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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2026

OR

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

For the transition period from _____ to _____.

Commission file number 001-42011

PACS Group, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**92-3144268**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

90 S. 400 W. Suite 700
Salt Lake City, Utah 84101
(Address of Principal Executive Offices) (Zip Code)

(801) 447-9829
Registrant's telephone number, including area code

N/A
(Former name, former address and former fiscal year, if changed since last report)
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 $0.001 per share	**PACS**	**The New York Stock Exchange**

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 (§ 232.405 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 October 30, 2026, there were 158,723,533 shares of the registrant's common stock, par value $0.001 per share, outstanding.

PACS GROUP, INC. AND SUBSIDIARIES
QUARTERLY REPORT ON FORM 10-Q
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2026
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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements. 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 (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q may be forward-looking statements including, but not limited to, statements regarding our strategy, future financial condition, future operations, projected costs, prospects, plans, objectives of management, and expected market growth; our plans, objectives, and expectations for our business, including facility acquisitions, divestitures, openings, and closures; the effects of industry and regulatory developments; our liquidity, capital resources, and uses of cash, including our Amended and Restated Credit Facility, amendments, waivers, and forbearance arrangements, and access to capital; the scope, timing, costs, and potential impacts of governmental and regulatory investigations and the SEC investigation, as well as other litigation and legal proceedings; the restatement of prior periods and related impacts; our internal controls and disclosure controls and procedures, including any material weaknesses and related remediation; and self-insurance liabilities, including actuarial estimates and related reserves. In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “targets,” “projects,” “contemplates,” “believes,” “estimates,” “forecasts,” “predicts,” “potential” or “continue” or the negative of these terms or other similar expressions.

The forward-looking statements in this Quarterly Report on Form 10-Q are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements, including, but not limited to, our dependence on reimbursement from third-party payors, and changes in patient acuity mix, payor mix, payment methodologies, or new cost-containment initiatives could negatively impact our revenue and results of operations; we may not be fully reimbursed for all services billed through consolidated billing or bundled payments, reducing our revenue and financial condition; increased competition for, or shortages of, nurses, nurse assistants and other skilled personnel could raise labor costs and subject us to monetary fines; state efforts to regulate or deregulate healthcare services or the construction, expansion, or acquisition of healthcare facilities could impair our ability to expand or increase competition; failure to attract patients and residents or compete effectively with other healthcare providers may reduce our revenue and profitability; reviews and audits of care delivery, recordkeeping and billing may detect noncompliance requiring repayment of billed amounts or other costs; litigation and claims common in our industry could result in significant legal costs, settlements or damage awards, and our self-insurance programs may expose us to unexpected costs and losses; material weaknesses in our internal control over financial reporting, or failure to remediate such weaknesses or maintain effective controls, could impair timely and accurate reporting, reduce investor confidence, subject us to penalties, and affect the value of our common stock; inability to provide consistently high quality of care, or employee conduct that impacts patient health, safety or clinical treatment, could result in civil or criminal penalties and harm our operations; significant reliance on information technology, and any failure or interruption of that technology, could impair our operations; operational metrics derived from internal systems without independent verification may contain inaccuracies that harm our reputation; inability to complete acquisitions at attractive prices or at all may reduce revenue, and divestitures of underperforming or non-strategic subsidiaries would further decrease revenue; we may not successfully integrate acquired facilities or achieve expected benefits; acquisitions may entail unforeseen costs, liabilities or regulatory issues that adversely affect our operations; difficulty completing partnerships consistent with our growth strategy; failure to achieve or maintain competitive quality ratings from CMS or private rating organizations could negatively affect us; inability to obtain insurance or increases in insurance costs could impair our financial condition; geographic concentration of our facilities, including in California, increases vulnerability to local economic downturns, regulatory changes or natural disasters; actions of national labor unions may reduce our revenue and profitability; because we lease most facilities, we face risks from lease termination, extensions and special charges that could affect our financial condition and results of operations; insufficient cash flow to cover required payments or meet covenants under long-term debt, mortgages and leases could trigger defaults and cross-defaults, risking loss of facilities or foreclosures; we may need additional capital to fund operations and growth, which may be unavailable or available only on unfavorable terms; extensive and complex laws and regulations govern our industry, and noncompliance or regulatory changes could require significant expenditures or operational modifications; our founders, Jason Murray and Mark Hancock, hold substantial control and a substantial portion of our outstanding common stock, and their interests may conflict with those of other stockholders; as a "controlled company" under NYSE governance standards, we may rely on exemptions from certain requirements, and stockholders may not have the same protections afforded to stockholders of non-controlled companies, and the other important factors discussed in Part I, Item 1A “Risk Factors” in our Annual Report on Form 10-K for the year

ended December 31, 2025, filed with the SEC on February 27, 2026. The forward-looking statements in this Quarterly Report on Form 10-Q are based upon information available to us as of the date of this Quarterly Report on Form 10-Q, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

You should read this Quarterly Report on Form 10-Q and the documents that we reference in this Quarterly Report on Form 10-Q and have filed as exhibits to this Quarterly Report on Form 10-Q with the understanding that our actual future results, performance and achievements may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements. These forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained in this Quarterly Report on Form 10-Q, whether as a result of any new information, future events or otherwise.

As used in this Quarterly Report on Form 10-Q, unless otherwise stated or the context requires otherwise, the terms “PACS Group,” the “Company,” “we,” “us,” and “our” refer to PACS Group, Inc. and its consolidated subsidiaries.

Part I

Item 1. Financial Statements

PACS GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except for share and per share values)

	(unaudited) September 30, 2026	December 31, 2025
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 115,281	$ 197,016
Accounts receivable, net	660,256	628,128
Other receivables	89,847	73,965
Prepaid expenses and other current assets	81,356	170,630
Total Current Assets	946,740	1,069,739
Property and equipment, net	1,451,640	1,201,096
Operating lease right-of-use assets	2,969,730	2,968,176
Insurance subsidiary deposits and investments	164,703	87,192
Escrow funds	25,468	18,404
Goodwill and other indefinite-lived assets	151,115	68,061
Other assets	208,787	171,366
Total Assets	$ 5,918,183	$ 5,584,034
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable	$ 177,273	$ 192,232
Accrued payroll and benefits	252,885	187,516
Current operating lease liabilities	174,884	153,066
Current maturities of long-term debt	7,984	4,463
Current portion of accrued self-insurance liabilities	160,724	128,994
Refund liability	181,129	181,129
Other accrued expenses	227,423	154,030
Total Current Liabilities	1,182,302	1,001,430
Long-term operating lease liabilities	2,933,068	2,939,854
Line of credit	—	100,000
Long-term debt, less current maturities, net of deferred financing fees	264,350	244,803
Accrued self-insurance liabilities, less current portion	243,582	192,561
Other liabilities	76,169	152,937
Total Liabilities	$ 4,699,471	$ 4,631,585
Commitments and contingencies (Note 15)		
Equity:		
PACS Group, Inc. stockholders' equity:		
Common stock: $0.001 par value; 1,250,000,000 shares authorized; 158,723,071 shares issued and outstanding as of September 30, 2026, and 156,615,144 shares issued and outstanding as of December 31, 2025	159	157
Additional paid-in capital	686,635	637,035
Retained earnings	527,462	309,579
Total PACS Group, Inc. stockholders' equity	1,214,256	946,771
Noncontrolling interest in subsidiary	4,456	5,678
Total Equity	$ 1,218,712	$ 952,449
Total Liabilities and Equity	$ 5,918,183	$ 5,584,034

See accompanying notes to unaudited condensed consolidated financial statements.

PACS GROUP, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(dollars in thousands, except for share and per share values)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	**2025**	**2026**	**2025**
Revenue				
Patient and resident service revenue	$ 1,498,137	$ 1,344,302	$ 4,345,593	$ 3,930,168
Other revenues	441	265	1,477	785
Total Revenue	$ 1,498,578	$ 1,344,567	$ 4,347,070	$ 3,930,953
Operating Expenses				
Cost of services	1,142,144	1,046,262	3,306,218	3,090,932
Rent - cost of services	98,223	95,107	288,454	283,250
General and administrative expense	138,409	102,528	365,032	301,579
Depreciation and amortization	20,081	14,401	58,279	40,284
Total Operating Expenses	$ 1,398,857	$ 1,258,298	$ 4,017,983	$ 3,716,045
Operating income	99,721	86,269	329,087	214,908
Other (Expense) Income				
Interest expense	(5,099)	(8,529)	(17,565)	(19,787)
Other (expense) income, net	(3,308)	(1,444)	(635)	2,517
Total Other Expense, Net	$ (8,407)	$ (9,973)	$ (18,200)	$ (17,270)
Income before provision for income taxes	91,314	76,296	310,887	197,638
Provision for income taxes	30,502	23,966	93,058	65,962
Net Income	$ 60,812	$ 52,330	$ 217,829	$ 131,676
Less:				
Net loss attributable to noncontrolling interest	(6)	(76)	(54)	(165)
Net Income Attributable To PACS Group, Inc.	$ 60,818	$ 52,406	$ 217,883	$ 131,841
Net Income Per Share Attributable To PACS Group, Inc.				
Basic	$ 0.38	$ 0.33	$ 1.38	$ 0.84
Diluted	$ 0.37	$ 0.32	$ 1.34	$ 0.80
Weighted-Average Common Shares Outstanding				
Basic	158,370,645	156,575,127	157,857,169	156,034,409
Diluted	163,914,936	164,709,367	162,837,785	165,492,441

See accompanying notes to unaudited condensed consolidated financial statements.

PACS GROUP, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(dollars in thousands, except for share and per share values)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Noncontrolling Interest	Total
	Shares	Amount				
Balance January 1, 2026	156,615,144	$ 157	$ 637,035	$ 309,579	$ 5,678	$ 952,449
Stock-based compensation	—	—	20,348	—	—	20,348
Issuance of common stock to employees and directors resulting from the vesting of equity awards	820,364	1	(1)	—	—	—
Tax withholdings related to net share settlement of equity awards	(270,479)	(1)	(10,662)	—	—	(10,663)
Noncontrolling interest distribution	—	—	—	—	(208)	(208)
Purchase of equity in noncontrolling interest	—	—	18	—	(422)	(404)
Net loss attributable to noncontrolling interest	—	—	—	—	(27)	(27)
Net income attributable to PACS Group, Inc.	—	—	—	80,695	—	80,695
Balance March 31, 2026	157,165,029	$ 157	$ 646,738	$ 390,274	$ 5,021	$ 1,042,190
Stock-based compensation	—	—	25,832	—	—	25,832
Issuance of common stock to employees and directors resulting from the vesting of equity awards	2,039,841	2	(2)	—	—	—
Tax withholdings related to net share settlement of equity awards	(869,258)	(1)	(28,970)	—	—	(28,971)
Net loss attributable to noncontrolling interest	—	—	—	—	(21)	(21)
Net income attributable to PACS Group, Inc.	—	—	—	76,370	—	76,370
Balance June 30, 2026	158,335,612	$ 158	$ 643,598	$ 466,644	$ 5,000	$ 1,115,400
Stock-based compensation	—	—	45,320	—	—	45,320
Issuance of common stock to employees and directors resulting from the vesting of equity awards	383,938	1	(1)	—	—	—
Issuance of common stock to employees under employee stock purchase plan	157,883	—	4,251	—	—	4,251
Tax withholdings related to net share settlement of equity awards	(154,362)	—	(6,533)	—	—	(6,533)
Noncontrolling interest distribution	—	—	—	—	(538)	(538)
Net loss attributable to noncontrolling interest	—	—	—	—	(6)	(6)
Net income attributable to PACS Group, Inc.	—	—	—	60,818	—	60,818
Balance September 30, 2026	158,723,071	$ 159	$ 686,635	$ 527,462	$ 4,456	$ 1,218,712

PACS GROUP, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (CONTINUED)
(dollars in thousands, except for share values)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Noncontrolling Interest	Total
	Shares	Amount				
Balance January 1, 2025	155,177,511	$ 155	591,363	$ 118,036	$ 6,137	$ 715,691
Stock-based compensation	—	—	12,202	—	—	12,202
Net loss attributable to noncontrolling interest	—	—	—	—	(92)	(92)
Net income attributable to PACS Group, Inc.	—	—	—	28,472	—	28,472
Balance March 31, 2025	155,177,511	$ 155	$ 603,565	$ 146,508	$ 6,045	$ 756,273
Stock-based compensation	—	—	13,604	—	—	13,604
Issuance of common stock to employees and directors resulting from the vesting of equity awards	2,243,010	2	(2)	—	—	—
Tax withholdings related to net share settlement of equity awards	(850,828)	—	(7,955)	—	—	(7,955)
Noncontrolling interest distribution	—	—	—	—	(220)	(220)
Net income attributable to noncontrolling interest	—	—	—	—	3	3
Net income attributable to PACS Group, Inc.	—	—	—	50,963	—	50,963
Balance June 30, 2025	156,569,693	$ 157	$ 609,212	$ 197,471	$ 5,828	$ 812,668
Stock-based compensation	—	—	12,516	—	—	12,516
Issuance of common stock to employees and directors resulting from the vesting of equity awards	82,116	—	—	—	—	—
Tax withholdings related to net share settlement of equity awards	(36,665)	—	(440)	—	—	(440)
Noncontrolling interest distribution	—	—	—	—	(158)	(158)
Net loss attributable to noncontrolling interest	—	—	—	—	(76)	(76)
Net income attributable to PACS Group, Inc.	—	—	—	52,406	—	52,406
Balance September 30, 2025	156,615,144	$ 157	$ 621,288	$ 249,877	$ 5,594	$ 876,916

See accompanying notes to unaudited condensed consolidated financial statements.

PACS GROUP, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)

	Nine Months Ended September 30,	
	2026	**2025**
Cash flows from operating activities		
Net income	$ 217,829	$ 131,676
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	58,279	40,284
Amortization of deferred financing fees	2,362	2,361
Stock-based compensation	91,500	38,322
(Gain) loss on investment in partnership	(1,517)	800
Loss (gain) on insurance subsidiary deposits and investments	2,489	(4,004)
Deferred taxes	(53,766)	(31,537)
Noncash operating lease expense	31,330	37,071
Other noncash operating activities, net	351	110
Change in operating assets and liabilities		
Accounts receivable, net	(32,128)	13,495
Other receivables	(10,501)	8,318
Prepaid expenses and other current assets	71,629	(6,963)
Other assets	(3,621)	(7,684)
Escrow funds	(7,064)	704
Operating lease liabilities	(4,182)	(1,333)
Accounts payable	(16,897)	27,067
Accrued payroll and benefits	65,369	106,361
Accrued self-insurance liabilities	82,751	57,449
Refund liability	—	35,338
Other accrued expenses	74,566	37,300
Other liabilities	14,300	(77,521)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 583,079	$ 407,614
Cash flows from investing activities		
Non-operating distributions from investment in partnership	$ 3,660	$ 4,176
Purchase of equity securities	(99,686)	(15,162)
Sale of equity securities	20,349	—
Acquisition of facilities	(376,322)	(80,594)
Purchase of property and equipment	(80,854)	(54,299)
Issuance of transition working capital loan	(25,000)	—
Collections from transition working capital loan	19,619	—
NET CASH USED IN INVESTING ACTIVITIES	$ (538,234)	$ (145,879)
Cash flows from financing activities		
Borrowing on line of credit	$ 299,000	$ —
Payments on line of credit	(399,000)	(42,000)
Payments on long-term debt	(5,637)	(12,748)
Noncontrolling interest distribution	(746)	(378)
Purchase of equity in noncontrolling interest	(404)	—
Proceeds from issuance of common stock under employee stock purchase plan	4,251	—
Taxes paid related to net share settlement of stock-based compensation awards	(46,167)	(8,395)
NET CASH USED IN FINANCING ACTIVITIES	$ (148,703)	$ (63,521)
Net change in cash	(103,858)	198,214
Cash, cash equivalents, and restricted cash - beginning of period	232,051	160,842
Cash, cash equivalents, and restricted cash - end of period	$ 128,193	$ 359,056
Cash and cash equivalents	$ 115,281	$ 355,672
Restricted cash (included in prepaid expenses and other current assets)	12,912	3,384
Cash, cash equivalents, and restricted cash	$ 128,193	$ 359,056
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Interest	$ 23,071	$ 28,598
Income taxes	$ 41,206	$ 81,044
Non-cash financing and investing activity		
Accrued capital expenditures	$ 7,968	$ 7,067
Assets acquired in operation expansions in exchange for notes payable	$ 27,460	$ —
Assets acquired through consolidation of previously held equity method investment	$ 15,558	$ —

See accompanying notes to unaudited condensed consolidated financial statements.

PACS GROUP, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except for share and per share values)

NOTE 1. ORGANIZATION AND NATURE OF BUSINESS

PACS Group, Inc. (PACS Group or the Company) is a holding company which consolidates various operating and other subsidiaries. PACS Group's applicable operating subsidiaries operate various skilled nursing facilities (SNF) and assisted living facilities (ALF). PACS Group also owns other subsidiaries that are engaged in the acquisition, ownership, and leasing of health care-related properties. As of September 30, 2026, PACS Group subsidiaries operated 355 health care facilities in the states of Alaska, Arizona, California, Colorado, Idaho, Kansas, Kentucky, Missouri, Montana, Nevada, New Mexico, North Dakota, Ohio, Oregon, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, and Washington. PACS Group subsidiaries operated 35,933 skilled nursing beds and 2,841 assisted living beds as of that date. As of September 30, 2026, PACS Group subsidiaries operated 289 facilities under long-term lease arrangements and had options to purchase 36 of those facilities.

PACS Group owns subsidiaries that own real estate and related improvements that are leased to applicable affiliated SNF operating entities. PACS Group's real estate portfolio includes 66 properties which are operated and managed by applicable PACS Group subsidiaries. PACS Group subsidiaries also have equity method investments in partnerships that own the underlying real estate and related improvements of 49 post-acute care facilities that are operated by other PACS Group subsidiaries.

Providence Administrative Consulting Services, Inc., a California corporation, is a subsidiary of PACS Group and provides administrative support services, on a consulting basis, to other subsidiaries of PACS Group.

PACS Group also has two wholly-owned captive insurance subsidiaries, Welsch Insurance Ltd. and Welsch Insurance Company, LLC (together, Welsch). Welsch provides coverage to various consolidated operating subsidiaries related to professional liability and general liability (PLGL) insurance.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The condensed consolidated financial statements include the accounts of PACS Group, and its consolidated subsidiaries, or the Company as defined above. All intercompany transactions and balances have been eliminated in consolidation. The Company presents noncontrolling interests within the equity section of its condensed consolidated balance sheets and the amount of condensed consolidated income that is attributable to the Company and the noncontrolling interest in its condensed consolidated statements of income.

The accompanying condensed consolidated financial statements as of September 30, 2026 and for the three and nine months ended September 30, 2026 and 2025 are unaudited. The December 31, 2025 balance sheet data was derived from audited financial statements; however, the accompanying notes to the condensed consolidated financial statements do not include all of the annual disclosures required under U.S. GAAP and should be read in conjunction with the audited combined/consolidated financial statements included in the Company's Annual Report on Form 10-K, File No. 001-42011 (Annual Report) for the year ended December 31, 2025 filed with the Securities and Exchange Commission (SEC). Management believes that the condensed consolidated financial statements reflect all adjustments which are of a normal and recurring nature necessary to present fairly the Company's financial position and results of operations in all material respects. The results of operations presented in the condensed consolidated financial statements are not necessarily representative of operations for the entire year.

Recent Accounting Standards Issued But Not Yet Adopted by the Company

In November 2024, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2024-03,*Disaggregation of Income Statement Expenses*, which requires the Company to disaggregate key expense categories such as employee compensation, depreciation, and intangible asset amortization within its financial statements. This guidance is effective for annual periods beginning after December 15, 2026, which will be the Company's fiscal year 2027, and interim reporting periods beginning after December 15, 2027, which will be the Company's fiscal year 2028. Early adoption is permitted. The Company is currently evaluating the impact this guidance will have on the disclosures

included in the notes to the interim condensed consolidated financial statements and annual combined/consolidated financial statements.

In December 2025, the FASB issued ASU 2025-11,*Interim Reporting (Topic 270): Narrow-Scope Improvements*, which clarifies interim disclosure requirements and the applicability of Topic 270. The guidance will be effective for interim periods beginning January 1, 2028. Early adoption is permitted. Upon adoption, the guidance can be applied prospectively or retrospectively. The Company is currently evaluating the impact this guidance will have and does not expect the adoption of this guidance to have a material impact on the interim condensed consolidated financial statements.

NOTE 3. BUSINESS SEGMENTS

The Company has one reportable segment. The Company's chief operating decision maker (CODM), the Chief Operating Officer, reviews the consolidated results of operations when making decisions about allocating resources and assessing the performance of the Company as a whole. The Company does not distinguish between markets or regions for the purpose of allocating resources. This structure reflects its current operational and financial management and provides the best structure to maximize the quality of care and investment strategy provided, while maintaining financial discipline. The segment's measure of profit or loss is net income, which is also reported on the condensed consolidated statements of income. Net income is also used to monitor budget versus actual results.

As the Company's single reportable segment is at the consolidated level, the accounting policies of the reportable segment are the same as those disclosed in Note 2, "Summary of Significant Accounting Policies", of its 2025 Annual Report. The Company's CODM does not review segment assets at a different asset level or category than that disclosed in its condensed consolidated balance sheets and therefore assets by segment are not disclosed below.

The following table sets forth financial information for the segment:

	Three months ended September 30,		Nine months ended September 30,	
	2026	2025	2026	2025
Revenue	$ 1,498,578	$ 1,344,567	$ 4,347,070	$ 3,930,953
Less:				
Labor expense[1]	764,760	702,418	2,213,240	2,065,874
Depreciation and amortization	20,081	14,401	58,279	40,284
Interest expense	5,099	8,529	17,565	19,787
Equity in the net (income) loss of investees accounted for under the equity method	(332)	488	(1,517)	800
Provision for income taxes	30,502	23,966	93,058	65,962
Other segment items[2]	617,656	542,435	1,748,616	1,606,570
Segment net income	$ 60,812	$ 52,330	$ 217,829	$ 131,676

(1) Labor expense includes nursing and departmental salaries and wages, payroll taxes and benefits, and agency staffing expenses.
(2) Other segment items included in segment net income include cost of services except for labor cost of services, rent - cost of services, general and administrative expense except for labor general and administrative expense, and other (expense) income except for interest expense, and equity in the net (income) loss of investees accounted for under the equity method.

NOTE 4. REVENUE AND ACCOUNTS RECEIVABLE

Patient and resident service revenue is derived from services rendered, under short-term contracts, to patients for skilled nursing, rehabilitation therapy, and assisted living services. Patient and resident service revenue is reported at the amount that reflects the consideration to which the Company expects to be entitled in exchange for providing patient

services. These amounts are due from patients, governmental programs, and other third-party payors, and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations.

Disaggregation of Revenue

The Company disaggregates revenue from contracts with its patients by payors. The Company determined that disaggregating revenue into these categories achieves the disclosure objectives to depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. The composition of patient and resident service revenue by primary payors for the three and nine months ended September 30, 2026 and 2025 is as follows:

	Three Months Ended September 30,			
	2026	% of Revenue	2025	% of Revenue
Medicare	$ 503,095	33.6 %	$ 440,026	32.7 %
Medicaid	595,675	39.8 %	552,280	41.1 %
Managed care	298,410	19.9 %	250,424	18.6 %
Private and other	100,957	6.7 %	101,572	7.6 %
Total patient and resident service revenue	$ 1,498,137	100.0 %	$ 1,344,302	100.0 %

	Nine Months Ended September 30,			
	2026	% of Revenue	2025	% of Revenue
Medicare	$ 1,480,124	34.1 %	$ 1,335,343	34.0 %
Medicaid	1,725,015	39.7 %	1,593,181	40.5 %
Managed care	852,495	19.6 %	722,182	18.4 %
Private and other	287,959	6.6 %	279,462	7.1 %
Total patient and resident service revenue	$ 4,345,593	100.0 %	$ 3,930,168	100.0 %

Refund Liability

The balance of the refund liability was $181,129 as of both September 30, 2026 and December 31, 2025, and is presented within current liabilities on the Company's condensed consolidated balance sheets.

NOTE 5. PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following:

	September 30, 2026	December 31, 2025
Buildings and improvements	$ 1,095,069	$ 823,490
Leasehold improvements	167,759	125,832
Furniture, fixtures, and other	155,766	131,812
Construction in process	45,027	24,565
Land	119,912	94,024
Finance lease right-of-use assets	69,668	155,539
	1,653,201	1,355,262
Less: accumulated depreciation and amortization	201,561	154,166
Property and equipment, net	$ 1,451,640	$ 1,201,096

The Company evaluated its long-lived assets and did not record any impairment charges for the nine months ended September 30, 2026, and 2025.

See Note 13, “Operation Expansions”, for information on expansions and disposals during the nine months ended September 30, 2026.

NOTE 6. GOODWILL AND OTHER INDEFINITE-LIVED INTANGIBLE ASSETS

The Company assesses goodwill for impairment at least annually during the fourth quarter of each year. The Company will perform an impairment assessment at other times if facts and circumstances indicate that it is more likely than not that the fair value of a reporting unit that has goodwill, is less than its carrying value. There were no indicators of goodwill impairment noted during the nine months ended September 30, 2026. The Company anticipates that 100% of goodwill recognized will be fully deductible for tax purposes as of September 30, 2026.

Goodwill consisted of the following:

	Goodwill
Balance as of December 31, 2025	$ 61,791
Acquisitions	83,054
Balance as of September 30, 2026	$ 144,845

The Company reviews other indefinite-lived intangible assets for impairment on an annual basis or more frequently if events or changes in circumstances indicate that the carrying amount of the intangible asset may not be recoverable. There were no indicators of impairment related to the Company’s other indefinite-lived intangible assets during the nine months ended September 30, 2026.

Other indefinite-lived intangible assets had a value of $6,270 as of both September 30, 2026 and December 31, 2025, respectively.

NOTE 7. FAIR VALUE MEASUREMENT

The Company's financial assets include insurance subsidiary deposits and highly liquid investments which are held by Welsch and are designated to support long-term insurance subsidiary liabilities and are recorded at fair value of $164,703 and $87,192 as of September 30, 2026 and December 31, 2025, respectively. The insurance subsidiary deposits and investments include net unrealized gains of $1,104 and $5,280 as of September 30, 2026 and December 31, 2025, respectively. Gains and losses on investments are recorded within other (expense) income, net. Insurance subsidiary deposits and investments consist of holdings in investment grade bond mutual funds and are derived using Level 2 inputs. These assets are recorded in insurance subsidiary deposits and investments on the condensed consolidated balance sheets and are classified as equity securities. These mutual funds are primarily valued utilizing calculations which incorporate observable inputs such as yield, maturity and credit quality.

NOTE 8. INVESTMENT IN PARTNERSHIPS

As of September 30, 2026 and December 31, 2025, the Company held $13,100 and $30,801, respectively, in multiple equity method investments, referred to as partnerships, included in other assets on the Company’s condensed consolidated balance sheets. These operations were formed to develop, own, and lease health care facilities. Some of the partnerships hold options to purchase the related real estate property holdings. Each of the entities is governed by a managing member who makes the significant decisions that impact the economic performance of the entity. The Company is not the managing member of any of the entities in which it is invested.

On July 31, 2026, the Company purchased the remaining 50.0% ownership interest in the entity BRFS SNF Ventures V, LLC (BRFS). This investment held the underlying real estate for three post-acute care facilities which it leased to the Company. BRFS is a variable interest entity (VIE), however prior to the purchase of the remaining50.0% ownership interest, the Company did not consolidate the entity as it did not have the power to direct the activities that most significantly impact its economic performance. Therefore, at that time the Company only accounted for its specific interest in the investment. The investment was $0 on the Company’s condensed consolidated balance sheets as of September 30,

2026, as the Company began fully consolidating the entity following the purchase, and was $14,948 as of December 31, 2025.

The Company holds a 25.8% ownership interest in the entity Next Saddle Investors, LLC (Saddle). This investment holds the underlying real estate for 37 post-acute care facilities which it leases to the Company. The Company determined the Saddle manager held a de facto agency relationship with the Company under FASB ASC Topic 810, *Consolidation* (ASC 810). Saddle is a VIE; however, because the Company is not the primary beneficiary, it does not consolidate the entity and only accounts for its specific interest in the investment. The investment was $2,426 and $4,986 on the Company's condensed consolidated balance sheets as of September 30, 2026 and December 31, 2025, respectively.

All of the Company's other equity investments are individually immaterial with the largest investment of $7,776 in an entity representing an ownership of 49.0%. (Gain) loss from the investment in partnerships was $(332) and $488 for the three months ended September 30, 2026 and 2025, respectively and was $(1,517), and $800 for the nine months ended September 30, 2026 and 2025, respectively.

NOTE 9. CREDIT FACILITIES

The Company maintains a revolving credit facility between the Company and certain of its subsidiaries, and Truist Bank as administrative agent (Administrative Agent) and a syndicate of lenders (the Amended and Restated Credit Facility). The Amended and Restated Credit Facility provides for a Revolving Commitment (as defined in the Amended and Restated Credit Facility) of up to $600,000 which revolving commitments may also be utilized for (x) the issuance of letters of credit in an aggregate face amount not to exceed $50,000 and/or (y) the borrowing of swingline loans in aggregate principal amount not to exceed $20,000 at any time outstanding.

Outstanding borrowings under the Amended and Restated Credit Facility bear interest at the option of the Company equal to either (a) SOFR (plus a 0.10% credit spread adjustment) plus a margin ranging from 2.25% to 3.25% per annum; or (b) the Base Rate (which was defined in a customary manner for credit facilities of this type) plus the applicable margin ranging from 1.25% to 2.25% per annum. The applicable margin is based on the Company's debt to income ratio as calculated consistent with the terms of the credit agreement. In addition, the Company will pay a commitment fee ranging from 0.25% to 0.45% per annum on the unused portion of the Revolving Commitment, depending on the same debt to income ratio.

The credit agreement contains certain financial and non-financial covenants and restrictions. Default by the applicable credit party on any covenant or restriction could affect the lender's commitment to lend, and, if not waived or corrected, could make the outstanding balances due on demand. Under the Amended and Restated Credit Facility, the Company must maintain a debt-to-income ratio of not greater than 3.00:1.00. The Amended and Restated Credit Facility also requires that the Company maintain a minimum interest/rent coverage ratio of not less than 1.10:1.00. Additionally, the Amended and Restated Credit Facility, as amended by the Sixth Amendment and Waiver, contained a Liquidity Requirement, as described in further detail below, which applied until the Liquidity Requirement Termination Date.

On May 16, 2024, the Company entered into an amendment to the Amended and Restated Credit Facility that, among other things, waived an event of default that had occurred and was then continuing under the Amended and Restated Credit Facility and modified the affirmative covenants thereunder requiring the joinder of certain subsidiaries of the Company to the Amended and Restated Credit Facility, as further set forth therein. On November 14, 2024, the Company entered into another amendment to the Amended and Restated Credit Facility that, among other things, extended the deadline for the delivery of unaudited quarterly financial statements for the fiscal quarter ended September 30, 2024. On March 27, 2025, and May 29, 2025, the Company entered into further amendments to the Amended and Restated Credit Facility that, among other things, extended the deadline for delivery of audited annual financial statements for the fiscal year ended December 31, 2024. The May 29, 2025 amendment also supplemented the Amended and Restated Credit Agreement's financial covenants requiring the Company to maintain unrestricted cash and certain permitted investments of at least $100,000 until the Company delivers audited financial statements for the fiscal year ended December 31, 2024 (the "Liquidity Requirement").

On July 24, 2025 and August 13, 2025 the Company entered into two separate forbearance agreements with the Administrative Agent and the lenders, pursuant to which the lenders agreed to temporarily forbear from exercising

remedies under the Amended and Restated Credit Facility with respect to certain technical events of default, including without limitation matters relating to inaccuracies in certain representations and warranties made, which inaccuracies also triggered an event of default under the Third Consolidated Master Lease, dated June 30, 2023 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "Omega Master Lease"), which in turn triggered an additional event of default under the Amended and Restated Credit Facility. In addition, a separate representation and warranty event of default occurred under the Omega Master Lease, which triggered an event of default under the Amended and Restated Credit Agreement (all such technical events of default under the Amended and Restated Credit Facility, the "Initial Technical Events of Default"). The August 13, 2025 Forbearance Agreement and Fifth Amendment to the Credit Agreement required that the Liquidity Requirement remain in place for the entirety of the forbearance period and further extended the delivery period with respect to the fiscal year 2024 financial statements.

On October 21, 2025, the Company entered into a third forbearance agreement (the "October Forbearance Agreement"). Under the October Forbearance Agreement, the lenders again agreed to temporarily forbear from exercising rights and remedies under the Amended and Restated Credit Agreement with respect to the Initial Technical Events of Default, as well as certain additional technical events of default including without limitation matters relating to the designation of certain immaterial conflicted subsidiaries; failure to join certain subsidiaries to the loan documents; noncompliance with cash management requirements; and inaccuracies in certain representations and warranties made as a result of the foregoing (collectively, with the Initial Technical Events of Default, the "Technical Events of Default"). The Technical Events of Default also triggered an event of default under the Omega Master Lease, which in turn triggered an additional event of default under the Amended and Restated Credit Agreement.

On November 26, 2025, the Company entered into another amendment to and waiver ("Sixth Amendment and Waiver") under the Amended and Restated Credit Facility that, among other things, waived all Technical Events of Default. The Sixth Amendment and Waiver also amended the Amended and Restated Credit Agreement to, among other things, require that the Liquidity Requirement remain in place until the Company delivered to the Administrative Agent financial statements and a corresponding compliance certificate for the fiscal quarter ended June 30, 2026 (the "Liquidity Requirement Termination Date"). On April 13, 2026, the Company entered into another amendment to the Amended and Restated Credit Facility (the "Seventh Amendment"), which, among other things, made certain technical modifications to a representation and warranty regarding health care permits and to the permitted investments covenant relating to joint ventures. On August 5, 2026, the Liquidity Requirement was lifted.

The Company was in compliance with all such covenants and restrictions as of September 30, 2026.

The Company maintains the Amended and Restated Credit Facility as its single line of credit. As of September 30, 2026, the total commitment limit continued to be $600,000 and was secured by Company assets. The agreement matures on December 7, 2028. The balance outstanding on the credit facility was $0 and $100,000 as of September 30, 2026 and December 31, 2025, respectively. The Company had $7,850 in letters of credit outstanding as of September 30, 2026 and December 31, 2025.

Net deferred financing fees on the line of credit were $6,602 and $8,867 as of September 30, 2026 and December 31, 2025, respectively, and are recorded in other assets on the Company's condensed consolidated balance sheets. Expense recognized relating to deferred financing fees on the line of credit was $755 for both the three months ended September 30, 2026 and 2025, respectively, and $2,265 for both the nine months ended September 30, 2026 and 2025, respectively, and is included in interest expense on the condensed consolidated statements of income.

NOTE 10. LONG-TERM DEBT

During the nine months ended September 30, 2026 the Company and its subsidiaries didnot enter into any Department of Housing and Urban Development (HUD)-insured mortgage loans. During the same period, the Company assumed two HUD-insured loans in the aggregate amount of $27,460 as part of acquisitions. As of September 30, 2026, 15 of the Company's subsidiaries had mortgage loans insured by HUD in the aggregate amount of $273,148, of which $4,950 was classified as current and the remaining $268,198 was classified as non-current. As of December 31, 2025, the Company's subsidiaries had HUD-insured mortgage loans in the aggregate amount of $248,906 of which $4,169 was classified as current and the remaining $244,737 was classified as non-current. These subsidiaries are subject to HUD-mortgage oversight and periodic inspections. As of September 30, 2026, the Company's HUD-insured mortgage loans bear fixed

interest rates ranging from 2.1% to 6.3% per annum and have various maturity dates through October 1, 2061. In addition to the interest rate, the Company incurs other fees for HUD placement, including but not limited to audit fees. Amounts borrowed under the mortgage loans may be prepaid, subject to prepayment fees based on the principal balance on the date of prepayment. The original terms for all the HUD-insured mortgage loans are 24 to 37 years.

In addition to the HUD-insured mortgage loans above, the Company's subsidiaries hadfour other mortgage loans or promissory notes. The non-HUD insured mortgage loans and notes bear interest rates that range from 2.0% to 7.5% per annum with various maturity dates through June 1, 2027. As of September 30, 2026, the Company had $3,034 of debt principal outstanding under the non-HUD mortgage loans and promissory notes, of which $3,034 was classified as current and none was classified as non-current. As of December 31, 2025, the Company had $4,305 of debt principal outstanding under the non-HUD mortgage loans and promissory notes, of which $294 was classified as current and the remaining $4,011 was classified as non-current.

The Company was in compliance with all applicable loan covenants with respect to the foregoing as of September 30, 2026 and December 31, 2025. The notes and loans above are secured through guarantees by the Company and certain stockholders. Additionally, various loans are secured by facility assets and real property with a carrying value amounting to $294,689 and $254,540 at September 30, 2026 and December 31, 2025, respectively.

Long-term debt consists of the following:

	September 30, 2026	December 31, 2025
HUD-insured mortgage loans	$ 273,148	$ 248,906
Other non-HUD mortgage loans and promissory notes	3,034	4,305
Less: current maturities	(7,984)	(4,463)
Less: deferred financing fees, net	(3,848)	(3,945)
Total	$ 264,350	$ 244,803

Deferred financing fees on long-term debt are being amortized over the life of the respective loans. Expense recognized related to deferred financing fees on long-term debt is included in interest expense and amounted to $32 for both the three months ended September 30, 2026 and 2025, respectively, and $97 for both the nine months ended September 30, 2026 and 2025, respectively.

NOTE 11. INCOME TAXES

The Company recorded income tax expense of $93,058 and $65,962 during the nine months ended September 30, 2026, and 2025, respectively, or29.9% of earnings before income taxes for the nine months ended September 30, 2026, compared to 33.4% for the nine months ended September 30, 2025. The change in effective tax rate in the nine months ended September 30, 2026, compared to the nine months ended September 30, 2025, was primarily due to the change in forecasted pre-tax book income and the impact of excess tax benefits from stock-based compensation.

The Company is not, to its knowledge, under examination by any federal or state income tax authority. The Company's federal returns for tax years 2022 and forward are subject to examination, and state returns for tax years 2021 and forward are subject to examination. The Company does not believe the federal or state statute lapses or any other event will significantly impact the balance of unrecognized tax benefits in the next twelve months. The net balance of unrecognized tax benefits was not material to the condensed consolidated financial statements for the nine months ended September 30, 2026, and 2025, respectively.

The Company's balance of net deferred tax assets or net deferred tax liabilities is included within other assets or other liabilities, respectively, on the condensed consolidated balance sheets as of September 30, 2026 and December 31, 2025, respectively.

NOTE 12. LEASES

Operating Leases

The Company leases most of its skilled nursing and assisted living facilities, as well as office space, under various non-cancelable operating lease agreements. These operating leases expire at various dates through 2049.

Substantially all operating leases for skilled nursing and assisted living facilities are on a "triple-net" basis, which require lessees to pay for all insurance, repairs, utilities, and real property taxes assessed on the leased property, and most of the leases are guaranteed by the Company and/or its stockholders.

For 34 of the facility operating leases, the Company holds an option to purchase the real estate which can be exercised at varying times until March 31, 2038. At lease inception it was determined that the exercise of each of the purchase options was not reasonably certain.

All facility leases provide for an additional percentage rent based upon specified rates per the terms of the agreements. This additional percentage rent is variable and is expensed as incurred.

Finance Leases

The Company leases certain skilled nursing and assisted living facilities under finance lease agreements. The lease terms of one of the facility finance leases allow for a purchase option to be exercised during a specified window closing December 31, 2030. The Company has determined that it is reasonably certain to exercise the respective purchase option at the end of the purchase option window. Therefore the Company has calculated the lease term through the end of the purchase option window for this lease. In addition, for one of the facility finance leases, the lessor holds an option which could require the Company to purchase the associated real estate (the "Lessor Option"). The total obligation to purchase such real estate is approximately $32,000. For other facility finance leases, the duration of the lease term represented the major part of the remaining economic life of the facility at inception.

Finance lease right-of-use assets are included in property and equipment and have a balance of $66,655 and $150,595 as of September 30, 2026 and December 31, 2025, respectively. The current portion of finance lease liabilities is included in other accrued expenses and has a balance of $27,090 and $28,935 as of September 30, 2026 and December 31, 2025, respectively. The non-current portion of finance lease liabilities is included in other liabilities and has a balance of $34,148 and $126,960 as of September 30, 2026 and December 31, 2025, respectively.

The components of lease expense were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
Operating lease expense				
Rent - cost of services [1]	$ 98,223	$ 95,107	$ 288,454	$ 283,250
General and administrative expense	664	663	1,991	1,935
Other variable lease costs [2]	11,727	9,913	32,288	28,824
Total operating lease expense	$ 110,614	$ 105,683	$ 322,733	$ 314,009
Finance lease expense				
Amortization of right-of-use assets	$ 714	$ 1,648	$ 3,399	$ 3,830
Interest on lease liabilities	1,400	3,542	6,907	8,339
Total finance lease expense	$ 2,114	$ 5,190	$ 10,306	$ 12,169
Total Lease Expense	$ 112,728	$ 110,873	$ 333,039	$ 326,178

(1) Rent - cost of services includes variable lease costs such as Consumer Price Index (CPI) increases and other rent adjustments of $ 530 and $ 542 for the three months ended September 30, 2026 and 2025, respectively, and $ 1,600 and $ 1,397 for the nine months ended September 30, 2026 and 2025, respectively.
(2) Other variable lease costs of facilities, including property taxes and insurance, are classified in cost of services in the Company's unaudited condensed consolidated statements of income.

The following table summarizes supplemental cash flow information related to leases:

	Nine Months Ended September 30,	
	2026	2025
Operating cash paid for amounts included in the measurement of operating lease liabilities	$ 259,020	$ 248,115
Operating cash paid for amounts included in the measurement of finance lease liabilities	6,907	8,339
Financing cash paid for amounts included in the measurement of finance lease liabilities	1,173	217
Operating lease right-of-use assets obtained in exchange for lease liabilities	182,291	151,008
Decrease in operating lease right-of-use assets and liabilities due to lease termination/modification	(36,364)	—
Finance lease right-of-use assets obtained in exchange for lease liabilities	18,373	118,947
Decrease in finance lease right-of-use assets due to lease termination/modification	(98,914)	(72,503)

Information relating to the lease term and discount rate is as follows:

	As of September 30, 2026
Weighted-average remaining lease term (years)	
Operating leases	12
Finance leases	13
Weighted-average discount rate	
Operating leases	6.5 %
Finance leases	5.5 %

Maturities of lease liabilities as of September 30, 2026 were as follows:

	Finance Leases	Operating Leases	Total
2026 (remainder)	$ 27,079	$ 91,170	$ 118,249
2027	2,989	365,886	368,875
2028	3,045	371,808	374,853
2029	2,712	376,548	379,260
2030	15,626	379,848	395,474
2031	1,255	380,128	381,383
Thereafter	52,252	2,689,000	2,741,252
Total lease payments	$ 104,958	$ 4,654,388	$ 4,759,346
Less: present value discount	(43,720)	(1,546,436)	(1,590,156)
Present value of lease liabilities	$ 61,238	$ 3,107,952	$ 3,169,190

In addition to its lessee activity, the Company generates an immaterial amount of revenue from arrangements where it is a lessor of certain facilities. Revenue from those arrangements is included in other revenue on the condensed consolidated statements of income.

NOTE 13. OPERATION EXPANSIONS

2026 Expansions

On August 1, 2026 and September 1, 2026, the Company finalized the acquisition of operations for20 and 11 skilled nursing facilities, respectively, from the former operator Eduro Healthcare, LLC (Eduro acquisition). The Eduro acquisition, which includes the addition of 3,115 skilled nursing beds, expanded the Company's operations in five states, three of which were new operating states. Of the 31 operations, the Company assumed 21 leases from the prior operator and entered intonine newly negotiated leases. The Company has recorded the associated right-of-use assets and right-of-use liabilities for all 30 leases. The Company purchased the underlying real estate forone facility. This transaction was classified as a business combination in accordance with ASC 805.

The table below represents the purchase price allocation to total identifiable assets acquired and net liabilities assumed using the acquisition method, based on their respective fair values as of the acquisition finalization on August 1, 2026 and September 1, 2026.

	Amount
Prepaid expenses and other current assets	310
Property and equipment	5,630
Operating lease right-of-use assets	109,896
Goodwill	83,054
Current operating lease liabilities	(10,143)
Long-term operating lease liabilities	(86,083)
Total purchase price	$ 102,664

Prepaid expenses and other current assets acquired consist of on-hand supplies at the facilities. Right-of-use assets specified in the table above are related specifically to the 21 leases assumed as part of the transaction excluding the new lease agreements fornine newly negotiated leases. The value of the right-of-use assets was determined under a market approach. The market approach utilized assumptions based on estimated market rent assessments for the acquired lease contracts.

The goodwill recognized in the acquisition represents the excess of the purchase price over the fair value of net identifiable assets acquired and is attributable to the workforce acquired as well as expected synergies and opportunities to

expand the Company's presence in new markets. The Company expects 100% of the goodwill to be deductible for income tax purposes.

The Company did not assume any liabilities other than those associated with the post-assumption obligations under the assumed leases.

On August 1, 2026 and September 1, 2026, the Company issued a transition working capital loan to the former operator in two tranches of $7,000 and $8,000, respectively, bearing interest of 4.0% per annum. The loan is collateralized by accounts receivable held by the former operator and is expected to be paid back within 12 months. The net balance of the loan is recorded in other receivables.

In addition to the Eduro acquisition, during the nine months ended September 30, 2026, the Company's operations grew through the addition of four stand-alone facilities, three of which were acquired in conjunction with the real estate for the properties and one of which the Company acquired through a long-term lease. The new facilities added 316 assisted living beds operated by the Company's affiliated operating subsidiaries. The aggregate purchase price for these facilities was $92,766.

Additionally, during the same period the Company expanded its portfolio of owned properties by acquiring nine properties, that it had previously operated, for an aggregate purchase price of $223,910.

During the same period, the Company also divested of one leased facility which included 110 skilled nursing beds.

The Company's expansion strategy has been focused on identifying both opportunistic and strategic acquisitions within its target markets that offer strong opportunities to improve both clinical and financial performance of the acquired facilities. The operations added by the Company are frequently underperforming or moderately-performing financially and may have regulatory and clinical challenges to overcome. Financial information, especially with underperforming operations, is often inadequate, inaccurate or unavailable. The Company believes that prior operating results are not typically a meaningful representation of the Company's current operating results or indicative of the integration potential of its newly acquired operating subsidiaries. Accordingly, pro forma financial information is not presented. The additions have been included in the condensed consolidated balance sheets of the Company, and the operating results have been included in the condensed consolidated statements of income of the Company since the date the Company gained effective control.

Expansions After Period End

Subsequent to September 30, 2026, the Company's operations expanded in one new state and one existing state through the addition of 43 stand-alone facilities which the Company acquired via long-term leases. These new facilities added 5,334 skilled nursing beds and 49 assisted living beds operated by the Company's affiliated operating subsidiaries.

NOTE 14. SELF-INSURANCE LIABILITIES

The Company is partially self-insured for general and professional liability claims up to a base amount per claim (the self-insured retention) with an aggregate, one-time deductible above this limit. Losses beyond these amounts are insured through third-party policies with coverage limits per claim, per location, and on an aggregate basis for the Company. The combined self-insured retention is $750 per claim ($650 if an enforceable arbitration agreement applies), subject to an additional one-time deductible of $9,500 for the Company's independent subsidiaries in California. For the independent subsidiaries not in California, the self-insured claim is $750 per claim ($650 if an enforceable arbitration agreement applies), subject to an additional one-time deductible of $10,200. For a subset of the Company's independent subsidiaries acquired as part of the Plum acquisition in 2021 across California and Nevada, the combined self-insured retention is $500 per claim, subject to an additional one-time deductible of $6,000. For all independent subsidiaries, except those located in Colorado, Kansas, and Pennsylvania, the third-party coverage above these limits is $1,000 per claim, $3,000 per operation, with a $10,000 aggregate limit in California and for the subset of the Company's independent subsidiaries acquired as part of the Plum acquisition in 2021, a $12,000 aggregate limit in all other states, and an additional state-specific aggregate where required by state law. In Colorado, Kansas, and Pennsylvania, the third-party coverage above these limits is $1,000

per claim and $3,000 per operation, which is independent of the aforementioned aggregate limits that apply outside of these states.

The majority of the self-insured retention and deductible limits for professional and general liabilities are self-insured through Welsch, the related assets and liabilities of which are included in the accompanying condensed consolidated balance sheets. Welsch is subject to certain statutory requirements as an insurance provider.

The Company's policy is to accrue amounts equal to the actuarial estimated costs to settle open claims of insureds, as well as an estimate of the cost of insured claims that have been incurred but not reported. The Company develops information about the size of the ultimate claims based on historical experience, current industry information, and actuarial analysis, and evaluates the estimates for claim loss exposure on a quarterly basis. The Company uses actuarial valuations to estimate the liability based on historical experience and industry information.

The following table represents the Company's self-insurance liabilities, on an undiscounted basis, inclusive of anticipated insurance recoveries, as of September 30, 2026 and December 31, 2025:

	September 30, 2026	December 31, 2025
PLGL self-insurance liabilities	$ 371,021	$ 296,280
Employment practice liabilities	33,285	25,275
Total self-insurance liabilities	$ 404,306	$ 321,555
Less: current self-insurance liabilities	160,724	128,994
Long-term self-insurance liabilities	$ 243,582	$ 192,561

PLGL self-insurance liabilities as of September 30, 2026 and December 31, 2025 include $111,816 and $102,882, respectively, that were related to unasserted claims. The anticipated insurance recoveries included in the self-insurance liabilities are presented gross rather than net with the corresponding asset of $18,863 and $28,295 as of September 30, 2026 and $17,453 and $26,179 as of December 31, 2025, included in other receivables and other assets, respectively, on the condensed consolidated balance sheets.

The Company believes that an adequate provision has been made in these financial statements for liabilities that may arise out of patient care, employment practice, and related services to date.

NOTE 15. COMMITMENTS AND CONTINGENCIES

Regulatory Matters

Laws and regulations governing Medicare and Medicaid programs are complex and subject to review and interpretation. Compliance with such laws and regulations is evaluated regularly, the results of which can be subject to future governmental review and interpretation, and can include significant regulatory action including fines, penalties, and exclusion from certain governmental programs. Included in these laws and regulations is monitoring performed by the Office of Civil Rights which covers the Health Insurance Portability and Accountability Act of 1996, the terms of which require healthcare providers (among other things) to safeguard the privacy and security of certain patient protected health information.

Regulatory Investigations

The Company is subject to various governmental inspections, audits, and investigations that arise in the ordinary course of its business. The following governmental investigations are ongoing, although the government entities conducting these investigations have not asserted claims against the Company in connection with these investigations.

On April 8, 2024, Providence Administrative Consulting Services ("Providence") and Paradise Valley Healthcare Center ("Paradise Valley") received a Civil Investigative Demand ("CID") from the U.S. Department of Justice ("DOJ") requesting information and documents relating to an investigation of Paradise Valley and Providence to determine whether Paradise Valley and Providence violated the False Claims Act by submitting false claims to Medicare. The investigation

relates to whether Providence and Paradise Valley improperly induced patient referrals through remuneration in violation of the Anti-Kickback Statute. The CID includes requests for information relating to referral source relationships, including relationships with medical directors and other individuals. Since the receipt of the CID, the DOJ has made additional requests for information from Providence, including marketing materials and certain expense data across all Providence facilities. The Company is cooperating with the investigation, which is ongoing.

On September 11, 2024, the Company received a CID from the DOJ requesting information and documents relating to an investigation of the Company's California-based skilled nursing facilities to determine whether the Company violated the False Claims Act by submitting false claims to Medicare for reimbursement under the patient-driven payment model (PDPM) for skilled nursing and rehabilitation services. The CID includes requests for information relating to the Company's practices and incentives pertaining to the completion and submission of Minimum Data Set Assessments and the resulting PDPM rates. The Company is cooperating with the investigation, which is ongoing.

On September 30, 2024, Providence Group, Inc. ("Providence Group") received a CID from the DOJ requesting information and documents relating to an investigation of its skilled nursing facilities, specifically including Bishop Care Center ("Bishop") to determine whether Providence Group violated the False Claims Act by submitting false claims to Medicare for reimbursement under the COVID-19 related Hospital Stay Waiver (otherwise known as the 1135 waiver). The CID includes requests for information relating to 1135 COVID Waiver practices at Bishop. The Company is cooperating with the investigation, which is ongoing.

On February 26, 2025, the Company received a subpoena from the DOJ per the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") relating to an investigation into possible violations of various sections of 18 U.S.C. that prohibit the making of fraudulent or false statements to any branch of the government of the United States. The subpoena includes requests for information relating to PACS's 1135 COVID Waiver practices, billing of Medicare Part B for respiratory and sensory integration therapy services, change of insurance enrollment, cost waivers for co-pays, deductibles, and co-insurance, and claim reimbursement from Medicare for bad debt. The Company is cooperating with the investigation, which is ongoing.

SEC Investigation

The SEC's Division of Enforcement is conducting an investigation into matters that relate to the Company's accounting and financial reporting and disclosure, and the Company's internal controls over financial reporting and disclosure controls.

The Company is cooperating with each of the regulatory investigations identified above and the SEC investigation to produce the requested information and documentation. At this time, the Company cannot predict the outcome of any of these investigations and there can be no assurance that one or more of these investigations will not result in suits or actions alleging, or findings of, violations of federal or state laws that could lead to the imposition of damages, fines, penalties, restitution, other monetary liabilities, sanctions, settlements or changes to our business practices or operations that could have a material adverse effect on our business, financial condition or results of operations. The legal costs associated with responding to the regulatory investigations and SEC investigations can be substantial, regardless of the outcome.

The Company is unable at this time to estimate a loss or range of loss that may arise in the event that a claim is asserted against it in connection with any of these investigations for reasons including that these matters are in early stages, no factual issues have been resolved in these matters, and there is uncertainty as to the outcome of these matters, which can result in large settlement amounts or damage awards.

Litigation

The skilled nursing business involves a significant risk of liability given the age and health of the patients and residents served by the Company's independent operating subsidiaries. The Company and others in the industry are subject to an increasing number of claims and lawsuits, including professional liability claims, alleging that services provided have resulted in personal injury, elder abuse, wrongful death or other related claims. In addition, the Company, its independent operating subsidiaries, and others in the industry are subject to claims and lawsuits in connection with COVID-19 and a facility's preparation for and/or response to COVID-19.

Healthcare litigation (including class action litigation) is common and is filed based upon a wide variety of claims and theories. The Company and other companies in its industry are routinely subjected to varying types of claims and suits, including class-actions. Class-action suits have the potential to result in large jury verdicts and settlements, and may result in significant legal costs. The Company expects the plaintiffs' bar to continue to be aggressive in their pursuit of claims.

The Company has been, and continues to be, subject to other claims and legal actions that arise in the normal course of business, including potential claims filed by patients or others on their behalf related to patient care and treatment (professional negligence claims), as well as employment related claims filed by current or former employees. For example, the Company has been subjected to, and is currently involved in, litigation alleging violations of state and federal wage and hour laws resulting from the alleged failure to pay wages, to timely provide and authorize meal and rest breaks, and related causes of action.

In addition to the litigations described above, the Company is also subject to the following litigation:

Litigation – Securities Class Action and Shareholder Derivative Actions

On November 13, 2024, a putative securities class action captioned *Manchin v. PACS Group, Inc., et al*., Case No. 1:24-cv-08636-LJL (S.D.N.Y.) ("*Manchin* Action") was filed against the Company, individual defendants Jason Murray, Derick Apt, Mark Hancock, Jacqueline Millard, and Taylor Leavitt; and underwriter defendants Citigroup Global Markets Inc., J.P. Morgan Securities LLC, Truist Securities, Inc., RBC Capital Markets, LLC, Goldman Sachs & Co. LLC, Stephens Inc., KeyBanc Capital Markets Inc., Oppenheimer & Co. Inc., and Regions Securities LLC. The complaint brought claims under Sections 11 and 15 of the Securities Act, and Section 10(b), and 20(a) of the Exchange Act, and alleged the Company and its leadership engaged in a multi-year scheme to inflate revenue and profitability by (i) exploiting a COVID-era Medicare waiver to "flip" long-term Medicaid patients to higher-paying Medicare coverage, (ii) billing unnecessary Medicare Part B respiratory and sensory integration therapies, and (iii) falsifying licensure and staffing documentation. On January 7, 2025, the court consolidated the *Manchin* action with a similar action brought by plaintiff New Orleans Employees' Retirement System, and on February 11, 2025 the court appointed 1199SEIU Health Care Employees Pension Fund as lead plaintiff, and its counsel, Labaton Keller Sucharow LLP, as lead counsel. Plaintiffs filed a consolidated complaint on December 19, 2025, which added Joshua Jergensen and P.J. Sanford as named defendants, and also brought additional claims pursuant to Section 12(a)(2) of the Securities Act and Section 20A of the Exchange Act. Defendants moved to dismiss the consolidated complaint, and on September 4, 2026, the Court granted in part and denied in part Defendants' motion to dismiss. On October 9, 2026, Defendants answered the remaining allegations in the consolidated complaint.

On February 14, 2025, a derivative action originally filed by plaintiff Theresa Howard-Hines ("*Howard-Hines* Action") captioned *IN RE PACS GROUP, INC. DERIVATIVE LITIGATION* Lead Case No. 1:25-cv-01343-LJL (S.D.N.Y.) was filed against defendants Jason Murray, Derick Apt, Mark Hancock, Michelle Lewis, Jacqueline Millard, Taylor Leavitt, and Evelyn Dilsaver, with the Company named as nominal defendant. The complaint brings claims of breach of fiduciary duties, unjust enrichment, waste of corporate assets, and contribution, based on substantially similar allegations as in the *Manchin* Action. On April 8, 2025, the court consolidated the *Howard-Hines* action with a similar derivative action filed by plaintiff Adam Beckman, under the name *In re PACS Group, Inc. Derivative Litigation* ("SDNY Derivative Action"). On June 9, 2025, the parties filed a joint stipulation staying the SDNY Derivative Action until the earlier of the dismissal of the *Manchin* Action, the denial of any motion to dismiss in the *Manchin* Action, or the termination of the stay. Following the dismissal in part of the *Manchin* Action, the parties stipulated to further stays of the SDNY Derivative Action. The Court has stayed the SDNY Derivative Action until November 11, 2026, and ordered the parties to file a further status report by that date.

On August 19, 2025, a derivative action captioned *Boers v. Murray, et. al*., Case No. 1:25-cv-00119-DAK-DBP (D. Utah) was filed against the same defendants and alleging substantially the same claims and theories as *IN RE PACS GROUP, INC. DERIVATIVE LITIGATION* ("*Boers* Action"). The plaintiff in the *Boers* Action voluntarily dismissed this case on December 8, 2025, without prejudice to her ability to refile, and refiled on April 17, 2026, against the same defendants making the same basic claims. On August 18, 2026, the parties in the *Boers* Action stipulated to stay the case until the earlier of the dismissal of the *Manchin* Action, the denial of any motion to dismiss in the *Manchin* Action, or the termination of the stay. Following the dismissal in part of the *Manchin* Action, the parties stipulated to further stays of the

Boers Action. The Court stayed the *Boers* Action until November 18, 2026, and ordered the parties to file a further status report by that date.

Legal proceedings can be complex and take many months, or even years, to reach resolution, with the final outcome depending on a number of variables, some of which are not within our control. Therefore, although the Company will vigorously defend itself in each of the actions described above and any other legal proceedings, their ultimate resolution and potential financial and other impacts on the Company are uncertain but could be material. Regardless of final outcomes, however, any such proceedings, claims, and investigations may nonetheless impose a significant burden on management and employees and be costly to defend, with unfavorable preliminary, interim or final rulings.

The Company accrues a liability amount when it believes that it is both probable that a liability has been incurred, and the amount can be reasonably estimated. Significant judgment is required to determine both probability and the estimated amount. Such legal matters are inherently unpredictable and subject to significant uncertainties, some of which are beyond the Company's control. The Company is unable to estimate a loss or range of loss in connection with the Securities Class Action and Shareholder Derivative Actions at this time for reasons including that these matters are in early stages, no factual issues have been resolved in these matters, and there is uncertainty as to the outcome of these matters.

The defense of any of the litigations described above may result in significant legal costs, regardless of the outcome, and can result in large settlement amounts or damage awards. While there can be no assurance, based on the Company's evaluation of information currently available, management does not believe the results of such litigations would have a material adverse effect on the results of operations, financial position or cash flows of the Company, taken as a whole. However, the Company's assessment may evolve based upon further developments in the proceedings at issue. The results of legal proceedings are inherently uncertain, and material adverse outcomes are possible.

Indemnities

From time to time, the Company enters into certain types of contracts that contingently require it to indemnify parties against third-party claims. These contracts primarily include (i) certain real estate leases, under which the Company may be required to indemnify property owners or prior facility operators for post-transfer environmental or other liabilities and other claims arising from the Company use of the applicable premises, (ii) operations transfer agreements, in which the Company agrees to indemnify past operators of facilities against certain liabilities arising from the transfer of the operation and/or the operation thereof after the transfer to the Company's independent operating subsidiary, (iii) certain lending agreements, under which the Company may be required to indemnify the lender against various claims and liabilities, and (iv) certain agreements with the Company officers, directors and others, under which the Company may be required to indemnify such persons for liabilities arising out of the nature of their relationship to the Company. The terms of such obligations vary by contract and, in most instances, do not expressly state or include a specific or maximum dollar amount. Generally, amounts under these contracts cannot be reasonably estimated until a specific claim is asserted. Consequently, because no claims have been asserted, no liabilities have been recorded for these obligations on the condensed consolidated balance sheets for any of the periods presented.

Concentration of Credit Risks

The Company's credit risks primarily relate to cash and cash equivalents, restricted cash, and accounts receivable. Cash and cash equivalents are primarily held in bank accounts and overnight investments. Restricted cash is primarily invested in commercial paper and certificates of deposit with financial institutions and other interest-bearing accounts. Accounts receivable consist primarily of amounts due from patients (funded through Medicare, Medicaid, other contractual programs and through private payors) and from other health care companies for management, accounting and other services. The collectability of accounts receivable balances is dependent on the availability of funds from certain programs that rely on governmental funding, primarily Medicare and Medicaid. The Company's receivables from Medicare and Medicaid programs accounted for 23% and 28% of total accounts receivable, respectively, at September 30, 2026 and23% and 30% of total accounts receivable, respectively, at December 31, 2025. These receivables represent the only significant concentration of credit risk for the Company. The Company does not believe there are significant credit risks associated with these governmental programs. The Company performs continual credit evaluations of the Company's clients and maintains appropriate allowances for credit losses on any accounts receivable proving uncollectible, and continually monitors and adjusts these allowances as necessary.

The Company's operating subsidiaries, excluding the subsidiaries that exclusively operate assisted living and independent living facilities, have all of their skilled nursing beds designated for care of patients under federal Medicare and/or state Medicaid programs. Approximately 44% of the Company's skilled nursing beds are located in California.

NOTE 16. COMPUTATION OF NET INCOME PER COMMON SHARE

Basic net income per share is calculated by dividing net income attributable to the common stockholders by the weighted-average shares of common stock outstanding for the period. The computation of diluted net income per share is similar to the computation of basic net income per share, except that the denominator is increased to include the number of additional shares of common stock that would have been outstanding if the dilutive potential shares of common stock had been issued, which are comprised of restricted stock units and common stock issuable under the employee stock purchase plan, using the treasury stock method.

A reconciliation of the numerator and denominator used in the calculation of basic net income per common share follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
Numerator:				
Net income	$ 60,812	$ 52,330	$ 217,829	$ 131,676
Less: net loss attributable to noncontrolling interest	(6)	(76)	(54)	(165)
Net income attributable to PACS Group, Inc.	$ 60,818	$ 52,406	$ 217,883	$ 131,841
Denominator:				
Weighted average common shares outstanding	158,370,645	156,575,127	157,857,169	156,034,409
Basic net income per common share	$ 0.38	$ 0.33	$ 1.38	$ 0.84

A reconciliation of the numerator and denominator used in the calculation of diluted net income per common share follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
Numerator:				
Net income	$ 60,812	$ 52,330	$ 217,829	$ 131,676
Less: net loss attributable to noncontrolling interest	(6)	(76)	(54)	(165)
Net income attributable to PACS Group, Inc.	$ 60,818	$ 52,406	$ 217,883	$ 131,841
Denominator:				
Weighted average common shares outstanding	158,370,645	156,575,127	157,857,169	156,034,409
Plus: effect of diluted shares[1]	5,544,291	8,134,240	4,980,616	9,458,032
Adjusted weighted average common shares outstanding	163,914,936	164,709,367	162,837,785	165,492,441
Diluted net income per common share	$ 0.37	$ 0.32	$ 1.34	$ 0.80

(1) The diluted per share amounts do not reflect 2,973 and 2,360 common share equivalents from unvested equity awards for the three and nine months ended September 30, 2026, respectively, and 3,639 and 81,617 common share equivalents from unvested equity awards for the three and nine months ended September 30, 2025, respectively , due to their anti-dilutive effect.

NOTE 17. STOCK AWARDS

Stock-based compensation expense consists of stock-based payment awards made to employees and directors, comprised of restricted stock units, based on their estimated fair values. Stock-based compensation expense recognized in the Company's condensed consolidated statements of income for the three and nine months ended September 30, 2026 and 2025 was based on the vesting of awards granted to date. Stock-based compensation expense also consists of expense recognized from the employee stock purchase plan.

2024 Incentive Award Plan (2024 Plan)

The 2024 Plan allows the Company to make equity-based and cash-based incentive awards to its officers, employees, directors and consultants. The number of shares available for issuance under the 2024 Plan increases annually on the first day of the year by an amount equal to up to 2% of the aggregate number of shares outstanding on the final day of the immediately preceding calendar year. As of September 30, 2026, the total number of shares available for issuance under the 2024 Plan was 5,596,528.

Pursuant to the 2024 Plan, the Company granted restricted stock unit (RSU) awards of125,790 shares during the three months ended September 30, 2026 andno shares during the three months ended September 30, 2025, and 3,574,976 and 1,962,425 shares during the nine months ended September 30, 2026 and 2025, respectively. Awards granted to key executives at the time of the IPO vested 25% upon issuance with the remaining shares scheduled to vest in equal increments on an annual basis over the nextfive years. All other awards generally vest in equal increments on an annual basis overthree years as the grantees meet the requisite service condition. These awards granted used the market price on the date of the respective grant to determine the award fair value. The fair value per share of RSU awards granted during the nine months ended September 30, 2026 ranged from $34.13 to $46.67, and was $13.72 during the nine months ended September 30, 2025.

A summary of the status of the Company's non-vested RSU awards as of September 30, 2026 and changes during the nine months ended September 30, 2026 is presented below:

	Non-Vested Restricted Stock Unit Awards	Weighted Average Grant Date Fair Value
Non-vested at January 1, 2026	10,256,295	$ 21.40
Granted	3,574,976	35.03
Vested	(3,244,143)	21.46
Forfeited	(192,676)	24.44
Non-vested at September 30, 2026	10,394,452	$ 26.02

During the nine months ended September 30, 2026, the Company granted43,572 RSU awards to non-employee directors for their service on the Company's board of directors from the 2024 Plan. The weighted average fair value per share of these awards were $34.65 based on the market price on the grant date.

During the nine months ended September 30, 2026, the aggregate fair value of RSU awards that vested was $119,845. The number of RSU awards vested includes shares of common stock that the Company withheld on behalf of employees to satisfy statutory tax withholding requirements.

2024 Employee Stock Purchase Plan (2024 ESPP)

Under the 2024 ESPP, eligible employees may purchase common stock of the Company in six-month intervals at85% of the lower of the fair market value at the beginning or ending of the purchase period. Employees may purchase shares having a value not exceeding 15% of their gross compensation during an offering period. The number of shares available for issuance under the 2024 ESPP increases annually on the first day of the year by an amount equal to up to 1% of the aggregate number of shares outstanding on the final day of the immediately preceding calendar year. As of September 30, 2026 the total number of shares available for issuance under the 2024 ESPP was 4,461,563.

Employees purchased the following shares during the three and nine months ended September 30, 2026 and 2025:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
Shares purchased	157,883	—	157,883	—
Average price per share	$ 26.92	$ —	$ 26.92	$ —

Stock-Based Compensation Expense

Stock-based compensation expense recognized for the Company's equity incentive plans for the three and nine months ended September 30, 2026 and 2025 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
Stock-based compensation expense related to RSU awards	$ 44,627	$ 12,516	$ 89,998	$ 38,322
Stock-based compensation expense related to ESPP	693	—	1,502	—
Total stock-based compensation expense	$ 45,320	$ 12,516	$ 91,500	$ 38,322

On September 18, 2026, the Company recognized $19,973 in stock-based compensation expense related to the retirement of its Chief Legal Officer, due to an acceleration of vesting in line with the executive restricted stock unit agreement and a modification of equity awards due to his consultation agreement.

In future periods, the Company expects to recognize $213,384 in stock-based compensation expense for unvested RSU awards that were outstanding as of September 30, 2026. Future stock-based compensation expense will be recognized over 2.4 weighted average years for unvested RSU awards.

NOTE 18. COMMON STOCK REPURCHASE PROGRAM

On May 7, 2026, the Board of Directors approved a common stock repurchase program pursuant to which the Company is authorized to repurchase up to $250,000 of its common stock under the program. The repurchase program does not have a fixed expiration date. During the three and nine months ended September 30, 2026, the Company did not repurchase any shares pursuant to this repurchase program. As of September 30, 2026, the full $250,000 authorized for repurchase remained available under the repurchase program.

Under the repurchase program, repurchases may be made from time to time in the open market, in privately negotiated transactions, or otherwise. The amount and timing of repurchases, if any, will depend on several factors, including the Company's stock price performance, ongoing capital allocation priorities, contractual restrictions, and general market conditions. Open market repurchases will be structured to occur in accordance with applicable federal securities laws, including within the pricing and volume requirements of Rule 10b-18 under the Securities Exchange Act of 1934, as amended. The repurchase program does not obligate the Company to acquire any particular amount of common stock, and may be modified, suspended, or terminated at any time at the discretion of the Company's Board of Directors.

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

The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and accompanying notes, which appear elsewhere in this Quarterly Report on Form 10-Q. We urge you to carefully review and consider the various disclosures made by us in this report and in our other reports filed with the Securities and Exchange Commission (SEC), including our Annual Report on Form 10-K for the year ended December 31, 2025 (Annual Report) which discusses our business and related risks in greater detail, as well as subsequent reports we may file from time to time on Form 10-Q and Form 8-K, for additional information. The sections titled "Risk Factors" contained in this Quarterly Report on Form 10-Q and our Annual Report, and similar discussions in our other SEC filings, also describe some of the important risk factors that may affect our business, financial condition, results of operations and/or liquidity. You should carefully consider those risks, in addition to the other information in this Quarterly Report on Form 10-Q and in our other filings with the SEC, before deciding to purchase, hold or sell our common stock.

Overview

We are a leading post-acute healthcare company primarily focused on delivering high-quality skilled nursing care through a portfolio of independently operated facilities. Founded in 2013, we are one of the largest skilled nursing providers in the United States based on number of facilities. We also provide senior care, assisted living, and independent living options in some of our communities. As of September 30, 2026, our portfolio consisted of 355 post-acute care, assisted living, and independent living facilities across 20 states serving 34,700 patients daily. We believe our significant historical growth has been primarily driven by our expertise in acquiring underperforming long-term custodial care skilled nursing facilities and transforming them into higher acuity, high value-add short-term transitional care skilled nursing facilities. We believe our success is driven in significant part by our locally led, centrally supported operating model, through which we empower local leaders at each facility to operate their facility autonomously and deliver excellence in clinical quality and a superior experience for our patients. We provide our independently operated facilities with a comprehensive suite of technology, support, and back-office services that allow local leadership teams to focus more of their time and effort on providing quality care to patients. We believe our operating model delivers value to all of our healthcare stakeholders, including patients and families, referring providers, payors, and administrators and clinicians.

We aim to create value by identifying and acquiring underperforming and moderately-performing custodial care facilities and converting them into higher-value short-term transitional care facilities by investing in clinical teams and processes and upgrading technology, equipment, training, staffing, aesthetics, and other aspects of the business. We believe the resources and guidance offered by PACS Services is key to rapid integration of new facilities and provides our local leadership teams with an effective technology infrastructure, support tools, and regional support teams that allow local leadership to focus on operational improvements. Our facilities generally undergo an up to three-year post-acquisition transition period. During this period, we seek to implement best practices designed to realize and sustain the facility's full potential. These practices often result in significant improvements to clinical quality and other operational metrics, including skilled mix, occupancy rates and payor contracting. We believe the results of our acquisition strategy are demonstrated by our high average QM Star rating and occupancy rate for Mature facilities, which we define as facilities purchased greater than 36 months prior to the measurement date, as compared to the same metrics for our New facilities, which we define as facilities purchased or built less than 18 months prior to the measurement date. As of September 30, 2026, our average QM Star rating and occupancy rate for Mature facilities were 4.5 and 93%, respectively, compared to 3.0 and 76%, respectively for New facilities as of the same date.

Industry Trends

We operate in the post-acute care industry, which is an essential component of the healthcare delivery ecosystem, serving high need, medically fragile patients.The post-acute care industry has evolved to meet the growing demand for post-acute and custodial healthcare services generated by an aging population, increasing life expectancies and the trend toward shifting patient care to lower cost settings. The industry continues to evolve, driven by several trends, including the following:

SNFs are an Integral and Essential Part of the Post-Acute Care Continuum SNFs play an essential role in post-acute patient care. SNFs provide higher-acuity skilled nursing care to patients that cannot be adequately treated in community-based care settings, such as assisted living or independent living facilities, and who are no longer appropriate candidates for hospital care. Despite the wide array of services and variety of needs addressed, SNFs are the lowest cost facility-based post-acute healthcare. As reimbursement and coverage continues to shift toward value-based models with

greater emphasis on controlling costs, SNFs are integral to post-acute care and can continue to drive high-quality outcomes in low-cost settings.

Large, Fragmented Industry Comprised of Mostly Small and Independent Operators According to the National Center for Health Statistics (NCHS) 2020 National Post-acute and Long-term Care Study, the SNF industry in the United States encompasses approximately 15,000 facilities and serves approximately 1.3 million patients annually. The industry is highly fragmented, with the top 10 operators, each having greater than approximately 100 facilities, representing approximately 12% of the total number of SNFs in the United States, according to CMS data as of September 2024, and approximately 5,000 smaller and independent operators of less than 100 facilities making up the remainder. According to such data, approximately 73% and 27% of SNFs are located in urban and rural areas, respectively. In addition, approximately 74%, 20%, and 6% of SNFs are operated as for-profit, non-profit, and by the government, respectively, according to such data. We believe this fragmented landscape creates opportunities for larger providers with greater scale to serve patients better and meet regulatory requirements nation-wide by effectively addressing staffing, quality standards, and billing processes. Moreover, many small and independent operators face pressure due to billing requirements, regulations, competition on quality of care and facilities, staffing shortages and competition, and the cessation of COVID-related provider relief funding, which has led them to pursue sales of their facilities or businesses. This provides additional opportunity for well-managed, high-quality operators to grow through acquisitions.

Growing Demand Outpacing Supply of Skilled Nursing Facilities. The demand for healthcare services in the United States has increased in recent years and is expected to continue growing, largely due to a rapidly aging population and an increasing prevalence of chronic conditions. While demand has increased for SNFs, the number of SNFs has declined in recent years from approximately 15,650 in 2017 to approximately 14,740 in 2025. We believe this is due to a variety of factors, including an inability of many facilities to comply with quality standards, rigorous staffing, and billing requirements, and a lack of technology and sophistication at small and independent operators. Furthermore, new operators face multiple barriers to entry, including the requirements to obtain a Certificate of Need, complex licensure requirements, lack of operating experience, and significant capital requirements. As a result, the addition of new SNFs has not kept pace with the number of SNFs exiting the market, amplifying the need for skilled nursing to serve an aging population.

Favorable Reimbursement Environment. According to CMS, approximately 72% of SNF revenue in 2022 was derived from government sources, including Medicare and Medicaid. Medicare represents 21% of industry revenue, while Medicaid represents 51%. The remainder comprises managed care, private pay, and other payors. Medicare and Medicaid reimbursement has steadily increased over the past few years. Medicare reimbursement per patient day increased at a CAGR of approximately 3.4% from 2012 to 2023, while Medicaid reimbursement per patient day increased at a CAGR of approximately 1.9% from 2012 to 2021. During that time, the industry experienced continued growth in reimbursement rates.

Regulatory Environment. The SNF industry is highly regulated with stringent regulatory compliance obligations. In the ordinary course of business, providers are subject to federal, state and local laws and regulations relating to, among other things, billing and reimbursement, relationships with vendors, business relationships with physicians and other healthcare providers and facilities, as well as licensure, accreditation, enrollment, quality, adequacy of care, physical plant, life safety, personnel, staffing and operating requirements. Changes in law or new interpretations of existing laws and regulations may have a significant impact on revenue, costs and business operations of providers and other industry participants. In addition, governmental and other authorities periodically inspect the SNFs, senior living facilities and outpatient rehabilitation agencies to verify continued compliance with applicable regulations and standards and may impose citations and other regulatory penalties for regulatory deficiencies. Such regulatory penalties include but are not limited to civil monetary penalties, temporary payment bans, suspension or revocation of a state operating license and loss of certification as a provider in the Medicare or Medicaid program, which may be temporary or permanent in nature. This regulatory environment and related enforcement can have an adverse effect on providers and other industry participants.

Facility Information

The following table provides summary information regarding the location of our post-acute care facilities and operational beds by property type as of September 30, 2026:

	Leased		Owned		Total	
	Facilities	Beds/Units	Facilities	Beds/Units	Facilities	Beds/Units
Alaska	1	102	3	226	4	328
Arizona	9	1,175	1	190	10	1,365
California	108	12,651	32	3,481	140	16,132
Colorado	18	2,158	1	242	19	2,400
Idaho	7	499	—	—	7	499
Kansas	2	258	—	—	2	258
Kentucky	5	596	2	340	7	936
Missouri	2	190	3	424	5	614
Montana	6	558	1	60	7	618
Nevada	3	196	9	916	12	1,112
New Mexico	1	136	—	—	1	136
North Dakota	1	94	—	—	1	94
Ohio	24	2,728	—	—	24	2,728
Oregon	20	1,527	1	87	21	1,614
Pennsylvania	4	597	4	602	8	1,199
South Carolina	21	2,352	6	663	27	3,015
South Dakota	3	246	—	—	3	246
Tennessee	12	1,285	—	—	12	1,285
Texas	22	2,285	3	382	25	2,667
Washington	20	1,528	—	—	20	1,528
	289	31,161	66	7,613	355	38,774

As reflected in the table above, our California operations represent our largest geographic concentration, comprising 140 facilities and 16,132 beds/units, or approximately 39% and 42%, respectively, of our total facilities and beds/units.

During the nine months ended September 30, 2026, we expanded our operations with the addition of 31 skilled nursing facilities and four assisted living and independent living facilities, four of which were acquired in conjunction with the real estate for the properties and 31 of which we acquired through long-term leases. These new operations added a total of 3,115 skilled nursing beds and 316 assisted living beds to be operated by our affiliated operating subsidiaries. We also made nine additional real estate purchases. Regarding these properties, the Company previously operated the facilities and has now acquired the real estate associated with the operations. Additionally, during the same period the Company divested of one facility including 110 skilled nursing beds.

Subsequent to September 30, 2026, we expanded our operations in one new state and one existing state through the addition of 43 stand-alone facilities, which were acquired through long-term leases. The subsequent acquisitions added a total of 5,334 skilled nursing beds and 49 assisted living beds.

Key Skilled Services Metrics and Non-GAAP Financial Measures

We use the following key skilled services metrics and non-GAAP financial measures to help us evaluate our business, identify trends that affect our financial performance, and make strategic decisions.

Key Skilled Services Metrics

We monitor the below key skilled services metrics across all of our facilities and by Mature facilities, Ramping facilities, and New facilities. Mature facilities are defined as facilities purchased more than 36 months prior to a respective measurement date. Ramping facilities are defined as facilities purchased within 18 to 36 months prior to a respective

measurement date. New facilities are defined as facilities purchased or built less than 18 months prior to a respective measurement date.

- Skilled nursing services revenue — Skilled nursing services revenue reflects the portion of patient and resident service revenue generated from all patients in skilled nursing facilities, excluding revenue generated from our assisted and independent living services.

- Skilled mix — We measure both revenue and nursing patient days by payor. Medicare and managed care patients, whom we refer to as high acuity patients, typically require a higher level of skilled nursing care. As a result, Medicare and managed care reimbursement rates are typically higher than those from other payors. In most states, Medicaid reimbursement rates are generally the lowest of all payor types. Changes in the payor mix can significantly affect our revenue and profitability. To monitor this performance, we evaluate two different measures of skilled mix:

    - Skilled mix by revenue — Skilled mix by revenue represents the portion of routine revenue generated from treating high acuity Medicare and managed care patients. Routine revenue refers to skilled nursing services revenue generated by contracted daily rates charged for skilled nursing services. Services provided outside of routine contractual agreements are recorded separately as ancillary revenue, including Medicare Part B therapy services, and are not routine revenue. The inclusion of therapy and other ancillary treatments in the contracted daily rate varies by payor source and by contract. Revenue associated with calculating skilled mix is based on contractually agreed-upon amounts or rates, excluding the estimates of variable consideration under the revenue recognition standard, Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers* (ASC 606).

    - Skilled mix by nursing patient days — Skilled mix by nursing patient days represents the number of days our high acuity Medicare and managed care patients receive skilled nursing services at skilled nursing facilities as a percentage of the total number of days that patients from all payor sources receive skilled nursing services at skilled nursing facilities for any given period.

- Occupancy — The total number of patients occupying a bed in a skilled nursing facility as a percentage of the beds in such facility that are available for occupancy during the period.

- Number of facilities — The total number of skilled nursing facilities that we operate. This figure excludes 34 and 30 assisted living and independent living facilities as of September 30, 2026 and 2025, respectively.

- Number of operational beds — The total number of operational beds associated with the skilled nursing facilities that we operate.

The following tables present the above key skilled services metrics by category for the skilled nursing facilities in each of the three facility cohorts, and for all skilled nursing facilities, as of and for the three and nine months ended September 30, 2026 and 2025:

	Three Months Ended September 30, 2026			
	Mature	Ramping	New	Total
	(Dollars in thousands)			
Skilled nursing services revenue	$ 1,000,986	$ 384,892	$ 65,443	$ 1,451,321
Skilled mix by revenue	53.1 %	39.8 %	39.5 %	48.9 %
Skilled mix by nursing patient days	31.3 %	25.7 %	21.1 %	29.1 %
Occupancy for skilled nursing services:				
Available patient days	2,018,762	943,742	214,837	3,177,341
Actual patient days	1,880,152	820,849	163,753	2,864,754
Occupancy rate (operational beds)	93.1 %	87.0 %	76.2 %	90.2 %
Number of facilities at period end	196	90	35	321
Number of operational beds at period end	22,402	9,880	3,651	35,933

	Three Months Ended September 30, 2025			
	Mature	Ramping	New	Total
	(Dollars in thousands)			
Skilled nursing services revenue	$ 746,242	$ 282,160	$ 282,531	$ 1,310,933
Skilled mix by revenue	55.4 %	40.6 %	35.6 %	48.0 %
Skilled mix by nursing patient days	33.0 %	22.0 %	23.6 %	28.2 %
Occupancy for skilled nursing services:				
Available patient days	1,481,700	725,220	787,708	2,994,628
Actual patient days	1,404,408	624,612	635,013	2,664,033
Occupancy rate (operational beds)	94.8 %	86.1 %	80.6 %	89.0 %
Number of facilities at period end	149	62	79	290
Number of operational beds at period end	16,406	8,116	8,155	32,677

	Nine Months Ended September 30, 2026			
	Mature	Ramping	New	Total
	(Dollars in thousands)			
Skilled nursing services revenue	$ 2,748,007	$ 1,085,770	$ 372,233	$ 4,206,010
Skilled mix by revenue	54.1 %	42.6 %	40.3 %	49.8 %
Skilled mix by nursing patient days	32.0 %	26.7 %	25.7 %	29.8 %
Occupancy for skilled nursing services:				
Available patient days	5,412,916	2,572,064	1,124,381	9,109,361
Actual patient days	5,079,057	2,257,399	903,360	8,239,816
Occupancy rate (operational beds)	93.8 %	87.8 %	80.3 %	90.5 %
Number of facilities at period end	196	90	35	321
Number of operational beds at period end	22,402	9,880	3,651	35,933

	Nine Months Ended September 30, 2025			
	Mature	Ramping	New	Total
	(Dollars in thousands)			
Skilled nursing services revenue	$ 2,147,833	$ 807,434	$ 887,886	$ 3,843,153
Skilled mix by revenue	56.4 %	41.9 %	38.2 %	49.1 %
Skilled mix by nursing patient days	33.7 %	22.8 %	24.7 %	28.9 %
Occupancy for skilled nursing services:				
Available patient days	4,238,699	2,047,146	2,538,192	8,824,037
Actual patient days	4,025,794	1,764,784	2,056,273	7,846,851
Occupancy rate (operational beds)	95.0 %	86.2 %	81.0 %	88.9 %
Number of facilities at period end	149	62	79	290
Number of operational beds at period end	16,406	8,116	8,155	32,677

The following tables present additional detail regarding our skilled mix, including our percentage of revenue and nursing patient days by payor source for the skilled nursing facilities in each of the three facility cohorts, and for all skilled nursing facilities, for the three and nine months ended September 30, 2026 and 2025:

Skilled mix by revenue:

	Three Months Ended September 30, 2026			
	Mature	**Ramping**	**New**	**Total**
Medicare	37.3 %	23.7 %	21.8 %	32.9 %
Managed care	15.8	16.1	17.7	16.0
Skilled mix	*53.1*	*39.8*	*39.5*	*48.9*
Medicaid	36.9	49.6	47.7	40.8
Private and other	10.0	10.6	12.8	10.3
Total	100.0 %	100.0 %	100.0 %	100.0 %

	Three Months Ended September 30, 2025			
	Mature	**Ramping**	**New**	**Total**
Medicare	39.6 %	27.8 %	18.9 %	32.7 %
Managed care	15.8	12.8	16.7	15.3
Skilled mix	*55.4*	*40.6*	*35.6*	*48.0*
Medicaid	35.7	49.9	53.7	42.6
Private and other	8.9	9.5	10.7	9.4
Total	100.0 %	100.0 %	100.0 %	100.0 %

	Nine Months Ended September 30, 2026			
	Mature	**Ramping**	**New**	**Total**
Medicare	38.4 %	26.9 %	21.7 %	33.8 %
Managed care	15.7	15.7	18.6	16.0
Skilled mix	*54.1*	*42.6*	*40.3*	*49.8*
Medicaid	36.5	47.1	48.8	40.4
Private and other	9.4	10.3	10.9	9.8
Total	100.0 %	100.0 %	100.0 %	100.0 %

	Nine Months Ended September 30, 2025			
	Mature	**Ramping**	**New**	**Total**
Medicare	41.0 %	30.0 %	20.8 %	33.9 %
Managed care	15.4	11.9	17.4	15.2
Skilled mix	*56.4*	*41.9*	*38.2*	*49.1*
Medicaid	35.0	48.7	51.9	41.9
Private and other	8.6	9.4	9.9	9.0
Total	100.0 %	100.0 %	100.0 %	100.0 %

Skilled mix by nursing patient days:

	Three Months Ended September 30, 2026			
	Mature	**Ramping**	**New**	**Total**
Medicare	19.6 %	13.6 %	10.6 %	17.4 %
Managed care	11.7	12.1	10.5	11.7
Skilled mix	*31.3*	*25.7*	*21.1*	*29.1*
Medicaid	58.6	62.0	62.9	59.8
Private and other	10.1	12.3	16.0	11.1
Total	100.0 %	100.0 %	100.0 %	100.0 %

	Three Months Ended September 30, 2025			
	Mature	**Ramping**	**New**	**Total**
Medicare	21.0 %	12.4 %	11.1 %	16.6 %
Managed care	12.0	9.6	12.5	11.6
Skilled mix	*33.0*	*22.0*	*23.6*	*28.2*
Medicaid	57.7	67.8	64.2	61.6
Private and other	9.3	10.2	12.2	10.2
Total	100.0 %	100.0 %	100.0 %	100.0 %

	Nine Months Ended September 30, 2026			
	Mature	**Ramping**	**New**	**Total**
Medicare	20.3 %	14.7 %	12.2 %	17.9 %
Managed care	11.7	12.0	13.5	11.9
Skilled mix	*32.0*	*26.7*	*25.7*	*29.8*
Medicaid	58.3	61.6	61.0	59.5
Private and other	9.7	11.7	13.3	10.7
Total	100.0 %	100.0 %	100.0 %	100.0 %

	Nine Months Ended September 30, 2025			
	Mature	**Ramping**	**New**	**Total**
Medicare	21.8 %	13.9 %	11.6 %	17.4 %
Managed care	11.9	8.9	13.1	11.5
Skilled mix	*33.7*	*22.8*	*24.7*	*28.9*
Medicaid	57.1	67.1	64.0	61.2
Private and other	9.2	10.1	11.3	9.9
Total	100.0 %	100.0 %	100.0 %	100.0 %

- Average daily rates — The routine revenue by payor source for a period at the skilled nursing facilities divided by actual patient days for that revenue source for that given period. Revenue associated with calculating average daily rates is based on contractually agreed-upon amounts or rates, and does not include the estimates of variable consideration under ASC 606.

The following tables present average daily rates by payor source, excluding services that are not covered by the daily rate, for the three and nine months ended September 30, 2026 and 2025:

	Three Months Ended September 30, 2026			
	Mature	**Ramping**	**New**	**Total**
Medicare	$ 990.62	$ 826.68	$ 761.64	$ 945.96
Managed care	704.32	627.71	623.52	677.41
Total for skilled patient payors [1]	*883.93*	*732.60*	*692.74*	*837.66*
Medicaid	327.89	378.66	280.32	340.12
Private and other	514.40	411.95	296.06	464.04
Total [2]	*$ 520.70*	*$ 473.81*	*$ 369.75*	*$ 498.64*

	Three Months Ended September 30, 2025			
	Mature	Ramping	New	Total
Medicare	$ 988.41	$ 991.53	$ 746.97	$ 950.49
Managed care	686.21	595.45	586.21	642.83
Total for skilled patient payors [1]	*878.36*	*819.35*	*661.91*	*824.34*
Medicaid	324.26	326.92	366.42	335.43
Private and other	495.26	418.77	385.54	446.20
Total [2]	*$ 523.14*	*$ 444.63*	*$ 438.53*	*$ 484.57*

	Nine Months Ended September 30, 2026			
	Mature	Ramping	New	Total
Medicare	$ 997.23	$ 881.85	$ 743.96	$ 952.31
Managed care	710.83	629.87	574.16	671.65
Total for skilled patient payors [1]	*892.67*	*768.56*	*654.68*	*839.77*
Medicaid	329.84	368.72	334.18	341.36
Private and other	512.31	425.35	341.84	462.71
Total [2]	*$ 527.48*	*$ 482.17*	*$ 417.55*	*$ 503.02*

	Nine Months Ended September 30, 2025			
	Mature	Ramping	New	Total
Medicare	$ 984.00	$ 981.22	$ 773.80	$ 946.64
Managed care	682.71	604.84	577.61	637.92
Total for skilled patient payors [1]	*877.92*	*833.92*	*670.02*	*823.56*
Medicaid	322.18	330.12	350.65	331.95
Private and other	492.48	425.86	380.83	443.96
Total [2]	*$ 525.23*	*$ 454.83*	*$ 432.96*	*$ 485.22*

(1) Represents weighted average of revenue generated by Medicare and managed care payor sources.
(2) Represents weighted average.

The following tables present the above key skilled services metrics by category for all skilled nursing facilities in operation on January 1, 2025, excluding divestitures since that time, as of and for the three and nine months ended September 30, 2026 and 2025:

	Three Months Ended September 30,			
	2026	2025	Change	% Change
Total Same-Store Facility Results	(Dollars in thousands)			
Skilled nursing services revenue	$ 1,378,842	$ 1,295,757	$ 83,085	6.4 %
Skilled mix by revenue	49.1 %	48.1 %	100 bps	2.1 %
Skilled mix by nursing patient days	29.5 %	28.3 %	120 bps	4.2 %
Occupancy for skilled nursing services:				
Actual patient days	2,690,014	2,625,289	64,725	2.5 %
Occupancy rate (operational beds)	91.3 %	89.3 %	200 bps	2.2 %
Number of facilities at period end	284	284	—	— %

	Nine Months Ended September 30,			
	2026	2025	Change	% Change
Total Same-Store Facility Results	(Dollars in thousands)			
Skilled nursing services revenue	$ 4,073,750	$ 3,817,198	$ 256,552	6.7 %
Skilled mix by revenue	49.7 %	49.3 %	40 bps	0.8 %
Skilled mix by nursing patient days	29.8 %	29.0 %	80 bps	2.8 %
Occupancy for skilled nursing services:				
Actual patient days	7,947,669	7,775,749	171,920	2.2 %
Occupancy rate (operational beds)	90.9 %	89.3 %	160 bps	1.8 %
Number of facilities at period end	284	284	—	— %

Non-GAAP Financial Measures

In addition to our results provided throughout that are determined in accordance with GAAP, we also present the following non-GAAP financial measures: Adjusted Net Income, Adjusted Earnings Per Share, EBITDA, Adjusted EBITDA, and Adjusted EBITDAR (collectively, Non-GAAP Financial Measures). Adjusted Net Income, Adjusted Earnings Per Share, EBITDA, and Adjusted EBITDA are performance measures. Adjusted EBITDAR is a valuation measure. These Non-GAAP Financial Measures have no standardized meaning defined by GAAP, and therefore have limitations as analytical tools, and they should not be considered in isolation, or as a substitute for analysis of our results as reported in accordance with GAAP. You should review the reconciliation of net income to the Non-GAAP Financial Measures in the table below, together with our condensed consolidated financial statements and the related notes in their entirety, and should not rely on any single financial measure. Additionally, other companies may define these or similar Non-GAAP Financial Measures with the same or similar names differently, and because these Non-GAAP Financial Measures are not standardized, it may not be possible to compare these financial measures to those of other companies.

Performance Measures

We use Adjusted Net Income, Adjusted Earnings Per Share, EBITDA, and Adjusted EBITDA to facilitate internal comparisons of our historical operating performance on a more consistent basis, as well as for business planning and forecasting purposes. In addition, we believe presentation of these measures is useful to investors, analysts and other interested parties in comparing our operating performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our ongoing operating performance.

Adjusted Net Income – We calculate Adjusted Net Income as net income, adjusted for net loss attributable to noncontrolling interest, further adjusted for non-core business items as listed in Adjusted EBITDA, as well as the related income tax effects of these adjustments.

Adjusted Earnings Per Share – We calculate Adjusted Earnings Per Share by dividing Adjusted Net Income by the weighted-average diluted shares outstanding for the applicable period.

EBITDA – We calculate EBITDA as net income, adjusted for net loss attributable to noncontrolling interest, before: interest expense; provision for income taxes; and depreciation and amortization.

Adjusted EBITDA – We calculate Adjusted EBITDA as EBITDA further adjusted for non-core business items, which for the reported periods includes, to the extent applicable, costs incurred to acquire operations that are not capitalizable, stock-based compensation expense, legal and other costs, and certain one-time expenses that are not representative of our underlying operating performance. Costs related to acquisitions include costs related to our acquisition of operations, including related costs such as legal fees, financial and tax due diligence, consulting and escrow fees. Legal and other costs include legal and professional fees incurred associated with the Audit Committee's independent investigation during the years ended December 31, 2025 and 2024, and with other ongoing investigations.

Valuation Measure

We use Adjusted EBITDAR as a measure to determine the value of prospective acquisitions and to assess the enterprise value of our business without regard to differences in capital structures and leasing arrangements. In addition, we believe that Adjusted EBITDAR is also a commonly used measure by investors, analysts and other interested parties to compare the enterprise value of different companies in the healthcare industry without regard to differences in capital structures and leasing arrangements, particularly for companies with operating and finance leases. For example, finance lease expenditures are recorded in depreciation and interest and are therefore removed from Adjusted EBITDA, whereas operating lease expenditures are recorded in rent expense and are therefore retained in Adjusted EBITDA. Adjusted EBITDAR is a financial valuation measure that is not specified in GAAP, and is not displayed as a performance measure as it excludes rent expense, which is a normal and recurring cash operating expense, and is therefore presented only for the current period. While we believe that Adjusted EBITDAR provides useful insight regarding our underlying operations, excluding the impact of our operating leases, we must still incur cash operating expenses related to our operating leases and rent and such expenses are necessary to operate our leased operations. As a result, Adjusted EBITDAR may understate the extent of our cash operating expenses for the respective period relative to our cash needs to operate our leased operations and business.

Adjusted EBITDAR – We calculate Adjusted EBITDAR as Adjusted EBITDA plus rent-cost of services.

The table below presents a reconciliation of Adjusted Net Income to net income and Adjusted Earnings Per Share to diluted earnings per share, the most directly comparable financial measures calculated in accordance with GAAP, on a condensed consolidated basis for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
	(in thousands except share and per share data)			
Net income	$ 60,812	$ 52,330	$ 217,829	$ 131,676
Less: Net loss attributable to noncontrolling interest	(6)	(76)	(54)	(165)
Net income attributable to PACS Group, Inc.	$ 60,818	$ 52,406	$ 217,883	$ 131,841
Adjustments:				
Acquisition related costs	4,350	101	5,084	310
Stock-based compensation expense	45,320	12,516	91,500	38,322
Legal and other costs	9,496	19,596	29,440	66,460
Provision for income taxes on non-GAAP adjustments[1]	(15,975)	(8,697)	(34,026)	(28,375)
Adjusted Net Income	$ 104,009	$ 75,922	$ 309,881	$ 208,558
Weighted-average diluted common shares outstanding	163,914,936	164,709,367	162,837,785	165,492,441
Diluted earnings per share	$ 0.37	$ 0.32	$ 1.34	$ 0.80
Adjusted Earnings Per Share	$ 0.63	$ 0.46	$ 1.90	$ 1.26

(1) Represents the Company's combined federal and state statutory tax rate of approximately 27% for the three and nine months ended September 30, 2026 and 2025.

The table below presents a reconciliation of EBITDA, Adjusted EBITDA, and Adjusted EBITDAR to net income, the most directly comparable financial measure calculated in accordance with GAAP, on a condensed consolidated basis for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
	(in thousands)			
Net income	$ 60,812	$ 52,330	$ 217,829	$ 131,676
Less: Net loss attributable to noncontrolling interest	(6)	(76)	(54)	(165)
Net income attributable to PACS Group, Inc.	$ 60,818	$ 52,406	$ 217,883	$ 131,841
Add: Interest expense	5,099	8,529	17,565	19,787
Provision for income taxes	30,502	23,966	93,058	65,962
Depreciation and amortization	20,081	14,401	58,279	40,284
EBITDA	$ 116,500	$ 99,302	$ 386,785	$ 257,874
Adjustments to EBITDA:				
Acquisition related costs	4,350	101	5,084	310
Stock-based compensation expense	45,320	12,516	91,500	38,322
Legal and other costs	9,496	19,596	29,440	66,460
Adjusted EBITDA	$ 175,666	$ 131,515	$ 512,809	$ 362,966
Rent - cost of services	98,223	95,107	288,454	283,250
Adjusted EBITDAR	$ 273,889		$ 801,263	
Additional information				
Non-cash rent expense[1]	$ 10,118	$ 11,931	$ 31,330	$ 37,071

(1) Non-cash rent expense reflects the extent to which our GAAP rent expense recognized exceeded (or was less than) our cash rent payments.

Components of Results of Operations

Revenue

Patient and Resident Service Revenue

Patient and resident service revenue typically represents over 99% of our total revenue. Patient and resident service revenue comprises skilled nursing services revenue, revenue generated from our senior assisted living services and revenue generated from certain ancillary services provided outside of routine contractual agreements.

We derive patient and resident service revenue from services rendered, under short-term contracts, to patients for skilled and intermediate nursing, rehabilitation therapy, and assisted living services. This revenue is reported at the amount that reflects the consideration to which we expect to be entitled in exchange for providing patient services. These amounts are due from patients, governmental programs, and other third-party payors, and include variable consideration for retroactive revenue adjustments due to settlement of audits and reviews. Within our skilled nursing operations, we generate revenue from payor sources including Medicaid, Medicare and other payors such as commercial insurance companies, health maintenance organizations, and preferred provider organizations.

Other Revenue

Other revenue primarily consists of revenue associated with arrangements in which we are a lessor of certain facilities or office space. Other revenue typically represents an immaterial portion of our total revenue.

Cost of Services (exclusive of rent and depreciation and amortization shown separately)

Our cost of services represents the costs of operating our operating subsidiaries, which primarily consist of payroll and related benefits, supplies, purchased services, and ancillary expenses such as the cost of pharmacy and therapy services provided to patients. Cost of services also includes the cost of general and professional liability insurance, rent expenses related to leasing our operational facilities (such as taxes, insurance, impounds, capital reserves or other charges payable under the applicable lease agreements), dietary services, contracted services and other administrative general cost of services with respect to our operations**.**

Rent - Cost of Services

Rent - cost of services consists of base rent amounts payable under lease agreements to third-party real estate owners. Our operating subsidiaries lease and operate, but do not own the underlying real estate of, 289 facilities and these amounts do not include taxes, insurance, impounds, capital reserves or other charges payable under the applicable lease agreements.

General and Administrative Expense

General and administrative expense consists primarily of payroll and related benefits and travel expenses for our PACS Services personnel, including training and other operational support. General and administrative expense also includes stock-based compensation expense, professional fees (including accounting and legal fees), and costs relating to our information systems.

Depreciation and Amortization

Property and equipment are recorded at their original historical cost. Depreciation is computed using the straight-line method over the estimated useful lives of the depreciable assets. The following is a summary of the estimated useful lives of our depreciable assets:

- Buildings and improvements - minimum of 5 years to a maximum of 40 years, generally 30 years
- Leasehold improvements - shorter of the lease term or the estimated useful life, generally 5 years to 15 years
- Furniture and equipment - minimum of 3 years to a maximum of 15 years

Other Expense, Net

Other expense, net consists primarily of interest expense related to our debt, gains and losses related to asset disposals, and gains and losses from investments in partnerships and other investments.

Provision for Income Taxes

Provision for income taxes consists primarily of income taxes in certain jurisdictions in which we conduct business.

Results of Operations

Three Months Ended September 30, 2026 Compared to the Three Months Ended September 30, 2025

	Three Months Ended September 30,		Change	
	2026	2025	$	%
			(in thousands)	
Revenue				
Patient and resident service revenue	$ 1,498,137	$ 1,344,302	$ 153,835	11.4 %
Other revenues	441	265	176	66.4 %
Total Revenue	$ 1,498,578	$ 1,344,567	$ 154,011	11.5 %
Operating Expenses				
Cost of services	1,142,144	1,046,262	95,882	9.2 %
Rent - cost of services	98,223	95,107	3,116	3.3 %
General and administrative expense	138,409	102,528	35,881	35.0 %
Depreciation and amortization	20,081	14,401	5,680	39.4 %
Total Operating Expenses	$ 1,398,857	$ 1,258,298	$ 140,559	11.2 %
Operating income	99,721	86,269	13,452	15.6 %
Other (Expense) Income				
Interest expense	(5,099)	(8,529)	3,430	(40.2)%
Other (expense) income, net	(3,308)	(1,444)	(1,864)	129.1 %
Total Other Expense, Net	$ (8,407)	$ (9,973)	$ 1,566	(15.7)%
Income before provision for income taxes	91,314	76,296	15,018	19.7 %
Provision for income taxes	30,502	23,966	6,536	27.3 %
Net Income	$ 60,812	$ 52,330	$ 8,482	16.2 %

Revenue

Patient and resident service revenue - Patient and resident service revenue increased by $153.8 million to $1.5 billion for the three months ended September 30, 2026, an 11.4% increase compared to the three months ended September 30, 2025. For the three months ended September 30, 2026 and 2025, skilled nursing services revenue represented more than 96% of patient and resident service revenue.

Skilled nursing services revenue increased by 10.7%, or $140.4 million, to $1.5 billion for the three months ended September 30, 2026, compared to the three months ended September 30, 2025. This increase is inclusive of revenue of $6.3 million from payments received under California's Workforce & Quality Incentive Program (resulting in a net impact to Adjusted EBITDA of $4.4 million and net income of $2.9 million), recognized during the three months ended September 30, 2026. The change to skilled nursing services revenue was driven by an increase in patient days of 200,721, or 7.5%, related to an increase in operational bed count and an increase in overall occupancy. Same-store skilled nursing services revenue grew by $83.1 million, or 6.4%, while same-store occupancy grew from 89.3% during the three months ended September 30, 2025 to 91.3% during the three months ended September 30, 2026. Additionally, on a same-store basis, skilled mix by patient days grew 120 bps to 29.5%.

Our skilled nursing services revenue is impacted by fluctuations in our payor source mix. Additionally, our average Medicare daily rates decreased by 0.5% for the three months ended September 30, 2026, compared to the three months ended September 30, 2025.

Our average Medicaid rates increased 1.4% due to state reimbursement increases and our participation in supplemental Medicaid payment programs and quality improvement programs in various states. Medicaid rates exclude the amount of state relief revenue we recorded.

The remaining increase in patient and resident service revenue of $13.4 million was attributable to supplemental revenue and revenue from our assisted living and independent living operations, which growth also included the addition of four assisted living and independent living facilities since September 30, 2025.

Other revenue - Other revenue increased by $0.2 million for the three months ended September 30, 2026 compared to the same period in the prior year due to a change in lease income over these periods.

Cost of services

Cost of services increased by $95.9 million to $1.1 billion, for the three months ended September 30, 2026, compared to the three months ended September 30, 2025. The 9.2% increase was primarily driven by an increase of $54.6 million, or 8.4%, in salaries and wages. Our total number of post-acute care facilities, inclusive of skilled nursing facilities and assisted living facilities, increased 10.9% from 320 as of September 30, 2025, to 355 as of September 30, 2026. Of the salaries and wages increase, those attributable to New facilities purchased after September 30, 2025 accounted for $26.1 million, or 47.8% of the increase in salaries and wages. Headcount and operational changes attributable to other New, Ramping, and Mature facilities accounted for the remaining change in salaries and wages. Aside from labor costs, the increase in cost of services was also due to increases of $16.8 million in facility support service expenses, primarily consisting of an increase in liability insurance of $9.7 million; $11.3 million in ancillary expenses; and $7.4 million in nursing and dietary expenses. The remaining change in cost of services was spread out across various expense types.

Rent - cost of services

Rent - cost of services increased to $98.2 million for the three months ended September 30, 2026, compared to $95.1 million for the three months ended September 30, 2025. The increase was primarily attributable to the addition of new facilities with operating leases since September 30, 2025, as well as to annual escalators on existing facilities' rent. This increase was offset by a reduction in rent due to the acquisition of the real estate for facilities which we previously operated, over that same time.

General and administrative expense

General and administrative expense increased by $35.9 million, to $138.4 million for the three months ended September 30, 2026, compared to $102.5 million for the three months ended September 30, 2025. This increase was primarily due to an increase in salaries and wages of $7.7 million due to growth in operations, and to an increase in stock-based compensation expense of $32.8 million, of which $20.0 million related to the acceleration of vesting for equity awards held by an executive upon his retirement, with the remainder driven by increased equity awards granted to employees. These increases within general and administrative expense were partially offset by a decrease in professional fees, including a decrease of $11.9 million in legal expenses associated with the Audit Committee’s independent investigation during the year ended December 31, 2025, and with ongoing government investigations. The remaining change in general and administrative expense was spread out over various expense types.

Depreciation and amortization

Depreciation and amortization increased by $5.7 million to $20.1 million, for the three months ended September 30, 2026, compared to the three months ended September 30, 2025. This increase is directly attributable to our real estate acquisitions since September 30, 2025.

Total other expense, net

Total other expense, net was $8.4 million for the three months ended September 30, 2026, a decrease of $1.6 million compared to $10.0 million for the three months ended September 30, 2025. Total other expense, net consists of interest

expense, which decreased by $3.4 million, to $5.1 million for the three months ended September 30, 2026. This decrease is due to decreased interest expense on finance leases driven by the acquisition of real estate for facilities which we previously held finance leases for, over that same time. Interest expense on long-term debt has also decreased following the decrease of $76.9 million to long-term debt and our line of credit balances since December 31, 2025.

Additionally, other (expense) income, net increased by $1.9 million to $3.3 million for the three months ended September 30, 2026 compared to the three months ended September 30, 2025 driven by an increased unrealized loss in equity securities and increased other miscellaneous expense activity, offset by an increase in unrealized income in our investments in partnerships.

Provision for income taxes

Provision for income taxes totaled $30.5 million for the three months ended September 30, 2026, representing an effective tax rate of 34.2%, compared to a provision for income taxes of $24.0 million and an effective tax rate of 31.4% for the three months ended September 30, 2025. The Company's effective tax rate for the three months ended September 30, 2026 differs from the rate calculated from the consolidated statements of income of 33.4%, primarily due to income recognized during the three months ended September 30, 2026 in certain jurisdictions that was offset by prior year-to-date losses for which no tax benefit had previously been recognized due to valuation allowances. The change in effective tax rate in the three months ended September 30, 2026 compared to the three months ended September 30, 2025 was primarily due to the change in forecasted pre-tax book income and an increase in non-deductible expenses. See Note 11 "Income Taxes", in our condensed consolidated financial statements for more information.

Nine Months Ended September 30, 2026 Compared to the Nine Months Ended September 30, 2025

	Nine Months Ended September 30,		Change	
	2026	2025	$	%
		(in thousands)		
Revenue				
Patient and resident service revenue	$ 4,345,593	$ 3,930,168	$ 415,425	10.6 %
Other revenues	1,477	785	692	88.2 %
Total Revenue	$ 4,347,070	$ 3,930,953	$ 416,117	10.6 %
Operating Expenses				
Cost of services	3,306,218	3,090,932	215,286	7.0 %
Rent - cost of services	288,454	283,250	5,204	1.8 %
General and administrative expense	365,032	301,579	63,453	21.0 %
Depreciation and amortization	58,279	40,284	17,995	44.7 %
Total Operating Expenses	$ 4,017,983	$ 3,716,045	$ 301,938	8.1 %
Operating income	329,087	214,908	114,179	53.1 %
Other (Expense) Income				
Interest expense	(17,565)	(19,787)	2,222	(11.2)%
Other (expense) income, net	(635)	2,517	(3,152)	(125.2)%
Total Other Expense, Net	$ (18,200)	$ (17,270)	$ (930)	5.4 %
Income before provision for income taxes	310,887	197,638	113,249	57.3 %
Provision for income taxes	93,058	65,962	27,096	41.1 %
Net Income	$ 217,829	$ 131,676	$ 86,153	65.4 %

Revenue

Patient and resident service revenue - Patient and resident service revenue increased by $415.4 million to $4.3 billion for the nine months ended September 30, 2026, a 10.6% increase compared to the nine months ended September 30, 2025. For the nine months ended September 30, 2026 and 2025, skilled nursing services revenue represented more than 96% of patient and resident service revenue.

Skilled nursing services revenue increased by 9.4%, or $362.9 million, to $4.2 billion for the nine months ended September 30, 2026, compared to the nine months ended September 30, 2025. This increase is inclusive of revenue of $31.9 million from payments received under California's Workforce & Quality Incentive Program (resulting in a net impact to Adjusted EBITDA of $22.4 million and net income of $15.7 million), recognized during the nine months ended September 30, 2026. The change to skilled nursing services revenue was driven by an increase in patient days of 392,965, or 5.0%, related to an increase in operational bed count and an increase in overall occupancy. Same-store skilled nursing services revenue grew by $256.6 million, or 6.7%, while same-store occupancy grew from 89.3% during the nine months ended September 30, 2025 to 90.9% during the nine months ended September 30, 2026. Additionally, on a same-store basis, skilled mix by patient days grew 80 bps to 29.8%.

Our skilled nursing services revenue is impacted by fluctuations in our payor source mix. Additionally, our average Medicare daily rates increased by 0.6% for the nine months ended September 30, 2026, compared to the nine months ended September 30, 2025.

Our average Medicaid rates increased 2.8% due to state reimbursement increases and our participation in supplemental Medicaid payment programs and quality improvement programs in various states.

The remaining increase in patient and resident service revenue of $52.5 million was attributable to supplemental revenue and revenue from our assisted living and independent living operations, which growth also included the addition of four assisted living and independent living facilities since September 30, 2025, all of which were added during the nine months ended September 30, 2026.

Other revenue - Other revenue increased by $0.7 million for the nine months ended September 30, 2026 compared to the same period in the prior year due to a change in lease income over these periods.

Cost of services

Cost of services increased by $215.3 million to $3.3 billion, for the nine months ended September 30, 2026, compared to the nine months ended September 30, 2025. The 7.0% increase was primarily driven by an increase of $119.6 million, or 6.2%, in salaries and wages. Our total number of post-acute care facilities, inclusive of skilled nursing facilities and assisted living facilities, increased 10.9% from 320 as of September 30, 2025, to 355 as of September 30, 2026. Of the salaries and wages increase, those attributable to New facilities purchased after September 30, 2025 accounted for $37.3 million, or 31.2% of the increase in salaries and wages. Headcount and operational changes attributable to other New, Ramping, and Mature facilities accounted for the remaining change in salaries and wages. Aside from labor costs, the increase in cost of services was due to increases of $50.5 million in administrative expenses for facilities, primarily consisting of an increase in liability insurance of $38.5 million; $18.7 million in ancillary expenses; and $16.7 million in nursing and dietary expenses. The remaining change in cost of services was spread out across various expense types.

Rent - cost of services

Rent - cost of services increased to $288.5 million for the nine months ended September 30, 2026, compared to $283.3 million for the nine months ended September 30, 2025. The increase was primarily attributable to the addition of new facilities with operating leases since September 30, 2025, as well as to annual escalators on existing facilities' rent. This increase was offset by a reduction in rent due to the acquisition of the real estate for facilities which we previously operated, over that same time.

General and administrative expense

General and administrative expense increased by $63.5 million, to $365.0 million for the nine months ended September 30, 2026, compared to $301.6 million for the nine months ended September 30, 2025. This increase was primarily due to an increase in salaries and wages of $27.8 million due to growth in operations, an increase in stock-based compensation expense recognized during the period of $53.2 million inclusive of increased equity awards granted to employees as well as the acceleration of vesting for equity awards held by an executive upon his retirement, and a $9.9 million increase to general legal fees. These increases within general and administrative expense were partially offset by a decrease in professional fees, including a decrease of $38.8 million in legal expenses associated with the Audit Committee's independent investigation during the year ended December 31, 2025 and with ongoing government investigations. The remaining change in general and administrative expense was spread out over various expense types.

Depreciation and amortization

Depreciation and amortization increased by $18.0 million to $58.3 million, for the nine months ended September 30, 2026, compared to the nine months ended September 30, 2025. This increase is directly attributable to our real estate acquisitions since September 30, 2025.

Total other expense, net

Total other expense, net was $18.2 million for the nine months ended September 30, 2026, an increase of $0.9 million compared to $17.3 million for the nine months ended September 30, 2025. Total other expense, net consists of interest expense, which decreased by $2.2 million, to $17.6 million for the nine months ended September 30, 2026 including decreased interest expense on finance leases due to the acquisition of real estate for facilities which we previously held finance leases for, over that same time. Interest expense on long-term debt has also decreased following the decrease of $76.9 million to long-term debt and our line of credit balances since December 31, 2025.

Additionally, other (expense) income, net increased $3.2 million from income of $2.5 million for the nine months ended September 30, 2025 to an expense of $0.6 million for the nine months ended September 30, 2026, driven primarily by an increased unrealized loss in equity securities and increased other miscellaneous expense activity, offset by an increase in unrealized income on our investments in partnerships.

Provision for income taxes

Provision for income taxes totaled $93.1 million for the nine months ended September 30, 2026, representing an effective tax rate of 29.9%, compared to a provision for income taxes of $66.0 million and an effective tax rate of 33.4% for the nine months ended September 30, 2025. The change in effective tax rate in the nine months ended September 30, 2026 compared to the nine months ended September 30, 2025 was primarily due to the change in forecasted pre-tax book income and the impact of excess tax benefits from stock-based compensation. See Note 11 “Income Taxes”, in our condensed consolidated financial statements for more information.

Holding Company Status

We are a holding company with no significant direct operating assets, employees or revenues. Our operating subsidiaries are operated by separate, independent entities, each of which has its own management, employees and assets. In addition, through a separate wholly-owned subsidiary, we provide centralized accounting, payroll, human resources, information technology, legal, risk management and other consulting and centralized services to the other operating subsidiaries through contractual relationships with those subsidiaries. We also have two wholly-owned captive insurance subsidiaries that provide some claims-made coverage to our operating subsidiaries for professional liability and general liability insurance. All expenses associated with our holding company are included in the condensed consolidated financial statements and results of operations.

Liquidity & Capital Resources

Our liquidity has generally been derived from our cash flows from operations, credit facilities maintained with commercial banks, equity offerings, and mortgage loans (including both Housing and Urban Development (HUD)-insured and non-HUD mortgage loans).

As of September 30, 2026, we had cash and cash equivalents (which include short-term investments with original maturities of three months or less at the time of purchase) of $115.3 million. Following net payments on the line of credit of $100.0 million during the nine months ended September 30, 2026, we had no debt outstanding under our Amended and Restated Credit Facility as of September 30, 2026. In addition, we had outstanding letters of credit of $7.9 million as of September 30, 2026.

The terms of the Amended and Restated Credit Facility permit optional prepayments from time to time without premium or penalty. We expect to continue to use the Amended and Restated Credit Facility as our single line of credit and to fund the potential acquisition of additional property and operations, as well as for working capital and for general corporate purposes. Cash paid to fund real estate and operational acquisitions was $376.3 million for the nine months ended September 30, 2026, compared to $80.6 million for the nine months ended September 30, 2025. Total cash paid for

capital expenditures for property and equipment were $80.9 million and $54.3 million for the nine months ended September 30, 2026 and 2025, respectively.

We believe our current cash balances and our cash flow from operations will be sufficient to cover our operating needs for at least the next 12 months. We may, in the future, seek to raise additional capital to fund growth, capital renovations, operations and other business activities, but such additional capital may not be available on acceptable terms, on a timely basis, or at all.

The following table presents selected data from our condensed consolidated statement of cash flows for the periods presented:

	Nine Months Ended September 30,	
	2026	2025
	(in thousands)	
Net cash provided by/(used in):		
Operating activities	$ 583,079	$ 407,614
Investing activities	(538,234)	(145,879)
Financing activities	(148,703)	(63,521)
Net change in cash	$ (103,858)	$ 198,214
Cash, cash equivalents, and restricted cash - beginning of period	232,051	160,842
Cash, cash equivalents, and restricted cash - end of period	$ 128,193	$ 359,056

Operating activities

Cash provided by operating activities is net income adjusted for certain non-cash items and changes in operating assets and liabilities.

Net cash provided by operating activities for the nine months ended September 30, 2026 of $583.1 million increased by $175.5 million as compared with the same period in 2025. The increase was driven by an increase in operational performance across our existing portfolio of facilities. This increase was further driven by an increase in cash flows from the change in operating assets and liabilities of $41.7 million due primarily to the timing of accounts receivable collections as well as the timing of payables and other accrued liabilities. The impact to collections is driven by growth in operating facilities period-over-period, supported by a decrease in days sales outstanding of 4.9, from 50.4 as of September 30, 2025, to 45.5 as of September 30, 2026. This change in days sales outstanding is due to operational efficiencies as facilities continue to mature following facility ownership transition.

Investing activities

Investing cash flows consist primarily of capital expenditures, investment activities, and cash used for acquisitions.

Net cash used in investing activities for the nine months ended September 30, 2026 of $538.2 million increased by $392.4 million as compared with the same period in 2025. The increase in cash used was attributable to an increase of $295.7 million in the acquisition of facilities, an increase of $84.5 million in purchases of equity securities held by our consolidated captive insurance entities, and an increase of $26.6 million in cash used to purchase property and equipment, in excess of cash used for these purposes in the nine months ended September 30, 2025. This increase to cash used for investing activities was offset by $20.3 million in sales of equity securities.

Financing activities

Financing cash flows consist primarily of payments and draws on the line of credit, distributions and repayment of short-term and long-term debt, and distributions and contributions from noncontrolling interest.

Net cash used in financing activities for the nine months ended September 30, 2026 was $148.7 million, an increase of $85.2 million as compared with the same period in 2025. During the nine months ended September 30, 2026 we had increased financing activity consisting primarily of net payments on long-term debt and our line of credit of $5.6 million and $100.0 million, respectively, and taxes paid related to net share settlement of equity awards of $46.2 million. These net

cash outflows were offset by $4.3 million related to the issuance of common stock related to the employee stock purchase plan. In contrast, during the nine months ended September 30, 2025, we had net payments on our long-term debt and our line of credit of $12.7 million and $42.0 million, respectively, and taxes paid related to net share settlement of equity awards of $8.4 million.

Credit facility amendments

On May 16, 2024, we entered into an amendment to the Amended and Restated Credit Facility that, among other things, waived an event of default that had occurred and was then continuing under the Amended and Restated Credit Facility and modified the affirmative covenants thereunder requiring the joinder of certain subsidiaries of PACS Group, Inc. to the Amended and Restated Credit Facility, as further set forth therein. On November 14, 2024, we entered into another amendment to the Amended and Restated Credit Facility that, among other things, extended the deadline for our delivery of unaudited quarterly financial statements for the fiscal quarter ended September 30, 2024. On March 27, 2025, and May 29, 2025, we entered into further amendments to the Amended and Restated Credit Facility that, among other things, extended the deadline for delivery of audited annual financial statements for the fiscal year ended December 31, 2024. The May 29, 2025 amendment also supplemented the Amended and Restated Credit Agreement's financial covenants requiring us to maintain unrestricted cash and certain permitted investments of at least $100 million until we deliver audited financial statements for the fiscal year ended December 31, 2024 (the "Liquidity Requirement").

On July 24, 2025 and August 13, 2025 we entered into two separate forbearance agreements with the Truist Bank, as administrative agent (the "Administrative Agent") and the lenders, pursuant to which the lenders agreed to temporarily forbear from exercising remedies under the Amended and Restated Credit Facility with respect to certain technical events of default, including without limitation matters relating to inaccuracies in certain representations and warranties made, which inaccuracies also triggered an event of default under the Third Consolidated Master Lease, dated June 30, 2023 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "Omega Master Lease"), which in turn triggered an additional event of default under the Amended and Restated Credit Facility. In addition, a separate representation and warranty event of default occurred under the Omega Master Lease, which triggered an event of default under the Amended and Restated Credit Agreement (all such technical events of default under the Amended and Restated Credit Facility, the "Initial Technical Events of Default"). The August 13, 2025 Forbearance Agreement and Fifth Amendment to the Credit Agreement required that the Liquidity Requirement remain in place for the entirety of the forbearance period and further extended the delivery period with respect to the fiscal year 2024 financial statements.

On October 21, 2025, we entered into a third forbearance agreement (the "October Forbearance Agreement"). Under the October Forbearance Agreement, the lenders again agreed to temporarily forbear from exercising rights and remedies under the Amended and Restated Credit Agreement with respect to the Initial Technical Events of Default, as well as certain additional technical events of default including without limitation matters relating to the designation of certain immaterial conflicted subsidiaries; failure to join certain subsidiaries to the loan documents; noncompliance with cash management requirements; and inaccuracies in certain representations and warranties made as a result of the foregoing (collectively, with the Initial Technical Events of Default, the "Technical Events of Default"). The Technical Events of Default also triggered an event of default under the Omega Master Lease, which in turn triggered an additional event of default under the Amended and Restated Credit Agreement.

On November 26, 2025, we entered into another amendment to and waiver (the "Sixth Amendment and Waiver") under the Amended and Restated Credit Facility that, among other things, waived all Technical Events of Default. The Sixth Amendment and Waiver also amended the Amended and Restated Credit Agreement to, among other things, require that the Liquidity Requirement remain in place until we delivered to the Administrative Agent financial statements and a corresponding compliance certificate for the fiscal quarter ended June 30, 2026 (the "Liquidity Requirement Termination Date"). On April 13, 2026, we entered into another amendment to the Amended and Restated Credit Facility (the "Seventh Amendment"), which, among other things, made certain technical modifications to a representation and warranty regarding health care permits and to the permitted investments covenant relating to joint ventures. On August 5, 2026, the Liquidity Requirement was lifted.

Share repurchase authorization

Our Board of Directors approved a $250.0 million share repurchase authorization, effective May 7, 2026.Repurchases may be made from time to time in the open market, in privately negotiated transactions, or otherwise. The amount and timing of repurchases, if any, will depend on several factors, including our stock price performance, ongoing capital allocation priorities, contractual restrictions, and general market conditions. Open market repurchases will be structured to

occur in accordance with applicable federal securities laws, including within the pricing and volume requirements of Rule 10b-18 under the Securities Exchange Act of 1934, as amended. The Share Repurchase Program does not have a fixed expiration date, does not obligate us to acquire any particular amount of common stock, and may be modified, suspended, or terminated at any time at the discretion of our Board of Directors. As of September 30, 2026, the full $250.0 million authorized for repurchase remained available under the repurchase plan.

Inflation

We have historically derived a substantial portion of our revenue from the Medicare program. We also derive revenue from state Medicaid and similar reimbursement programs. Payments under these programs generally provide for reimbursement levels that are adjusted for inflation annually based upon the state's fiscal year for the Medicaid programs and in each October for the Medicare program. These adjustments may not continue in the future, and even if received, such adjustments may not reflect the actual increase in our costs for providing healthcare services.

Labor, supply expenses and capital expenditures make up a substantial portion of our cost of services. Those expenses can be subject to increase in periods of rising inflation and when labor shortages occur in the marketplace. To date, we have generally been able to implement cost control measures or obtain increases in reimbursement sufficient to offset increases in these expenses. There can be no assurance that we will be able to anticipate fully or otherwise respond to any future inflationary pressures.

Off-Balance Sheet Arrangements

We may enter into off-balance sheet arrangements and transactions that can give rise to material off-balance sheet obligations. As of September 30, 2026, we had $7.9 million of borrowing capacity under the Amended and Restated Credit Facility pledged as collateral to secure outstanding letters of credit. We may enter into further contractual arrangements in the future in order to support our business plans. There are no other transactions, arrangements or other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect our liquidity or availability of our capital resources.

Critical Accounting Estimates

Our condensed consolidated financial statements and accompanying notes included in this report have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The preparation of these condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, cash flows, revenues and expenses, and related disclosure of contingent assets and liabilities.

See Item 7., "Management's Discussion and Analysis of Financial Condition and Results of Operations", in our Annual Report for further discussion of critical accounting estimates. There were no material changes to our critical accounting policies with which the estimates are developed since December 31, 2025.

Recent Accounting Pronouncements

For a description of recently adopted and issued accounting pronouncements, see Note 2, "Summary of Significant Accounting Policies", to our condensed consolidated financial statements, included in this report in Part I, Item 1, "Financial Statements."

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to risks associated with market changes in interest rates through our borrowing arrangements. As of September 30, 2026, we had no variable rate debt. When a balance is maintained, our credit facility exposes us to variability in interest payments due to changes in SOFR interest rates. We manage our exposure to this market risk by monitoring available financing alternatives. Our mortgages and promissory notes require principal and interest payments through maturity pursuant to amortization schedules.

Our mortgages generally contain provisions that allow us to make repayments earlier than the stated maturity date. In some cases, we are not allowed to make early repayment prior to a cutoff date. Where prepayment is permitted, we are generally allowed to make prepayments only at a premium which is often designed to preserve a stated yield to the note

holder. These prepayment rights may afford us opportunities to mitigate the risk of refinancing our debts at maturity at higher rates by refinancing prior to maturity.

Our cash and cash equivalents as of September 30, 2026 consisted of cash and short-term investments with original maturities of three months or less at the time of purchase. Risks due to changing interest rates impact the return we realize related to our cash and short-term investment balances.

As of September 30, 2026, we had outstanding indebtedness under mortgage loans insured with HUD of $273.1 million, which were at fixed interest rates.

The above only incorporates those exposures that exist as of September 30, 2026 and does not consider those exposures or positions which could arise after that date. For additional consideration over inflation, see Part I, Item 2. “Management's Discussion and Analysis of Financial Condition and Results of Operations” above.

Item 4. Controls and Procedures

Inherent Limitations on Effectiveness of Controls

In designing and evaluating our disclosure controls and procedures, management recognizes that there are inherent limitations in the effectiveness of any control system, including the potential for human error and the possible circumvention or overriding of controls and procedures. No matter how well designed and operated, an effective control system can provide only reasonable, not absolute, assurance that the control objectives of the system are adequately met. Accordingly, the management of the Company, including its Chief Executive Officer and Chief Financial Officer, does not expect that the control system can prevent or detect all error or fraud. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints, and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures, as such term is defined under Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of September 30, 2026. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective at the reasonable assurance level as of September 30, 2026, due to the material weaknesses described below.

Material Weaknesses

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

As previously disclosed, in connection with the preparation of our combined/consolidated financial statements for the year ended December 31, 2024, together with facts learned during the course of the Audit Committee’s independent investigation during that period, our management identified control deficiencies that, individually or in the aggregate, constitute a material weakness in our internal control over financial reporting. The material weaknesses identified by management were:

- We did not design and maintain an effective control environment commensurate with the financial reporting requirements of a public company. Specifically, we did not design and maintain sufficient processes to identify, assess, and communicate relevant risks to appropriate levels of the organization, including potential compliance issues received through the hotline process.

- In addition, we did not design and maintain adequate controls within the revenue process to appropriately recognize revenue for new services in accordance with ASC 606.

These material weaknesses led to errors in our previously issued interim condensed combined/consolidated financial statements for the three months ended March 31, 2024 and the three and six months ended June 30, 2024 (the “Prior

Financial Statements"). As a result, we restated the Prior Financial Statements and included the restated financial statements in Part II, Item 8, of the Annual Report on Form 10-K for the year ended December 31, 2024.

In addition, in connection with the preparation of our combined/consolidated financial statements for the year ended December 31, 2025, our management identified control deficiencies that, individually or in the aggregate, constitute material weaknesses in our internal control over financial reporting. The material weaknesses identified by management were:

- We did not design and maintain effective controls within the revenue process to address the completeness and accuracy of underlying data used to determine routine revenue.
- We did not design controls to timely assess operational trends that could materially impact variable consideration estimates related to revenue recognition.

Management has substantially completed the implementation of its remediation plan. The redesigned controls have been implemented and are functioning as expected. Management continues to monitor and test the effectiveness of these controls to demonstrate sustained operation over a sufficient period of time to support a conclusion that the material weaknesses have been fully remediated.

Notwithstanding the material weaknesses described above, management performed additional analysis and other procedures to ensure that our condensed consolidated financial statements were prepared in accordance with U.S. GAAP. Accordingly, management believes that the condensed consolidated financial statements included in this Quarterly Report fairly present, in all material respects, our financial position, results of operations, and cash flows as of and for the periods presented, in accordance with U.S. GAAP.

Remediation Plan

Our management is committed to maintaining a strong internal control environment. In response to the identified material weaknesses above, management with the oversight of the Audit Committee, is taking comprehensive actions to remediate the above material weaknesses. Specifically, we have made the following enhancements to our internal control over financial reporting:

- We have retained a Chief Compliance Officer ("CCO") who has extensive healthcare regulatory experience and experience advising public companies, and who reports directly to our CEO accompanied by regular reporting and access to the Audit Committee.
- We have retained a Chief Financial Officer who has extensive experience in the position at public companies, and who has a background in the healthcare industry.
- We have strengthened our Board of Directors with the addition of a new director with extensive experience in the healthcare industry, particularly clinical and regulatory experience, and formed the Quality Committee of the Board of Directors.
- We have recruited additional compliance, legal and internal audit personnel to enhance our risk assessment capabilities.
- We have formed a Compliance Committee of senior management, chaired by the CCO, with a detailed charter and oversight from the Audit Committee and Board of Directors.
- We have developed and launched an enhanced compliance training program throughout the organization, and have upgraded our compliance hotline and process for investigating complaints, including elevating matters that may have a financial impact to the Chief Financial Officer, Chief Accounting Officer, and Board of Directors.
- We enhanced our Disclosure Committee process by adding sub-certifications and key personnel to specifically address the evaluation and communication of compliance and other business activities as they inform financial reporting. In addition, we are including a broader group of internal stakeholders in certain meetings to ensure information that could impact financial reporting is being shared timely.

- We enhanced the controls related to revenue recognition, in which the Company's compliance team oversees a thorough review and approval process for new billing codes prior to billing. Once approved for use by the compliance team, these services are reviewed in accordance with ASC 606, by the accounting function, prior to revenue recognition.

- We have expanded existing controls and designed other appropriate controls to address the design and operation of controls within our revenue process, including over variable consideration.

The material weaknesses will not be fully remediated until the necessary internal controls have been designed, implemented, tested and determined to be operating effectively for a sufficient period of time. In addition, we may need to take additional measures to address the material weaknesses or modify the planned remediation steps, and we cannot be certain that the measures we have taken, and expect to take, to improve our internal controls will be sufficient to address the issues identified, to ensure that our internal controls are effective or to ensure that the identified material weaknesses will not result in a material misstatement of our consolidated financial statements. Moreover, we cannot provide assurance that we will not identify additional material weaknesses in our internal control over financial reporting in the future. Until we remediate the material weaknesses, our ability to record, process and report financial information accurately, could be adversely affected.

Changes in Internal Control Over Financial Reporting

Other than the ongoing remediation efforts described above, there were no changes in our internal control over financial reporting, as defined in Rules 13a-15(f) or 15d-15(f) promulgated under the Exchange Act, that occurred during the quarter ended September 30, 2026 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II

Item 1. Legal Proceedings

We are subject to various legal proceedings, claims, and governmental inspections, audits, and investigations that arise in the ordinary course of our business including the investigations described below.

Regulatory Investigations

On April 8, 2024, Providence Administrative Consulting Services ("Providence") and Paradise Valley Healthcare Center ("Paradise Valley") received a Civil Investigative Demand ("CID") from the U.S. Department of Justice ("DOJ") requesting information and documents relating to an investigation of Paradise Valley and Providence to determine whether Paradise Valley and Providence violated the False Claims Act by submitting false claims to Medicare. The investigation relates to whether Providence and Paradise Valley improperly induced patient referrals through remuneration in violation of the Anti-Kickback Statute. The CID includes requests for information relating to referral source relationships, including relationships with medical directors and other individuals. Since the receipt of the CID, the DOJ has made additional requests for information from Providence, including marketing materials and certain expense data across all Providence facilities. We are cooperating with the investigation, which is ongoing.

On September 11, 2024, we received a CID from the DOJ requesting information and documents relating to an investigation of our California-based skilled nursing facilities to determine whether PACS violated the False Claims Act by submitting false claims to Medicare for reimbursement under the patient-driven payment model for skilled nursing and rehabilitation services. The CID includes requests for information relating to PACS' practices and incentives pertaining to the completion and submission of Minimum Data Set Assessments and the resulting PDPM rates. We are cooperating with the investigation, which is ongoing.

On September 30, 2024, Providence Group, Inc. ("Providence Group") received a CID from the DOJ requesting information and documents relating to an investigation of its skilled nursing facilities, specifically including Bishop Care Center ("Bishop") to determine whether Providence Group violated the False Claims Act by submitting false claims to Medicare for reimbursement under the COVID-19 related Hospital Stay Waiver (otherwise known as the 1135 waiver). The CID includes requests for information relating to 1135 COVID Waiver practices at Bishop. We are cooperating with the investigation, which is ongoing.

On February 26, 2025, we received a subpoena from the DOJ per HIPAA relating to an investigation into possible violations of various sections of 18 U.S.C. that prohibit the making of fraudulent or false statements to any branch of the government of the United States. The subpoena includes requests for information relating to PACS's 1135 COVID Waiver practices, billing of Medicare Part B for respiratory and sensory integration therapy services, change of insurance enrollment, cost waivers for co-pays, deductibles, and co-insurance, and claim reimbursement from Medicare for bad debt. We are cooperating with the investigation, which is ongoing.

SEC Investigation

The SEC's Division of Enforcement is conducting an investigation into matters that relate to our accounting and financial reporting and disclosure, and our internal controls over financial reporting and disclosure controls.

We are cooperating with each of the regulatory investigations identified above and the SEC investigation to produce the requested information and documentation. At this time, we cannot predict the outcome of any of these investigations and there can be no assurance that one or more of these investigations will not result in suits or actions alleging, or findings of, violations of federal or state laws that could lead to the imposition of damages, fines, penalties, restitution, other monetary liabilities, sanctions, settlements or changes to our business practices or operations that could have a material adverse effect on our business, financial condition or results of operations. The legal costs associated with responding to the regulatory investigations and SEC investigations can be substantial, regardless of the outcome.

We are unable at this time to estimate a loss or range of loss that may arise in the event that a claim is asserted against us in connection with any of these investigations for reasons including that these matters are in early stages, no factual issues have been resolved in these matters, and there is uncertainty as to the outcome of these matters, which can result in large settlement amounts or damage awards.

Litigation

The skilled nursing business involves a significant risk of liability given the age and health of the patients and residents served by our independent operating subsidiaries. We and others in the industry are subject to an increasing number of claims and lawsuits, including professional liability claims, alleging that services provided have resulted in personal injury, elder abuse, wrongful death or other related claims. In addition, we, our independent operating subsidiaries, and others in the industry are subject to claims and lawsuits in connection with COVID-19 and a facility's preparation for and/or response to COVID-19.

Healthcare litigation (including class action litigation) is common and is filed based upon a wide variety of claims and theories. We and other companies in our industry are routinely subjected to varying types of claims and suits, including class-actions. Class-action suits have the potential to result in large jury verdicts and settlements, and may result in significant legal costs. We expect the plaintiffs' bar to continue to be aggressive in their pursuit of claims.

We have been, and continue to be, subject to other claims and legal actions that arise in the normal course of business, including potential claims filed by patients or others on their behalf related to patient care and treatment (professional negligence claims), as well as employment related claims filed by current or former employees. While there can be no assurance, based on our evaluation of information currently available, we do not believe the results of such litigation would have a material adverse effect on our results of operations, financial position or cash flows, taken as a whole. However, our assessment may evolve based upon further developments in the proceedings at issue. The results of legal proceedings are inherently uncertain, and material adverse outcomes are possible.

For example, we have been subjected to, and are currently involved in, litigation alleging violations of state and federal wage and hour laws resulting from the alleged failure to pay wages, to timely provide and authorize meal and rest breaks, and related causes of action.

In addition to the litigation described above, we are also subject to the following litigation:

Litigation -- Securities Class Action and Shareholder Derivative Actions

On November 13, 2024, a putative securities class action captioned *Manchin v. PACS Group, Inc., et al*, Case No. 1:24-cv-08636-LJL (S.D.N.Y.) ("*Manchin* Action") was filed against us, individual defendants Jason Murray, Derick Apt, Mark Hancock, Jacqueline Millard, and Taylor Leavitt; and underwriter defendants Citigroup Global Markets Inc., J.P. Morgan Securities LLC, Truist Securities, Inc., RBC Capital Markets, LLC, Goldman Sachs & Co. LLC, Stephens Inc., KeyBanc Capital Markets Inc., Oppenheimer & Co. Inc., and Regions Securities LLC. The complaint brought claims under Sections 11 and 15 of the Securities Act, and Section 10(b), and 20(a) of the Exchange Act, and alleged we and our leadership engaged in a multi-year scheme to inflate revenue and profitability by (i) exploiting a COVID-era Medicare waiver to "flip" long-term Medicaid patients to higher-paying Medicare coverage, (ii) billing unnecessary Medicare Part B respiratory and sensory integration therapies, and (iii) falsifying licensure and staffing documentation. On January 7, 2025, the court consolidated the *Manchin* action with a similar action brought by plaintiff New Orleans Employees' Retirement System, and on February 11, 2025 the court appointed 1199SEIU Health Care Employees Pension Fund as lead plaintiff, and its counsel, Labaton Keller Sucharow LLP, as lead counsel. Plaintiffs filed a consolidated complaint on December 19, 2025, which added Joshua Jergensen and P.J. Sanford as named defendants, and also brought additional claims pursuant to Section 12(a)(2) of the Securities Act and Section 20A of the Exchange Act. Defendants moved to dismiss the consolidated complaint, and on September 4, 2026, the Court granted in part and denied in part Defendants' motion to dismiss. On October 9, 2026, Defendants answered the remaining allegations in the consolidated complaint.

On February 14, 2025, a derivative action originally filed by plaintiff Theresa Howard-Hines ("*Howard-Hines* Action") captioned *IN RE PACS GROUP, INC. DERIVATIVE LITIGATION* Lead Case No. 1:25-cv-01343-LJL (S.D.N.Y.) was filed against defendants Jason Murray, Derick Apt, Mark Hancock, Michelle Lewis, Jacqueline Millard, Taylor Leavitt, and Evelyn Dilsaver, with the Company named as nominal defendant. The complaint brings claims of breach of fiduciary duties, unjust enrichment, waste of corporate assets, and contribution, based on substantially similar allegations as in the *Manchin* Action. On April 8, 2025, the court consolidated the *Howard-Hines* action with a similar derivative action filed by plaintiff Adam Beckman, under the name *In re PACS Group, Inc. Derivative Litigation* ("SDNY Derivative Action"). On June 9, 2025, the parties filed a joint stipulation staying the SDNY Derivative Action until the earlier of the dismissal of the *Manchin* Action, the denial of any motion to dismiss in the *Manchin* Action, or the termination of the stay. Following the dismissal in part of the *Manchin* Action, the parties stipulated to further stays of the

SDNY Derivative Action. The Court has stayed the SDNY Derivative Action until November 11, 2026, and ordered the parties to file a further status report by that date.

On August 19, 2025, a derivative action captioned *Boers v. Murray, et. al*., Case No. 1:25-cv-00119-DAK-DBP (D. Utah) was filed against the same defendants and alleging substantially the same claims and theories as *IN RE PACS GROUP, INC. DERIVATIVE LITIGATION* ("*Boers* Action"). The plaintiff in the *Boers* Action voluntarily dismissed this case on December 8, 2025 without prejudice to her ability to refile, and refiled on April 17, 2026, against the same defendants making the same basic claims. On August 18, 2026 the parties in the *Boers* Action stipulated to stay the case until the earlier of the dismissal of the*Manchin* Action, the denial of any motion to dismiss in the *Manchin* Action, or the termination of the stay. Following the dismissal in part of the*Manchin* Action, the parties stipulated to further stays of the *Boers* Action. The Court stayed the *Boers* Action until November 18, 2026, and ordered the parties to file a further status report by that date.

Legal proceedings can be complex and take many months, or even years, to reach resolution, with the final outcome depending on a number of variables, some of which are not within our control. Therefore, although we will vigorously defend ourselves in each of the actions described above and any other legal proceedings, their ultimate resolution and potential financial and other impacts on us are uncertain but could be material. Regardless of final outcomes, however, any such proceedings, claims, and investigations may nonetheless impose a significant burden on management and employees and be costly to defend, with unfavorable preliminary, interim or final rulings.

Item 1A. Risk Factors

There have been no material changes to the risk factors previously included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2025, filed with the SEC on February 27, 2026, under the heading "Risk Factors".

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

Recent Sales of Unregistered Securities

None.

Use of Proceeds

None.

Purchases of Equity Securities by the Issuer or Affiliated Purchasers

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

(a) The following disclosure is included in this Quarterly Report on Form 10-Q in lieu of filing a Current Report on Form 8-K with respect to disclosure required under Item 5.02 thereof.

On October 30, 2026, the Company and Michelle Lewis, the Company's Chief Accounting Officer, entered into a separation and release agreement (the "Separation Agreement") in connection with Ms. Lewis's separation from the Company, effective November 4, 2026.

Separation Agreement with Michelle Lewis

Pursuant to the Separation Agreement, Ms. Lewis's service as Chief Accounting Officer and her employment with the Company concluded on November 4, 2026 (the "Separation Date"). Subject to her execution of a release of claims and her continued compliance with certain restrictive covenants, Ms. Lewis will receive 12 months of base salary continuation, and the Company has agreed to subsidize Ms. Lewis's COBRA premiums for 12 months from the Separation Date. Ms. Lewis will also receive full accelerated vesting on the Separation Date of all of her outstanding restricted stock units. Any shares delivered to Ms. Lewis upon the vesting of her accelerated restricted stock units will be subject to specified daily and monthly limits on transfer.

Appointment of Principal Accounting Officer

Following Ms. Lewis's separation, Carey Hendrickson, the Company's Chief Financial Officer and principal financial officer, will serve as the Company's principal accounting officer, effective as of the Separation Date.

Mr. Hendrickson's biographical information and business experience are described in the Company'sdefinitive proxy statement filed with the Securities and Exchange Commission on April 28, 2026, and such disclosures are incorporated herein by reference.

(b) None.

(c) During the three months ended September 30, 2026, no director or officer of the Companyadopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed/ Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	Amended and Restated Certificate of Incorporation of PACS Group, Inc.	8-K	001-42011	3.1	4/15/2024	
3.2	Amended and Restated Bylaws of PACS Group, Inc.	8-K	001-42011	3.2	4/15/2024	
10.1	Transition and Release Agreement with PACS Group, Inc. and John Mitchell, dated September 18, 2026	8-K	001-42011	10.1	9/21/2026	
10.2	Offer Letter Agreement with PACS Group, Inc. and Patrick Murphy, effective September 21, 2026					*
31.1	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer					*
31.2	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer					*
32.1	Section 1350 Certification of Principal Executive Officer					**
32.2	Section 1350 Certification of Principal Financial Officer					**
101.INS	Inline XBRL Instance Document					*
101.SCH	Inline XBRL Taxonomy Extension Schema Document					*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					*
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)					*

* Filed herewith.
** The certifications attached as Exhibit 32.1 and 32.2 that accompany this Quarterly Report on Form 10-Q are deemed furnished and not filed with the U.S. Securities and Exchange Commission and are not to be incorporated by reference into any filing of PACS Group, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

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 thereunto duly authorized.

PACS GROUP, INC.

Date: November 3, 2026

By: /s/ Jason Murray
Jason Murray
Director, Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: November 3, 2026

By: /s/ Carey Hendrickson
Carey Hendrickson
Chief Financial Officer
(Principal Financial Officer)

Aug 12, 2026

Patrick Murphy
Washington, D.C.

Dear Patrick,

It is my pleasure to extend the following offer of employment on behalf of PACS. This offer is contingent upon the successful completion and results of a pre-employment background screening, references, proof and documentation to verify legal work eligibility, the signing of a dispute resolution agreement, and evidence of professional licensing for your role. Below are the terms and conditions of your employment offer:

Position: Chief Legal Officer
Time Type: Full-time
Reporting Relationship: Jason Murray, Chairman & CEO

Base Salary: $450,000
STI Target ($ value): $1,600,000
Target Total Cash $2,050,000

LTI Target ($ value): $1,000,000
Target Total Direct Comp: **$3,050,000**

Relocation Assistance **$45,000**

Target Start Date: On or before September 21, 2026

Benefits

We are committed to providing you with a competitive, comprehensive total rewards package. We offer medical, dental, vision, 401(k), and supplemental benefit options. Please inquire regarding effective dates of the various benefit options. Medical, dental, and vision become effective on the 1st of the next month following 30 days of employment (with a start date of mid-September, your health insurance benefits would become effective November 1, 2026).

Executives are also eligible for enhanced life insurance coverage ($4,000,000 policy) and long-term disability benefit coverage ($30,000 monthly disability benefit).

Management Bonus Program (Short-term Incentive)

You will be eligible to participate in the Company's Management Bonus Program (the "Bonus Plan"), which provides an opportunity to earn a quarterly cash bonus based on Company performance.

Under the Bonus Plan, the Company may establish an executive bonus pool for each fiscal quarter (the "Executive Bonus Pool") based on a fixed percentage of Company Adjusted EBITDA ("AEBITDA") for the

applicable quarter, as determined by the Company in accordance with the Bonus Plan and applicable policies. Bonus payments, if earned, are calculated following the close of the quarter and are expected to be paid after the Company's quarterly earnings are released.

The Executive Bonus Pool may be adjusted upward based on achievement of additional quarterly performance measures. For example, the Executive Bonus Pool may be increased by up to an additional 10% based on achievement of quarterly AEBITDA guidance and by up to an additional 10% based on achievement of quarterly Facility Quality Metrics (e.g., meeting or exceeding a rating of 4), in each case as determined under the Bonus Plan and as approved by the Compensation Committee of the Board of Directors (the "Committee") (or its designee).

Your annual target under the Bonus Plan is $1,600,000.

All determinations under the Bonus Plan—including eligibility, performance measures, calculation methodology (including definitions of AEBITDA and Facility Quality Metrics), adjustments, and payment amounts—are subject to the terms of the Bonus Plan as in effect from time to time and to review and approval by the Committee (or its designee), which retains discretion to reduce, increase, or eliminate any bonus payout. Participation in the Bonus Plan does not guarantee any bonus payment, and the Company may modify, suspend, or terminate the Bonus Plan at any time. Any bonus payment is subject to applicable tax withholding, any required employment conditions (including, if applicable, continued employment through the payment date), and the Company's clawback/recoupment policy.

New Hire Long-Term Incentive ("LTI") Equity Grant

In connection with your hire, the Company will recommend that the Compensation Committee of the Board of Directors (or its designee) grant you a long-term incentive equity award in the form of restricted stock units ("RSUs") with a target grant-date value of $1,000,000 (the "New Hire LTI Grant"). The Company expects to submit this recommendation at the next regularly scheduled meeting of the Compensation Committee occurring after your Start Date (or as soon as practicable thereafter).

The number of RSUs subject to the New Hire LTI Grant will be determined by dividing $1,000,000 by the Fair Market Value per share of the Company's common stock shortly after the grant date, as Fair Market Value is determined under the Company's equity incentive plan, rounded down to the nearest whole RSU. For the avoidance of doubt, the $1,000,000 amount reflects a target value used solely to determine the number of RSUs and does not guarantee the value ultimately realized by you.

Subject to your continued employment through each applicable vesting date, the New Hire LTI Grant will vest as follows: 33.34% on the first anniversary of your Grant Date, 33.33% on the second anniversary of your Grant Date, and 33.33% on the third anniversary of your Grant Date. Shares will be issued (or delivered) as soon as practicable following each vesting date, subject to applicable tax withholding.

The New Hire LTI Grant is subject to approval by the Compensation Committee (or its designee) and will be governed by and subject to the terms and conditions of the Company's equity incentive plan, the applicable award agreement, and Company policies, including any clawback/recoupment policy and insider trading policy. If your employment terminates for any reason prior to a vesting date, any unvested RSUs will be forfeited, except as may be expressly provided in the plan or award agreement.

Annual LTI Program Eligibility

Beginning with the Company's next annual long-term incentive ("LTI") grant cycle following your Start Date, you will be eligible to be considered for annual equity awards under the Company's equity incentive program. The type(s) of award(s), target value (if any), vesting terms, performance conditions (if any), and timing of any annual equity award will be determined by the Compensation Committee of the Board of Directors (the "Committee") (or its designee) in its discretion and may be influenced by a variety of factors, including Company performance, individual performance, business priorities, market and competitive practices, and the Company's compensation philosophy.

Eligibility to be considered does not guarantee that any annual equity award will be granted, and any annual award amount may be greater than, less than, or equal to any prior-year award (including zero). Any annual equity award is subject to Committee approval, the Company's equity incentive plan and applicable award agreement, and the Company reserves the right to amend, suspend, or terminate its equity programs at any time.

Relocation Assistance

This role is based in Salt Lake City, Utah, and you are expected to relocate as a condition of employment. To support this transition, the Company will provide a one-time $45,000 relocation assistance payment, which will be grossed up for tax purposes. This payment will be made on the first available payroll cycle following your start date. This relocation assistance is subject to a 12-month service requirement. If employment is voluntarily terminated or terminated for cause within 12 months of the start date, a pro-rated amount of the relocation assistance will be subject to repayment.

General Terms and Conditions

Please note that employment is at-will, meaning that employment may be terminated by either party at any time and for any reason. Nothing herein alters the at-will relationship between you and the Company, such that either you or the Company may end the employment relationship with or without notice or cause.

Please also note that we respect any binding confidentiality and non-disclosure agreement you may have entered into with your prior employer(s). In this regard, we expect that you will review any such agreement that may exist and comply with the lawful terms contained therein. We strictly prohibit the use of information that may violate a valid and lawful binding confidentiality and non-disclosure agreement that you may have with a third party or that is considered to be a trade secret under applicable state and federal law. Any questions regarding this provision must be brought to my immediate attention.

Please feel free to call Trent Bingham, CHRO, if you have any questions. Otherwise, we ask that you acknowledge this offer letter to indicate your acceptance. We are eager to begin an association with you that we expect will last for years to come.

We would appreciated acceptance of this offer by August 13, 2026.

Sincerely,

Jason Murray
Chairman & CEO

Accepted by: /s/ Patrick Murphy

Date: 08/12/2026

Exhibit 31.1

CERTIFICATION

I, Jason Murray, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PACS Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2026

By: /s/ Jason Murray

Jason Murray
Director, Co-Founder, Chairman and Chief Executive Officer

(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Carey Hendrickson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PACS Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2026

By: /s/ Carey Hendrickson

Carey Hendrickson
Chief Financial Officer

(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of PACS Group, Inc. (the "Company") for the period ended September 30, 2026 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 3, 2026

By: /s/ Jason Murray

Jason Murray
Director, Chairman and Chief Executive Officer

(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of PACS Group, Inc. (the "Company") for the period ended September 30, 2026 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 3, 2026

By: /s/ Carey Hendrickson

Carey Hendrickson
Chief Financial Officer

(Principal Financial Officer)