustment of stock warrants	327	(3,386)
Premium deficiency reserve	(9,361)	(10,116)
Changes in assets and liabilities:		
Health plan receivable	(45,258)	(31,247)
Clinic fees, insurance, and other receivable	5,275	(1,623)
Prepaid expenses and other current assets	(429)	3,462
Other long-term assets	(1,214)	—
Accounts payable, accrued expenses, and other current liabilities	2,758	4,560
Accrued payroll	2,405	1,054
Health plan settlements payable	21,814	(1,922)
Claims payable	4,290	32,747
Accrued interest	7,092	3,885
Operating lease liability	(348)	3,501
Net cash used in operating activities	(60,150)	(94,065)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(2,039)	(2,283)
Acquisitions, net of cash acquired	—	(5,500)
Net cash used in investing activities	(2,039)	(7,783)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt, net of original issuance discount	14,101	—
Proceeds from private placement offering, net of offering costs paid	87,244	—
Repayment of short-term and long-term debt	—	(3,625)
Payment of debt issuance costs	(173)	—
Net cash provided by (used in) financing activities	101,172	(3,625)
Net change in cash and restricted cash	38,983	(105,473)
Cash and restricted cash, beginning of period	18,457	140,834
Cash and restricted cash, end of period	\$ 57,440	\$ 35,361

RECONCILIATION OF NET LOSS TO ADJUSTED EBITDA LOSS
(in thousands, except PMPM)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)			
Net loss	\$ (37,289)	\$ (65,329)	\$ (117,319)	\$ (1,029,225)
Interest expense, net	4,002	2,963	11,939	8,418
Depreciation and amortization expense	21,721	21,815	65,041	65,287
Provision for income taxes	412	—	928	—
Mark-to-market of stock warrants	(755)	2,568	327	(3,386)
Premium deficiency reserve	(12,489)	(7,302)	(9,361)	(10,116)
Equity-based compensation	2,251	1,784	4,259	17,211
Transaction and other related costs ⁽¹⁾	—	1,844	70	10,956
Other ⁽²⁾	(185)	1,350	—	851,456
Goodwill impairment	—	—	2,868	1,499
Adjusted EBITDA loss	\$ (22,332)	\$ (40,307)	\$ (41,248)	\$ (87,900)
Adjusted EBITDA loss PMPM	\$ (71)	\$ (135)	\$ (44)	\$ (98)

(1) Transaction and other related costs during the nine months ended September 30, 2023 consisted of legal fees incurred related to acquisition-related litigation.

(2) Other during the three and nine months ended September 30, 2023 consisted of (i) interest income offset by (ii) cybersecurity incident loss with respect to the nine months ended September 30, 2023, (iii) restructuring and other charges, including severance and benefits paid to employees pursuant to workforce reduction plans with respect to the nine months ended September 30, 2023, (iv) the disposition of our Pahrump operations, (v) expenses for third-party consultants to assist us with the development, implementation, and documentation of new and enhanced internal controls and processes for compliance with Sarbanes-Oxley Section 404(b) with respect to the nine months ended September 30, 2023, (vi) a legal settlement outside of the ordinary course of business with respect to the nine months ended September 30, 2023, and (vii) valuation allowance on our notes receivable.

MEDICAL MARGIN
(in thousands, except PMPM)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
(in thousands)				
Capitated revenue	\$ 285,153	\$ 243,988	\$ 909,473	\$ 780,775
Less: medical claims expenses	(248,918)	(235,065)	(783,497)	(725,267)
Medical margin	<u>\$ 36,235</u>	<u>\$ 8,923</u>	<u>\$ 125,976</u>	<u>\$ 55,508</u>
Medical margin PMPM	\$ 115	\$ 30	\$ 135	\$ 62

RECONCILIATION OF GROSS PROFIT TO MEDICAL MARGIN
(in thousands)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
(in thousands)				
Gross profit ⁽¹⁾	\$ 9,131	\$ (6,517)	\$ 52,453	\$ 3,212
Other patient service revenue	(3,198)	(4,272)	(10,041)	(10,483)
Other medical expense	30,302	19,712	83,564	62,779
Medical margin	<u>\$ 36,235</u>	<u>\$ 8,923</u>	<u>\$ 125,976</u>	<u>\$ 55,508</u>

(1) Effective for the quarter ended June 30, 2023, we modified the method by which we reconcile medical margin. Previously, we reconciled medical margin to operating loss as the most directly comparable measure calculated in accordance with GAAP. In the current period and on a go-forward basis we will reconcile to gross profit as we have determined that gross profit is the most directly comparable GAAP measure.