

LSEG STREETEVENTS

EDITED TRANSCRIPT

PRVA - Q1 2026 Privia Health Group Inc Earnings Call

EVENT DATE/TIME: MAY 07, 2026 / 8:00AM ET

CORPORATE PARTICIPANTS

Robert Borchert Privia Health Group Inc – Senior Vice President, Investor & Corporate Communications

Parth Mehrotra Privia Health Group Inc - Chief Executive Officer, Director

David Mountcastle Privia Health Group Inc - Executive Vice President, Chief Financial Officer

CONFERENCE CALL PARTICIPANTS

Jallendra Singh Truist Securities - Analyst

Jessica Tassan Piper Sandler - Analyst

Matthew Gillmor KeyBanc Capital Markets Inc - Equity Analyst

Elizabeth Anderson Evercore Inc - Analyst

A.J. Rice UBS - Analyst

Thomas Kelliher BMO Capital Markets - Analyst

Matthew Shea Needham & Company LLC - Equity Analyst

Andrew Mok Barclays - Analyst

Daniel Grosslight Citi - Analyst

Ryan Langston LTD Cowen - Analyst

Whit Mayo Leerink Partners LLC - Analyst

Jeff Garro Stephens Inc - Equity Analyst

Ryan Daniels William Blair - Analyst

Constantine Davides Citizens - Analyst

Jack Slevin Jefferies LLC - Equity Analyst

Ryan Halsted RBC Capital Markets Inc - Analyst

David Larsen BTIG LLC - Analyst

PRESENTATION

Operator

Hello, and thank you for standing by. My name is Pat, and I will be your conference operator today. At this time, I would like to welcome everyone to the Privia Health first-quarter conference call. (Operator Instructions)

I would now like to turn the call over to Robert Borchert, SVP Investor and Corporate Communications. Robert, go ahead.

Robert Borchert - Privia Health Group Inc - SVP Investor and Corporate Communications

Well, thank you, Pat, and good morning, everyone. Joining me are Parth Mehrotra, our Chief Executive Officer, and David Mountcastle, our Chief Financial Officer. This call is being webcast and can be accessed in the Investor Relations section of priviahealth.com, along with today's financial press release and slide presentation.

Following our prepared comments, we will open the line for questions. Please limit yourself to one question only and return to the queue if you have a follow-up to get as many questions as possible. The financial results reported today are preliminary and are not final until our Form 10-Q for the quarter ended March 31, 2026, is filed with the Securities and Exchange Commission.

Some of the statements we'll make today are forward-looking in nature, based on our current expectations and view of our business as of today, May 7, 2026. Such statements, including those related to our future financial and operating performance and future business plans and objectives, are subject to risks and uncertainties that may cause actual results to differ materially.

As a result, these statements should be considered along with the cautionary statements in today's press release and the risk factors described in our company's most recent SEC filings.

Finally, we may refer to certain non-GAAP financial measures on the call. Reconciliation of these measures to comparable GAAP measures is included in our press release and the accompanying slide presentation posted on our website.

Now I'd like to hand the call over to our CEO, Parth Mehrotra.

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

Thank you, Robert, and good morning, everyone. Privia Health delivered a strong first quarter as we continue to execute extremely well and drive growth across our markets. This morning, I'll summarize our first quarter performance and business highlights, and David will discuss our first quarter financial results and our updated 2026 guidance before we take your questions.

Privia Health's outstanding operational execution and the strength of our diversified business model clearly demonstrate our ability to perform in all types of market and health care regulatory environments. We are proud to deliver on our mission to achieve the quadruple aim, better outcomes, lower costs, improved patient experience, and happier and more engaged providers.

New provider signings and implementations remain strong. This provides great visibility through the remainder of 2026. We ended the first quarter with 5,535 providers, a 13.6% increase year-over-year, and with 1.6 million value-based attributed lives, up 26.5% from a year ago. The combination of implemented provider growth, attribution growth, and value-based care performance helped increase practice collections 14.6% from the first quarter last year.

We continue to show strong operating leverage across the platform and G&A expenses. Adjusted EBITDA for the quarter increased 36.3% to \$36.7 million, with EBITDA margin as a percentage of care margin expanding 290 basis points to reach 28.5%. Given our strong Q1 performance, we feel confident about our annual guidance across all metrics. Since it's still early in the year, we are maintaining our 2026 guidance, except for increasing our range for attributed lives given the strong first-quarter attribution growth.

Our ongoing business momentum is expected to drive EBITDA growth of approximately 20% at the midpoint of the guidance, while converting approximately 80% of EBITDA to free cash flow. Privia's national footprint now includes a presence in 24 states and the District of Columbia. Our 5,535 implemented providers care for over 5.9 million patients.

We continue to demonstrate very high gross provider retention and patient Net Promoter Score across our footprint. Our growth and momentum have positioned us as one of the leading primary care-centric medical groups and value-based care organizations in the country. We expect to expand our presence in existing and new states, both organically and inorganically, given our balance sheet strength.

Privia's diversified value-based platform serves over 1.6 million patients through more than 130 commercial and government contracts. Our total attributed lives increased over 26% from a year ago. This was driven by new provider growth and the addition of the Evolent ACO business. Commercial attributed lives increased more than 17% from last year to reach 913,000. Lives attributed to CMS Medicare programs were up 62%.

Medicare Advantage and Medicaid attribution increased 20% and 36%, respectively, from a year ago. We remain highly focused on increasing attribution and generating positive contribution margin across our value-based book. Ultimately, our goal is to achieve consistent and sustainable earnings growth for our physician partners and shareholders. David will now review our first quarter financial results and updated 2026 guidance.

David Mountcastle - Privia Health Group Inc - Executive Vice President, Chief Financial Officer

Thank you, Parth. Privia Health's strong operational performance continued through the first quarter. Implemented providers grew 155 sequentially from year-end 2025 and increased 13.6% year-over-year. Implemented provider growth, along with solid value-based performance and ambulatory utilization trends, led to practice collections increasing 14.6% from the first quarter a year ago to reach \$914.8 million.

Adjusted EBITDA, which is reconciled to GAAP net income in the appendix, increased 36.3% over the first quarter last year to reach \$36.7 million, representing 28.5% of care margin. This 290 basis-point margin improvement continues to highlight significant operating leverage. We ended the first quarter with \$219.5 million in cash and no debt following typical Q1 cash outflows from value-based care payments to providers and employee bonuses.

We are reiterating our full-year 2026 guidance metrics following our strong performance in the first quarter and raising our guidance range for attributed lives at the year-end. This guide implies adjusted EBITDA growth of approximately 20% at the \$150 million midpoint, and we expect 80% of full-year EBITDA to convert to free cash flow as we become a full cash taxpayer.

While our guidance assumes no new business development, we have a robust pipeline of existing market expansion and new market opportunities. We will remain disciplined and strategic while leveraging our healthy balance sheet to grow the business and compound our EBITDA and free cash flow.

Over the last two years, our EBITDA growth rate has averaged 32%. Achieving the midpoint of our 2026 guidance will result in EBITDA more than doubling over the last three years. Our consistent growth and ability to compound EBITDA and free cash flow across economic, health care, and regulatory cycles over the past nine years validate the strength of the Privia business model.

Privia's business momentum is powered by the consistent execution of our provider partners and our employees. This has positioned us well to continue to drive growth and profitability as we build and scale our national footprint. I would like to take this opportunity to thank each one of them for their hard work.

Operator, we are now ready to take questions.

Robert Borchert - Privia Health Group Inc - SVP Investor and Corporate Communications

Pat, we're ready for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Jailendra Singh, Truist Securities.

Jailendra Singh - Truist Securities - Analyst

This is Jailendra Singh from Truist Securities. Congrats on a strong start to the year. So you guys reported strong Q1, but now you are deciding to maintain the outlook on most metrics, except attributed lives. Is this you guys just doing the Privia approach of being conservative?

Or are there any items we should be aware of in terms of puts and takes for the rest of the year compared to Q1? And related to that, are you guys still expecting shared savings to be flat year-over-year? Q1 figures are pretty strong. So just give us any color about the guidance here.

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

Yes, I appreciate the question, Jailendra. Yes. So look, I mean, it's still early in the year. You've seen how we've done this for the last five years since we went public. Our approach is just to keep executing every quarter. There will be some puts and takes. But as we get more data, we get comfortable in then adjusting guidance.

We just gave guidance about 50 business days ago. So if this continues, then obviously, hopefully, we'll just do what we've been doing in previous years. But I don't think shared savings should be flat if this trend continues, but we'll just see what data we get for any prior period stuff in the current year across our value-based book. But if the trend continues, then it should grow year-over-year.

Robert Borchert - Privia Health Group Inc - SVP Investor and Corporate Communications

Next question, please.

Operator

Jessica Tassan, Piper Sandler.

Jessica Tassan - Piper Sandler - Analyst

Hi, guys. Thank you. I appreciate the question. So I know you emphasized just the focus on attributed lives. So I'm interested if you guys can discuss your perspective on Medicare Advantage, just given the final year V28. Is the space emerging as more attractive as you guys hear payers describe kind of prioritization of margin over growth for '27?

And then just interested to hear what your appetite for that business is, whether you're seeing a sustained effort from the payers to subcap lives, or any change in payer appetite? And just any directional commentary on how we might think about the capitated business from here?

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

Yes. Thanks for the question, Jess. So our answer is not that different from what I think came up on the last earnings call as well. MA has overall good tailwinds with the demographic changes that we'll see over the next 5, 10, and 15 years. So I think it's a pretty important program, whether you do it with CMS directly or through payers. We are really focused on the MA book.

I mean, you can see now we have over 550,000 MA attributed lives between MSSP and then Medicare Advantage. And so I think we're highly focused on growing that book, both attribution and then performing in that. I think as it relates to capitation or subcapitation, I mean, you've seen our view that doing full capitation is not the only way to perform well in MA. We believe in sharing the risk. That view remains consistent.

It avoids any potential conflict of interest as payers adjust in each state, in each local geography, with baseline trends, utilization, or their program designs or attribution changes. So I think as V28 flushes through, I think there are some other adjustments that CMS has announced that they will do with the program across the board.

I think just generally having good hygiene around the program. So I think we'll just continue to work with the payers. The value we really bring is very low-cost, dense networks in all of our geographies. I think that's Privia's value proposition to any payer. That, I think, will speak for itself because we have the doctors, we have the patients. The patients don't leave the doctors, no matter what happens to V28 or the MA program or what some particular payer might do or not do.

That relationship is what we bring to the table, and our ability to influence the total cost of care with that patient, starting with the lowest cost setting, I think it's very, very positive for our business and the tailwinds we have. So I think we'll continue to work with the payers. As long as our doctors get rewarded for taking risk, we will take more risk. We prefer the shared risk model. Some of our books will be capitated going forward as it is today.

Some would be shared risk with a lot more upside. So we'll just see how this plays out in every geography because you're contracting at the ZIP code level, in different risk pools. And so even though the macro environment may get better and the payers come out of the last couple of years, how we contract with them just varies by geography.

Robert Borchert - Privia Health Group Inc - SVP Investor and Corporate Communications

Next question, please. Operator?

Operator

Matthew Gillmor, KeyBanc.

Matthew Gillmor - KeyBanc Capital Markets Inc - Equity Analyst

Hey, good morning. Thanks for the question. I had a bigger picture question just on growth. Our thought is that there's going to be some washout with the industry, and perhaps you're seeing that already, and that stronger organizations with good balance sheets will benefit from that. Is that something you're seeing either from the business development pipeline or with M&A? Are there more opportunities than you've seen in the past? Or would you describe it as steadier?

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

Yes, I appreciate the question, Matt. I think you're right. There were a lot of investments from VCs entering the space, and private equity being very aggressive. I think with all of that dissipating, I think it bodes well for a business like Privia with a very strong balance sheet and free cash flow profile.

I think also medical groups with ownership structures, which were pretty unique across the landscape, with physicians owning certain assets, small businesses owning certain assets, and smaller private equity firms owning certain assets. I think as they look for an exit or look for a much more permanent capital structure, I think they've seen what they have to see in the last four, five years.

And I think they realize what a company like Privia is from that kind of ownership, permanent capital perspective. So I think our business development pipeline is really strong. We're looking at deals across the spectrum. And as you know, our platform is really broad in terms of acquiring service entities, tech platforms, ACO entities, medical groups, and tax IDs. So, it's really broad in terms of what we can do and how we can uniquely structure these deals.

Ultimately, with the objective of creating these dense medical groups, ACOs, and full tech and services platforms in every state in a very integrated fashion. I think that's a very unique value proposition that we bring to the table for any physician group, any patient, any specialty, any type of value-based arrangement.

So, I think we're keeping busy, and we'll continue to deploy capital to keep compounding the business. You've seen us do that last year. I think we'll continue to just do it, just be disciplined around it, just be patient with valuation expectations. But I think as there are less and less exit opportunities for some of these assets, I think we've become a pretty attractive option.

Robert Borchert - Privia Health Group Inc - SVP Investor and Corporate Communications

Pat, please.

Operator

Elizabeth Anderson, Evercore ISI.

Elizabeth Anderson - Evercore Inc - Analyst

Hi, everyone. Thanks very much for the question and congrats on the quarter. Maybe just to piggyback off of what Matt was saying. I mean, you've obviously built Privia around primary care and the entry point, expanding that.

But as the network maturity grows, how do you think about adding more specialties or perhaps changing the mix? Is that sort of something that you just think will happen sort of naturally? Is there any change in how you're thinking about that as an attractiveness in terms of the mix?

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

Yes. Thanks for the question, Elizabeth. So, I think that's already happening very naturally. It varies by geography because the physician mix is different in every geography we are in, and who we partner with initially is different.

So today, even today, it's a 60-40 mix trending towards a 50-50 mix. And we define primary care pretty broadly. So, who's the first point of contact for somebody in the family to include pediatricians for the children, OB/GYNs, family medicine, internal medicine, and so on, and so forth?

So, I think it's already happening. And even on the specialty side, we're not really focused on the surgical specialties. But over time, as volumes move outside of the health system, and we can focus on the total cost of care for certain procedures, surgeries move to the ASC setting. I think that becomes pretty attractive for a multi-specialty medical group like ours.

And so, I think you'll continue to see us expand on that strategy. And we are set up really well to do that. 80% of the total cost is downstream from the PCP, with a lot of reimbursement still in fee-for-service.

And so, I think the engine that we have today to add value to those practices, I think, is also very differentiated. And then over time, as value-based arrangements and programs evolve that include those specialists, I think we are very well positioned to capitalize on that opportunity.

Elizabeth Anderson - Evercore Inc - Analyst

Makes sense. Thank you.

Operator

A.J. Rice, UBS.

A.J. Rice - UBS - Analyst

Hi, everybody. I thought I might ask you about this new LEAD program and your thoughts on that. We're hearing that some providers that maybe historically haven't been particularly well-positioned for some of the value-based care that this program is offering them some opportunities. And so, I wondered how you see it? And do you see this as something incremental that you have an interest in?

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

Yes, I appreciate the question, A.J. So, really similar to REACH when that came about three years ago or so, I mean, we evaluate all the programs from CMS. I think given what we see today, it's unlikely we'll move our MSSP ACO into lead, just given how well we perform, the nature of the program, you can do one versus -- you can't do both with the same TIN. So, you've got to pick one, really. And I think MSSP is designed really well.

Our hope is that some of the elements of LEAD as CMS experiments with these and changes some of these programs to make them more long-term sustainable. I think you could see more convergence between MSSP and Lead as an example, because a lot of the baseline program structure is pretty much the same, with some added benefits in LEAD.

So again, it's a new program. It comes into effect next year. We'll evaluate it. I don't think you should expect us to move our existing MSSP book, but we have the flexibility to add new providers and lives into LEAD in new geographies, or if we acquire a business that has REACH, it makes sense to move them into LEAD. I think we'll look at that.

So, like any other program, we just evaluate it, but we think it's a step in the right direction, and CMS continues to evolve its thinking and take out some of the program structures that make it more attractive for a certain set of providers, like health systems, and so on and so forth. So, we'll just see how it comes about.

Operator

Sean Dodge, BMO Capital Markets.

Thomas Kelliher - BMO Capital Markets - Analyst

Hey, good morning. This is Thomas Kelliher on for Sean. On the attributed lives on the commercial side of the business, the number of lives where you're taking downside risk is up about 60% over the last two years.

Can you walk us through how risk works in commercial? And then how does the shared savings potential per individual and the volatility of that shared savings compare to some of the government programs?

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

That's a great question. I appreciate it, Tom. So look, I think it speaks to the value prop that Privia brings to payers, where, just backing off of what I said earlier, once you bring a very large, dense, low-cost medical group structure in any geography, we are one of the very few entities that can do commercial value-based at this scale.

Optum Health does it really well in certain geographies. And I think the value prop is really converting the traditional fee-for-service payment stream into helping the payer take care of these lives, manage the total cost of care, having some quality metrics around different subsets of populations, whether it's children, whether it's working adults, whether it's the pre-Medicare population between 50 and 65.

So, we are converting some of the work we do into our ability to take some risk on those lives, helping the payer manage their MLR really better. And honestly, the payers are willing to compensate us in addition to the fee-for-service reimbursement on a care management PMPM basis, as well as certain quality-based bonus payments, and then ultimately, shared savings if we bend the MLR cost curve for them.

So over time, we're not going to take a lot of risk at this point because it's an open-access product. The commercial patient has the ability to go wherever it likes, pretty much for different needs, especially if there's a specialty event. But again, we have corridors of risk. But as you're seeing, we are working with more and more payers across our geographies to implement some of these contracts and try to perform well.

Our objective remains the same. We give value to the payers. It reduces their MLR. Our doctors and medical groups need to get compensated for it. And it's really an effort to move some of the traditional fee-for-service payments into a more value orientation. It's still, give or take, 50% of the population is commercially insured, give or take the geography. And so this is really trying to do value-based care at a very, very broad scale for the working-class population.

Thomas Kelliher - BMO Capital Markets - Analyst

Great. Thank you very much.

Operator

All right. That concludes our question-and-answer session. I will now turn the call back over to Robert --

Robert Borchert - Privia Health Group Inc - SVP Investor and Corporate Communications

I'm sorry. Pat, we're still taking questions.

Operator

Matthew Shea, Needham.

Matthew Shea - Needham & Company LLC - Equity Analyst

Hey, good morning. Thanks for extending the Q&A there, Robert. I wanted to touch on technology. We picked up, I think, in April that you guys brought on a new Chief Technology Officer. Seems to bring a good background to an interesting moment, particularly as you're expanding the implementation base.

So would love to hear what gets you excited about this appointment. And I know you touched on some of the tech investments you were making last quarter, but it seems like AI is becoming a louder theme in health care. So curious if the new hire changes any of your thinking or maybe accelerates some of your initiatives.

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

Yes, absolutely. Appreciate the question. So we had Konda join us from Optum Insight, really good background. It's on the website. And then Chris Voigt, our long-standing CTO, finally retired after a very long career. He's been working tirelessly with us since the inception of Privia, pretty much. So we're just lucky that we don't lose our great people to any competitors.

So look, I mean, we are really excited. Konda brings a great background and renewed enthusiasm to the team. We talked a lot about our tech stack and what we are doing with AI across all aspects of our business. And we have to link that with the margin profile of the business ultimately.

So I think I'll just reiterate that we are looking to implement different AI applications across our whole tech stack in three broad buckets. Whether it's the Privia Enterprise, which is our core corporate functions, care center operations, and those are broken into fee-for-service, value-based care, and then again, patient interaction.

And then the third ultimately is care delivery. And then in each of those buckets, we are working with a lot of existing players, like we're on Google Suite and Gemini for all our corporate functions. We have Salesforce and Workday. We are also focused on every single function where we could use generative AI to increase productivity, ultimately reduce costs, or, as we grow, do not add costs, existing partnerships with Snowflakes on their Cordex AI as an example.

So I think this will evolve as applications are just getting better every three to six months. And then on the care center side, we're looking at literally every single workflow in the doctor's office. On the fee-for-service side, some examples we have iterated last time were prior auth, autonomous coding, and referral management.

On the value-based side, we are focused on care gap closures, chart prep, patient scheduling, and patient interaction, which is a big focus with Agentic AI. We're looking at automated outreach, Agentic AI engagement with the patients, self-service tools, virtual health, obviously, I think we'll get much more efficient.

And then ultimately, with care delivery, you're looking at completely accurate coding, clinical decision support, suspect medical conditions, things like that. So I think there are a whole host of companies that are coming about. I think you'll see us just evolve this strategy, again, using our build-to-partner approach.

But I think a company like ours, with 6 million patients, with 1.6 million in value-based lives, complex workflows around physician practices with our scale, I think we're just set up really well to benefit. Then I think we talked about the margin profile. I mean, we are already approaching the low end of our long-term margin target, EBITDA to care margin of 30% to 35%.

Our guidance this year gets us close to 29%. I think if we look at the next 5 years with everything we see that we can do with AI, I think we'll easily be close to the high end, if not exceed the high end of that margin target. So we're really excited on what we could do with all the innovation and really excited about what our new CTO can bring to the table here.

Matthew Shea - Needham & Company LLC - Equity Analyst

Great. Appreciate the color.

Operator

(Operator Instructions)

Andrew Mok, Barclays.

Andrew Mok - Barclays - Analyst

Hi, good morning. Just wanted to follow up on the shared savings revenue. Could you elaborate a little bit more on the drivers of strength in the quarter, including how much corresponds to prior year performance versus current year performance? And related to this, it would be helpful to hear an update on how the Evolent assets are performing.

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

I appreciate it, Andrew. So look, like last past quarters, I mean, we don't usually break down. I mean, there's always some dry period at this point in the year as 2025 closes out, and it's across the book, commercial, MSP, and MA. And then there's obviously, we get good data, and then we see what our actuaries believe about how we can perform in the current year.

So there's always a mix between the two. It varies quarter-by-quarter. So for me to give you something, it's going to change next quarter. So I think if you just look at a rolling 12-month basis, you'll see the increase over time. But it's pretty much across the book. There was not one particular area that stood out, which just bodes well for us. Sorry, could you repeat the second question?

Andrew Mok - Barclays Services Corp - Analyst

Just an update on the Evolent ACO integration.

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

Yes. So I think it's going really well. I think we're ahead on the integration. We feel really good about the asset. It's a core MSSP and some commercial lives. So I think we're really excited that the team is pretty integrated in the first three months. The tech stack is pretty much integrated.

We're ahead on schedule a little bit there. So kudos to the team for doing a very hard job out of the gate here. And we look forward to working with those provider partners and continuing to increase their performance. So I think hopefully, if all that works out well, that will be good for shared savings as well as we close out this year.

Robert Borchert - Privia Health Group Inc - SVP Investor and Corporate Communications

(Operator Instructions)

Operator

Daniel Grosslight, Citi.

Daniel Grosslight - Citi - Analyst

Hi, thanks for taking the question. I actually had a similar question to the last part of the previous question, but I was hoping to get a little bit more granular detail, specifically on the sell-through of the full Privia platform into the physician base.

What's been the early reception there? Are there any metrics you can give us on what that sell-through has been and the progress you're really making in the six new states? Any stats or quantification you can give us where Evolent gave you that beachhead in those newer states?

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

Yes, I appreciate the question. I mean, it's still early days. The cross-sell takes time. We're just less than five months into the acquisition, which closed in December. So job number one was making sure the team is integrated, making sure the tech stack is integrated, making sure we reach out to the practices and implement how we work on these programs, on MSSP in particular.

So I think that's been our focus. Our sales team obviously reaches out to these practices to deliver the full Privia stack, but that happens usually over time. Our sales cycles are three to six months. When you're cross-selling, it's a new relationship, and you just don't want to disrupt what's there initially.

So I think that will come over time. We just don't break out externally what portion of those practices move over. I think that's just part of our existing book. So you'll see that in the implemented provider numbers, which only reflect the providers that are on the full stack and part of the single-TIN from a fee-for-service perspective. So that will just happen over time.

Daniel Grosslight - Citi - Analyst

Thank you.

Operator

Ryan Langston, TD Cowen.

Ryan Langston - TD Cowen - Analyst

Hey, this is Will Spivack on for Ryan. Most of my questions have been asked, but I guess, is there any color you can provide around the \$11 million repurchase of NCI in the quarter? And then just a quick one on, it didn't seem like there was a major impact, but anything from weather and weaker respiratory on ambulatory utilization in the quarter?

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

So, on the repurchase of the noncontrolling interest, we just acquired the minority interest in some of our markets. We expect it's going to lead to better cash flow and net income. We're constantly looking in our current markets where we have minority interests for these opportunities, and we just executed on a couple of those in the quarter.

On the second part, look, I think it's important to distinguish, as we've said before, ambulatory and community doctor utilization for flu or other respiratory diseases versus the inpatient setting. We didn't see any major swings relative to previous years. The flu season comes and goes. Some years it is better, some years it's worse. Our book is very diverse. So we didn't experience the kind of change that I guess you all wrote about for some of the hospital companies reporting results in the past quarter.

I think inpatient care can vary a lot more than ambulatory. Preventative care continues to be pretty good around flu, people getting their vaccinations, going in if they have symptoms, and so on and so forth. Even with snow days, telehealth is fully embedded in. It's really efficient. People know how to use it. So that's reflected in our results. You didn't see practice collections dip because of that. I think it just speaks to the diversification of our business.

Operator

Whit Mayo, Leerink.

Whit Mayo - Leerink Partners LLC - Analyst

Hey, thanks. Good morning. The press release didn't mention \$600 million of cash at year-end, probably nothing really to read into that, but just maybe update on expectations for cash this year. And Parth, just wanted to maybe take your temperature on how you guys are thinking about buybacks at some point.

David Mountcastle - Privia Health Group Inc - Executive Vice President, Chief Financial Officer

The guidance is the same. We reiterated 80% of EBITDA would convert to free cash flow if you exclude any BD line items, including things like purchasing minority interests. So really, if you look at what cash was at the end of the year and just add free cash flow to it, which is cash flow from operations less CapEx, I think you should get close to that number. I don't think our guidance is changing there. But that does not include, obviously, the business development line or any spending on acquisitions, which is not included in our guidance.

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

So that \$600 million round number, excluding that, remains if things go well. And then look, our preference is, given the TAM out there and the opportunity to continue to consolidate different assets in this industry around community-based physician groups, ACO entities, IPAs, MSO entities, and so on and so forth.

The best value creation opportunity for shareholders here is for us to keep compounding the business. Using our balance sheet cash to acquire these assets, integrate them, synergize them, and then just keep running that playbook, that's focus number one for deploying cash.

You've heard us say we like to keep some sleep-well-at-night money for a rainy day, pandemics happen, hurricanes happen, and so on. And then look, we always have the flexibility to return capital. That's an easy trigger if the value in the stock price is well below what we think is the intrinsic value for the company.

But our preference is to compound earnings and free cash flow and continue acquiring businesses with our balance sheet cash. It just depends on when BD deals happen. So you can have cash accumulate, and then we could do larger transactions that are more meaningful and value-creating. We'll just see how that plays out over the next 24 months.

Whit Mayo - Leerink Partners LLC - Analyst

I get it. Thanks a lot.

Operator

Jeff Garro, Stephens.

Jeff Garro - Stephens Inc - Equity Analyst

Yeah, good morning. Thanks for taking the question. I wanted to ask about the strong implementation of provider growth. One question, but I'll throw three parts at you.

First, any callouts by market or specialty? Second, any update to contributions from provider-to-provider referrals? And third, how is the current visibility into the signed-but-not-yet-implemented providers and the current pipeline of provider prospects?

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

Yes, I appreciate the question, Jeff. I'll take them in order. Look, I think given now that we are in 15 states with the single-TIN model and then another nine with the ACO-only model, the market or specialty mix just varies by quarter and by geography. As a sales team builds its pipeline, they convert, and then some markets get hot one year or one quarter, and then the others catch up.

So, given the diversification of the book, it really varies each year. I think the strength of the overall business just speaks for itself. As we get bigger, we've talked about this earlier, the snowballing effect happens in this business. In our most mature markets, 50%, sometimes even 60% or 70%, of the referrals are from existing Privia practices to their colleagues.

They are the best salespeople, our doctors. They've worked with us. They know what this model is. We perform for them. So, for them to refer another physician who has very high conversion rates. The LTV to CAC is off the charts in this business, some of the best that I've seen. We've talked about our payback period being less than a year. LTV to CAC is well over 10 years if somebody even decides to leave, and then our attrition rates are very, very low.

So, provider-to-provider referral is very strong. And then the visibility is exceptional in this business. I mean, this is our sixth year reporting as a public company. You've seen the track record. It's a three- to six-month sales cycle, a four to five to six-month implementation cycle, given just the length of the size of the group. And so by this time of the year, pretty much every provider that has to be implemented is pretty much sold.

So the visibility is over 90 percent at this point in the year. And that's why we're really confident about the guidance. And that hasn't changed much. If anything, it improves as the book of the business gets bigger. So again, the metrics around the business, the conversion rates, all are trending really, really well. We're really pleased with how we're performing.

Operator

Ryan Daniels, William Blair.

Ryan Daniels - William Blair - Analyst

Yeah, good morning, guys. Thanks for taking the question. Parth, maybe a strategic one for you, and you alluded to this earlier, but it seems like there's a lot going on in real time with acute care hospitals and health systems and movement of volume to lower-cost settings.

So you've got teams rolling out with entire episodes of care. You've got things like the inpatient-only list being dissolved. And I'm curious what that is doing strategically with your conversations with health systems as a potential partner to help them deal with all these pretty big changes they're facing.

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

Yes, I appreciate the question, Ryan. That's a good one. Look, I do think the pressure on the traditional health system model and how they were kind of monetized is going to be higher for all the reasons you outlined. You could add the 340B program if something changes there, inpatient-only list, the willingness for them to employ primary care doctors, or certain nonsurgical specialties, and subsidize them.

I mean, a lot of you have written about that over the years. I think it's going to be tough. The changes to the Medicaid or the ACA exchange population and how that filters through different health systems are also going to add pressure. So look, I think it bodes well for a business like ours as physicians look to come out of these settings into more outpatient settings and as different health systems figure out their strategy.

I think it's going to vary by health system, different strategies in different communities. They have a different mandate. A lot of them are not-for-profit and are delivering care to really low-income populations. So I think it will vary by geography. But generally speaking, I think as these pressures mount up, we should expect this consolidation that's happened with physician practices at the health system setting to start to unwind a little bit, and physicians looking at businesses like ours to be a natural landing spot or even as they complete their residency as a very viable option to start or join an existing independent practice.

And then it also adds to the question that was asked before around certain specialties and ASC opportunity, and our willingness to have a very strong referral base with primary care doctors having the pen in directing where the patient goes.

So I think we're going to look at all of those strategies to keep expanding our network. And just given our platform that focuses on creating large multi-specialty groups in every single geography that we are in and then offering that to payers of health care in unique ways, mainly on the commercial population as well, it's a big differentiation.

And I mean, you're seeing that in the results somewhat. They're very stable across cycles. And I think it's part of all of these strategies is playing out. So I think we're just going to keep looking for opportunities that we can keep compounding with that. But great question.

Ryan Daniels - William Blair - Analyst

Great. Thanks so much.

Operator

(Operator Instructions)

Constantine Davides, Citizens.

Constantine Davides - Citizens JMP Securities LLC - Analyst

Yes. Just two really quick ones for me. David, it looks like capitated profitability really stepped up in the first quarter. Just wondering if there's anything to call out there?

And then second, Parth, you just talked about Medicaid and low-income populations. And you guys had a really nice or pronounced step-up in your Medicaid attributed lives. So, just wondering if you can talk about your Medicaid arrangements and what's prompting that growth.

David Mountcastle - Privia Health Group Inc - Executive Vice President, Chief Financial Officer

Yes. Thanks for the question. Yes. So again, this is just the first quarter of the year. The timing of data can vary quarter-to-quarter. As we always like to say in the capitated, both look at the full 12 months and a rolling 12 months. This quarter, we did get some prior year adjustments that benefited both revenue and margin.

So I would say our prudent approach to the book is, at some level, paying off as we continue to see more data. We continue to get some good news there. And again, we just continue to follow our same consistent and prudent, I'll say, accrual methodology. It's a long period of time we need to review this information. But again, as good news comes in, we're able to see a little bit of additional good news.

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

And then on the second part, Constantine, look, I think we service the entire panel in every physician's office. So organically, as we grow in existing states or new states, some part of the panel is Medicaid patients. So I think the strength of our implemented provider growth and what our sales team is able to do in certain geographies, I mean, this organic Medicaid attribution growth.

We continue, again, to work with payers to figure out the right value-based strategy in that book. The gap between what any provider business would like to do and what it could get paid for is still very big, especially for the population. I mean, they have special needs, transportation needs, nutrition needs, just getting people to see the doctors, single mothers, very low-income families, so on and so forth. So I think while we can do a lot more, the willingness of the payers to reimburse us for some of those strategies is there, but there's still a gap. So while we'd like to continue to grow that book, as you can see in our slide 6, it's all 100% upside-only deals, where again, we are taking the network to the payers, asking them much like our commercial book where we can do certain things with the population, impact the annual well visit rates with the children, with women, with working adults, making sure that they're at least seeing the doctors, getting the vaccinations, getting their screenings done. And for that, the payers are willing to pay a certain PMPM, a certain quality bonus. And then if we impact the MLR, there's shared savings to be had. But to take a risk in that book is tough. Unless the payer is really willing to get behind us and solve for some of these things. So I think we'll continue to grow it. I don't think you should expect us to take downside risk in Medicaid unless there's a unique opportunity.

Operator

Jack Slevin, Jefferies.

Jack Slevin - Jefferies LLC - Equity Analyst

Nice job on the quarter. I guess maybe not to backtrack over this too much, but just on the Medicare Advantage discussion, because there's pretty palpable excitement across payers and the value-based care space around that environment improving.

My understanding or my read is really that many investors think that some of the moves you took to pare down risk meant that you don't necessarily participate in upside in the same way on some of the tailwinds that are now behind the industry.

Maybe just breaking down that book across the 71% in upside only, the 19% upside / downside, and the 9% capitated book. Can you just talk a little bit about how better rates or more margin favorable payer bids flow through to you in each sleeve of the book there?

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

Yes, it's a great question. I think the biggest dichotomy lies in the fact that broad industry sentiment does not necessarily translate into the ground-to-ground payer contracting discussion with any particular payer in one geography with a certain book of business in MA.

So overall, I don't think reimbursement is going to increase massively over time. I think what CMS is trying to do is make sure that everybody is getting reimbursed appropriately, whether that comes through star scores or risk adjustment or whatever other mechanism they can look at.

I think they had a one-time adjustment. The system got a shock. Some of the payers, I mean, these cycles have happened with MA payers over the last 20 years. You can see every four, five years, payers grow their book, they overshoot, they make a correction, and then the lives move from one to the other, and then somebody is left holding the bag until the cycle repeats itself.

So I think while you're coming off the trough from a payer perspective and you're seeing those results after the last two, three years, how a provider business contracts at the ground level kind of remains the same. We're going to look at each geography, each book of business. And then we continue to believe, I think, this broad-based view that capitation is not the only way to capture the upside.

I think it's (capitation only) certainly myopic. I mean that you've seen the last five years play out. I mean, it's not like any other provider group was making a lot of money in capitation five years ago in '21 when they were really talking about it, and we'll see how the next few years play out. And then there's an economic profit that is there to be shared between the payers, the doctors, the providers.

Our view is that economic profit should be shared and not just captured, or the risk should not be borne by one while the economic profit is shared. So I think it's a shared risk arrangement is much more sustainable. I think you prevent some of the anomalies, some of the potential conflicts that can happen. So I think we'll just continue to work with our payers and continue to capture the upside based on the value that we provide. It does not necessarily have to happen in a capitation.

Some businesses might like that volatility and play for that extra risk for the additional downside potential. But our view is to have, as we've said, sustainable earnings is sustainable earnings. And you've seen us do that over the last six years as a public company and then even before that. So our strategy is going to be the same. And if there are opportunities for us to take more risk, we'll take more risk.

Operator

Ryan Halsted, RBC Capital Markets.

Ryan Halsted - RBC Capital Markets Inc - Analyst

Good morning. Thanks for taking the question. Most of my questions have been answered. But maybe just a question, any views or thoughts about payer's reform on prior authorization policies, I would think certainly potential implications for your fee-for-service business, perhaps opposite implications on value-based care, but just any thoughts on that would be helpful.

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

Yes. I mean, look, there's a lot of noise in the media around it these days. I think the focus there is for higher value claims, probably in the acute setting, more so than the ambulatory settings with community-based doctors. 95% to 99% of claims are resolved on the first pass. It's mainly at the specialist level where you need prior authorizations. I mean, for a primary care-centric group, it's pretty low-value claims in the first place.

Ultimately, I think, look, with AI, there will be an equilibrium where the payers and the larger providers in the acute setting will just settle out on prior auth. I think it's in everybody's interest not to have extended timelines for those. It doesn't bode well for the ultimate patient who gets stuck in the middle of these, either as a surprise bill after care has been delivered or is just waiting for prior auth.

So I think everybody's interest is aligned with that patient ultimately, but I think we just go through a period where some of this stuff will just get settled out. But I don't think it really impacts our business in that big of a way relative to the acute setting. I think we obviously continue to work with payers in making sure that if there are certain areas of specialties where we feel there's some friction, we smooth that out. And I think a lot of the payers have the right intent to continue to not have this as a source of friction, especially when it impacts patient care.

Operator

David Larsen, BTIG.

David Larsen - BTIG LLC - Analyst

Hi, this is Jenny Shen on for Dave. I was wondering if you could comment on medical cost trends, how that compares to a quarter ago, and maybe a year ago? And then also, any updated thoughts on your general appetite for risk? It sounds like it's pretty consistent, but whether that has changed at all.

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

Yes, I appreciate the question, Jenny. So the medical cost trend is pretty consistent. I mean, you've seen that result in our value-based book and how we perform. Again, we like to look at it over a 12-month rolling basis, as David was saying, and that's broadly across our book. So nothing jumped out quarter-over-quarter here for us.

There are some impacts of the flu season, but that happens every year. So we'll just continue to look at data and then see. But from our perspective, what's in our accruals, what's in our guidance is pretty consistent.

If anything, we like to be pretty prudent. And if we are wrong, there should be upside, like we've always said. So I think that's how we look at it. And I think we answered the other question previously already in terms of our ability to take risks.

Operator

All right. That concludes our question-and-answer session. I will now turn the call back over to Robert Borchert, SVP, Investor of Corporate Communications, for closing remarks. Thanks.

Robert Borchert - Privia Health Group Inc - SVP Investor and Corporate Communications

I'll hand it over to Parth.

Parth Mehrotra - Privia Health Group Inc - Chief Executive Officer, Director

Thank you for listening to our call today. We appreciate your continued interest and look forward to speaking to you again in the near future.

DISCLAIMER

LSEG reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES LSEG OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2026, LSEG. All Rights Reserved.