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, 2021
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 001-40365

Privia Health Group, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**81-3599420**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
950 N. Glebe Rd., **Suite 700** **Arlington, Virginia**	**22203**
(Address of Principal Executive Offices)	(Zip Code)

(571) 366-8850
(Registrant's telephone number, including area code)
Not Applicable
(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, $0.01 par value per share	PRVA	The Nasdaq Global Select Market

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 November 2, 2021 the registrant had outstanding 106,498,546 shares of common stock.

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INFORMATION REGARDING 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”). In some cases, you can identify these statements by forward-looking words such as “may,” “might,” “will,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential” or “continue,” the negative of these terms and other comparable terminology. These forward-looking statements, which are subject to risks, uncertainties and assumptions about us, may include projections of our future financial performance, our anticipated growth strategies and anticipated trends in our business. These statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements. These risks and uncertainties include factors related to, among other things:

- the heavily regulated industry in which we operate, and if we fail to comply with applicable healthcare laws and government regulations, we could incur financial penalties and become excluded from participating in government health care programs;
- our dependence on relationships with Medical Groups (defined herein), some of which we do not own;
- our growth strategy, which may not prove viable and we may not realize expected results;
- difficulties implementing our proprietary end-to-end, cloud-based technology solution (the “Privia Technology Solution”) for Privia Physicians (defined herein) and new Medical Groups;
- the high level of competition in our industry and our failure to compete and innovate;
- challenges in successfully establishing a presence in new geographic markets;
- our reliance on our electronic medical record (“EMR”) vendor, athenahealth, Inc., which the Privia Technology Solution is integrated and built upon;
- changes in the payer mix of patients and potential decreases in our reimbursement rates as a result of consolidation among commercial payers;
- our use, disclosure, and other processing of personally identifiable information, including health information, is subject to the Health Insurance Portability and Accountability Act of 1996 and other federal and state privacy and security regulations; and
- those factors referenced in Part II, Item 1A, “Risk Factors” in the Company’s final prospectus dated April 28, 2021, filed with the Securities and Exchange Commission (“SEC”) on April 30, 2021 (the “Prospectus”) and our other public filings.

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, levels of activity, 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.

Part I - Financial Information

ITEM 1. FINANCIAL STATEMENTS

Privia Health Group, Inc.
Condensed Consolidated Balance Sheets
(in thousands, except share and per share amounts)

	September 30, 2021	December 31, 2020
Assets	(unaudited)	
Current assets:		
Cash and cash equivalents	$ 362,112	$ 84,633
Accounts receivable	98,384	99,118
Prepaid expenses and other current assets	8,928	6,333
Total current assets	469,424	190,084
Non-current assets:		
Property and equipment, net	4,341	4,814
Right-of-use asset	5,377	—
Intangible assets, net	5,498	5,980
Goodwill	118,663	118,663
Deferred tax asset	25,374	4,953
Other non-current assets	3,384	4,475
Total non-current assets	162,637	138,885
Total assets	$ 632,061	$ 328,969
Liabilities and stockholders’ equity		
Current liabilities:		
Accounts payable	$ 3,266	$ 5,235
Accrued expenses	31,303	31,185
Physician and practice liability	144,996	106,811
Current portion of note payable	875	875
Operating lease liabilities, current	2,200	—
Other current liabilities	4,602	2,832
Total current liabilities	187,242	146,938
Non-current liabilities:		
Note payable, net of current portion	31,664	32,784
Operating lease liabilities, non-current	7,827	—
Other non-current liabilities	333	5,595
Total non-current liabilities	39,824	38,379
Total liabilities	227,066	185,317
Commitments and contingencies (Note 11)		
Stockholders’ equity:		
Common stock, $0.01 par value, 1,000,000,000 and 150,000,000 shares authorized; 106,234,792 and 95,985,817 shares issued and outstanding at September 30, 2021 and December 31, 2020, respectively	1,062	960
Additional paid-in capital	605,667	165,666
Accumulated deficit	(196,129)	(19,878)
Total Privia Health Group, Inc. stockholders’ equity	410,600	146,748
Non-controlling interest	(5,605)	(3,096)
Total stockholders’ equity	404,995	143,652
Total liabilities and stockholders’ equity	$ 632,061	$ 328,969

The accompanying notes are an integral part of these condensed consolidated financial statements.

Privia Health Group, Inc.
Condensed Consolidated Statements of Operations
(unaudited)
(in thousands, except share and per share data)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	**2020**	**2021**	**2020**
Revenue	$ 251,524	$ 207,170	$ 690,887	$ 603,376
Operating expenses:				
Physician and practice expense	190,055	160,432	521,105	467,059
Cost of platform	35,314	25,241	131,007	77,133
Sales and marketing	4,588	2,709	18,950	7,381
General and administrative	33,910	9,788	216,563	29,196
Depreciation and amortization	466	457	1,351	1,389
Total operating expenses	264,333	198,627	888,976	582,158
Operating (loss) income	(12,809)	8,543	(198,089)	21,218
Interest expense	292	504	885	1,480
(Loss) income before benefit from income taxes	(13,101)	8,039	(198,974)	19,738
Benefit from income taxes	(2,210)	(8,561)	(20,214)	(7,387)
Net (loss) income	(10,891)	16,600	(178,760)	27,125
Less: Loss attributable to non-controlling interests	(1,776)	(85)	(2,509)	(255)
Net (loss) income attributable to Privia Health Group, Inc.	$ (9,115)	$ 16,685	$ (176,251)	$ 27,380
Net (loss) income per share attributable to Privia Health Group, Inc. stockholders – basic and diluted	$ (0.09)	$ 0.17	$ (1.74)	$ 0.29
Weighted average common shares outstanding – basic and diluted	105,896,622	95,950,929	101,576,775	95,945,804

The accompanying notes are an integral part of these condensed consolidated financial statements.

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Privia Health Group, Inc.
Condensed Consolidated Statements of Stockholders' Equity
(unaudited)
(in thousands except share amounts)

	Common Stock Shares	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity attributable to Privia Health Group, Inc.	Non-controlling Interest	Total Stockholders' Equity
Balance at December 31, 2019	95,931,549	$ 959	$ 160,375	$ (51,122)	$ 110,212	$ (2,756)	$ 107,456
Stock-based compensation expense	—	—	121	—	121	—	121
Net income	—	—	—	5,414	5,414	(85)	5,329
Balance at March 31, 2020	95,931,549	$ 959	$ 160,496	$ (45,708)	$ 115,747	$ (2,841)	$ 112,906
Stock-based compensation expense	—	—	121	—	121		121
Net income	—	—		5,281	5,281	(85)	5,196
Balance at June 30, 2020	95,931,549	$ 959	$ 160,617	$ (40,427)	$ 121,149	$ (2,926)	$ 118,223
Stock-based compensation expense	—	—	121	—	121	—	121
Stock option exercised	54,268	1	107	—	108	—	108
Net income	—	—	—	16,685	16,685	(85)	16,600
Balance at September 30, 2020	95,985,817	$ 960	$ 160,845	$ (23,742)	$ 138,063	$ (3,011)	$ 135,052
Balance at December 31, 2020	95,985,817	$ 960	$ 165,666	$ (19,878)	$ 146,748	$ (3,096)	$ 143,652
Stock-based compensation expense	—	—	101	—	101	—	101
Net income	—	—	—	5,398	5,398	218	5,616
Balance at March 31, 2021	95,985,817	$ 960	$ 165,767	$ (14,480)	$ 152,247	$ (2,878)	$ 149,369
Issuance of common stock upon closing of initial public offering	9,725,000	97	210,897	—	210,994	—	210,994
Issuance of common stock upon exercise of stock options and vesting of restricted stock units	29,645	—	33	—	33	—	33
Stock-based compensation expense	—	—	202,560	—	202,560	—	202,560
Net loss	—	—	—	(172,534)	(172,534)	(951)	(173,485)
Balance at June 30, 2021	105,740,462	$ 1,057	$ 579,257	$ (187,014)	$ 393,300	$ (3,829)	$ 389,471
Issuance of common stock upon exercise of stock options and vesting of restricted stock units	494,330	5	610	—	615	—	615
Stock-based compensation expense	—	—	25,800	—	25,800	—	25,800
Net loss	—	—	—	(9,115)	(9,115)	(1,776)	(10,891)
Balance at September 30, 2021	106,234,792	$ 1,062	$ 605,667	$ (196,129)	$ 410,600	$ (5,605)	$ 404,995

The accompanying notes are an integral part of these condensed consolidated financial statements.

Privia Health Group, Inc.
Condensed Consolidated Statements of Cash Flows
(unaudited)
(in thousands)

	For the Nine Months Ended September 30,	
	2021	2020
Cash flows from operating activities		
Net (loss) income	$ (178,760)	$ 27,125
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation	869	895
Amortization of intangibles	482	483
Amortization of debt issuance costs	120	100
Stock-based compensation	228,461	363
Deferred tax benefit	(20,421)	(7,770)
Changes in asset and liabilities:		
Accounts receivable	734	(10,138)
Prepaid expenses and other current assets	(7,972)	(1,570)
Other non-current assets	1,091	2,242
Accounts payable	(2,064)	2,459
Accrued expenses	118	(4,061)
Physician and practice liability	38,185	30,883
Other current liabilities	1,770	815
Operating lease liabilities	10,027	—
Other long-term liabilities	(5,262)	404
Net cash provided by in operating activities	67,378	42,230
Cash from investing activities		
Purchases of property and equipment	(396)	(380)
Net cash used in investing activities	(396)	(380)
Cash flows from financing activities		
Proceeds from initial public offering	223,686	—
Payments of underwriting fees, net of discounts and offering costs	(12,691)	—
Repayment of note payable	(656)	(656)
Proceeds from exercised stock options	648	108
Debt issuance costs	(490)	—
Proceeds from revolving loan	—	10,000
Line of credit payments	—	(10,000)
Net cash provided by (used in) financing activities	210,497	(548)
Net increase in cash and cash equivalents	277,479	41,302
Cash and cash equivalents at beginning of period	84,633	46,889
Cash and cash equivalents at end of period	$ 362,112	$ 88,191
Supplemental disclosure of cash flow information:		
Interest paid	$ 855	$ 1,599
Income taxes paid	$ 451	$ 371

The accompanying notes are an integral part of these condensed consolidated financial statements.

Privia Health Group, Inc.
Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Organization and Summary of Significant Accounting Policies

Organization

Privia Health Group, Inc. (NASDAQ: PRVA) ("we", "our" the "Company"), became the sole shareholder of PH Group Holdings Corp. ("PH Holdings") (formerly Brighton Health Services Holding Corporation) effective August 11, 2016. At the time, the Company was a wholly owned subsidiary of Brighton Health Group Holdings, LLC ("BHG Holdings") (formerly MC Acquisition Holdings I, LLC, HoldCo).

The Company uses the same operational and financial model in each market. As of September 30, 2021, Privia operates in six markets: 1) the Mid-Atlantic Region (states of Virginia, Maryland and the District of Columbia); 2) the state of Georgia; 3) the Gulf Coast Region (Houston, Texas); 4) North Texas (Dallas/Fort Worth, Texas); 5) Central Florida and 6) the state of Tennessee.

Medical groups are formed in each market with the primary purpose to operate as a physician group practice with healthcare services being furnished through physician members ("Privia Physicians") and non-physician clinicians (together, "Privia Providers") supervised by Privia Physicians.

The Company also forms local management companies to provide administrative and management services ("MSOs") to the medical groups through a Management Services Agreement ("MSA") in each market. The Company owns 100% of all MSOs, except two where the Company is at least the majority owner.

Initial Public Offering

On May 3, 2021, the Company closed its initial public offering ("IPO") of 22,425,000 shares of the Company's common stock, $0.01 par value per share, at an offering price of $23.00 per share. On May 3, 2021, the Company also sold 4,000,000 shares to an affiliate of Anthem, Inc. ("Anthem") in a private placement. In aggregate, the shares issued in the offering and Anthem private placement generated gross proceeds of $223.7 million and $211.0 million in net proceeds, which is net of underwriters' discounts and commissions, and other offering costs.

Basis of Presentation

The condensed consolidated financial statements are prepared in accordance with United States generally accepted accounting principles ("GAAP") and include the accounts of the Company and its subsidiaries. Amounts shown on the condensed consolidated statements of operations within the operating expense categories of physician and practice expense, cost of platform, selling and marketing, and general and administrative are recorded exclusive of depreciation and amortization.

All significant intercompany transactions are eliminated in consolidation.

The results of operations for the three and nine months ended September 30, 2021, are not indicative of the results to be expected for the full fiscal year ending December 31, 2021. The condensed balance sheet at December 31, 2020, was derived from audited annual financial statements but does not contain all of the footnote disclosures from the annual financial statements. In the opinion of management, all adjustments (consisting of only normal and recurring adjustments) considered necessary for a fair statement have been included.

Variable Interest Entities

Management evaluates the Company's ownership, contractual, and other interests in entities to determine if it has any variable interest in a variable interest entity ("VIE"). These evaluations are complex, involve judgment, and the use of estimates and assumptions based on available historical information, among other factors.

Privia Physicians join the medical group in their geographic market as an owner of such medical group. Certain of our medical groups are majority-owned by the Company (each, an "Owned Medical Group"), with Privia Physicians owning a minority interest, and some medical groups are owned entirely by Privia Physicians (each, a "Non-Owned Medical Group"). The Company evaluated its relationship with Non-Owned Medical Groups and their historic practice entities (the "Affiliated Practices") as well as its relationship with Affiliated Practices associated with Owned Medical Groups to determine if any of these entities should be subject to consolidation. The Company does not have ownership interest in any Affiliated Practices; nor does the Company have an ownership in Non-Owned Medical Groups. The Physician Member Services Agreement ("PMSA") and Support Services Agreement ("SSA") entered by Non-Owned Medical Groups with their Privia Physician members and the Affiliated Practices are not contractual relationships within Privia's legal structure. The only contractual relationship between Privia and Non-Owned Medical Groups is established through the MSA. Management has determined, based on the provisions of the MSAs between the Company and Non-Owned Medical Groups, and after considering the requirements of Accounting Standards Codification ("ASC") Topic 810, Consolidation ("ASC 810"), the Company is not required to consolidate the financial position or results of operations of the Affiliated Practices associated with Owned Medical Groups; nor is it required to consolidate the financial position or results of operations of Non-Owned Medical Groups (and, therefore, the Company is not required to consolidate the Affiliated Practices of the Non-Owned Medical Groups).

Based on the Company's evaluations, Non-Owned Medical Groups do not represent VIEs. Accordingly, the Company has not consolidated the financial position, results of operations or cash flows of the Non-Owned Medical Groups that are affiliated with the Company by means of a SSA for the nine months ended September 30, 2021 and 2020. Each time the Company enters into a new service agreement or enters into a material amendment to an existing service agreement, the Company considers whether the terms of that agreement or amendment would change the elements it considers in accordance with the VIE guidance. The same analysis was performed for the Affiliated Practices of Owned Medical Groups, which have contractual relationships with Privia through SSAs, and the Company determined they do not represent VIEs as they do not meet the criteria in ASC 810.

Emerging Growth Company Status

We are an emerging growth company under the Jumpstart Our Business Startups Act (the "JOBS Act"). The JOBS Act provides that an emerging growth company can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have irrevocably elected to avail ourselves of this exemption and, therefore, we will not be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

Subject to certain conditions set forth in the JOBS Act, if, as an "emerging growth company", we choose to rely on such exemptions, we may not be required to, among other things, (i) provide an auditor's attestation report on our system of internal controls over financial reporting pursuant to Sarbanes-Oxley Act of 2002, Section 404, (ii) provide all of the compensation disclosure that may be required of non-emerging growth public companies under the Dodd-Frank Wall Street Reform and Consumer Protection Act, (iii) comply with any requirement that may be adopted by the Public Company Accounting Oversight Board ("PCAOB") regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements (auditor discussion and analysis), and (iv) hold non-binding advisory votes on executive compensation and obtain shareholder approval of any golden parachute payments not previously approved. These exemptions will apply for a period of five years following the completion of our IPO or until we are no longer an "emerging growth company," whichever is earlier.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosure. On an on-going basis we evaluate significant estimates and assumptions, including, but not limited to, revenue recognition, stock-based compensation, estimated useful lives of assets, intangible assets subject to amortization, and the computation of income taxes. Future events and their effects cannot be predicted with certainty; accordingly, the Company's accounting estimates require the exercise of judgment. The accounting estimates used in the preparation of the financial statements will change as new events occur, as more experience is acquired, as additional information is obtained, and as the Company's operating environment changes. Management evaluates and updates assumptions and estimates on an ongoing basis. Actual results may differ from these estimates under different assumptions or conditions.

Operating Segments

The Company determined in accordance with ASC 280, *Segment Reporting* ("ASC 280") that the Company operates in and reports as a single operating segment, and therefore one reporting segment – Privia Health Group, Inc. Refer to Note 14 "Segment Financial Information" for additional information concerning the Company's services.

Coronavirus Aid, Relief and Economic Stimulus Act ("CARES Act")

The current COVID-19 pandemic had an impact on our results of operations, cash flow and financial position for the three and nine months ended and as of September 30, 2021 and 2020, as we experienced lower volumes than anticipated and shifts in the mix of services provided after the onset of the pandemic in the United States. See the Prospectus for additional information on impacts during 2020. We are closely monitoring the impact of the pandemic on all aspects of our business including impacts to employees, customers, patients, suppliers and vendors.

On March 27, 2020, the CARES Act was passed. It is intended to provide economic relief to individuals and businesses affected by the coronavirus pandemic. It also contains provisions related to healthcare providers' operations and the issues caused by the coronavirus pandemic. The following are significant economic impacts for the Company and its subsidiaries as a result of specific provisions of the CARES Act for the three and nine month periods ended September 30, 2021:

- The Company elected to defer its portion of Social Security taxes in 2020, which may be repaid over two years as follows: 50% by the end of 2021 and 50% by the end of 2022. Approximately $1.6 million is recorded in accrued expenses on the balance sheet as of September 30, 2021 related to this deferral and the Company intends to remit payment by the end of 2021; and

- The Company received $13.3 million in grant funds from the Provider Relief Fund under the CARES Act during the nine months ended September 30, 2020. No funds were received from the Provider Relief Fund under the CARES Act during the nine months ended September 30, 2021.

Non-Controlling Interest

The non-controlling interest represents the equity interest of the non-controlling equity holders in results of operations of Complete MD Solutions LLC, Privia Management Services Organization ("PMSO") and our Owned Medical Groups. The condensed consolidated financial statements include all assets, liabilities, revenues, and expenses of less-than-100%-owned affiliates where the Company has a controlling financial interest. The Company has separately reflected net income attributable to the non-controlling interests in net income in the condensed consolidated statements of operations.

Significant Accounting Policies

The Company described its significant accounting policies in Note 1 of the notes to condensed consolidated financial statements for the year ended December 31, 2020 in the Prospectus. During the three and nine months ended September 30, 2021, there were no significant changes to those accounting policies, other than those policies impacted by the new accounting pronouncements adopted during the period noted below and further described below in "Recently Adopted Accounting Pronouncements."

Leases

Beginning January 1, 2021, the Company accounts for its leases in accordance with ASU 2016-2, Leases (Topic 842). The Company evaluates whether a contract is or contains a lease at the inception of the contract. Upon lease commencement, which is defined as the date on which a lessor makes the underlying asset available to the Company for use, the Company classifies the lease as either an operating or finance lease. The Company's leases primarily consist of operating leases for office space in certain states in which we operate. The Company also has operating leases for equipment, which are not significant.

Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Lease liabilities are measured at the present value of the remaining, fixed lease payments at lease commencement. The Company uses its incremental borrowing rate, adjusted for the effects of collateralization, based on the information available at the later of adoption, inception, or modification in determining the present value of lease payments. Right-of-use assets are measured at an amount equal to the initial lease liability, plus any prepaid lease payments (less any incentives received) and initial direct costs, at the lease commencement date. The Company has elected to account for lease and non-lease components as a single lease component for its facility leases. As a result, the fixed payments that would otherwise be allocated to the non-lease components are accounted for as lease payments and are included in the measurement of the Company's right-of-use asset and lease liability. Lease expense for lease payments is recognized on a straight-line basis over the lease term in general and administrative expense on the condensed consolidated statements of operations.

The Company does not recognize a lease liability or right-of-use asset on the balance sheet for short-term leases. Instead, the Company recognizes short-term lease payments as an expense on a straight-line basis over the lease term. A short-term lease is defined as a lease that, at the commencement date, has a lease term of 12 months or less and does not include an option to purchase the underlying asset that the lessee is reasonably certain to exercise. When determining whether a lease qualifies as a short-term lease, the Company evaluates the lease term and the purchase option in the same manner as all other leases.

Recently Adopted Accounting Pronouncements

The Company adopted Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*, as of January 1, 2021 using the modified retrospective transition approach for leases which existed on that date. Prior comparative periods were not adjusted and continue to be reported in accordance with Accounting Standards Codification ("ASC") Topic 840, Leases. The Company elected the package of practical expedients that permitted the Company not to reassess the Company's prior conclusions about lease identification, lease classification and initial direct costs. The Company did not elect the use-of-hindsight practical expedient. The adoption of the standard resulted in the recognition of operating right-of-use assets of approximately $6.0 million and operating lease liabilities of approximately $11.3 million. Refer to Note 4 "Leases" for additional details. The difference between the operating lease right-of-use assets and operating lease liabilities resulted from the reclassification of deferred rent. Adoption of the standard did not have a material impact on the consolidated statements of operations or cash flows for the three months and nine months ended September 30, 2021. The Company did not recognize a cumulative-effect adjustment to retained earnings upon adoption.

On January 1, 2021, the Company adopted ASU 2016-13, Financial Instruments – *Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("CECL")*, which replaces the incurred loss approach for recognizing credit losses on financial instruments with an expected loss approach. The expected loss approach is subject to management judgments using assessments of incurred credit losses, assessments of current conditions, and forecasts using reasonable and supportable assumptions. The Company adopted the standard using a modified retrospective approach which resulted in no adjustments to the allowance for credit losses and no cumulative-effect adjustment to retained earnings. The Company regularly reviews the adequacy of the allowance for credit losses based on a combination of factors, including historical losses adjusted for current market conditions, the Company's customers' financial condition, delinquency trends, aging behaviors of receivables and credit and liquidity indicators for industry groups, and future market and economic conditions. As of September 30, 2021, the allowance for credit losses was not material.

Recently Issued Accounting Pronouncements Pending Adoption

In March 2020, the FASB issued ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes (ASU 2019-12). ASU 2019-12 eliminates certain exceptions related to the approach for intra period tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. It also clarifies and simplifies other aspects of the accounting for income taxes. This guidance is effective for the Company for the year ending December 31, 2022. Early adoption is permitted. The Company is currently evaluating the impact of ASU 2019-12 on its condensed consolidated financial statements.

In March 2020, FASB issued ASU 2020-04, Reference Rate Reform (Topic 848), Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The ASU provides temporary relief from some of the existing rules governing contract modifications when the modification is related to the replacement of the London Interbank Offered Rate ("LIBOR") or other reference rates discontinued as a result of reference rate reform. The ASU specifically provides optional practical expedients for contract modification accounting related to contracts subject to ASC 310, Receivables, ASC 470, Debt, ASC 842, Leases, and ASC 815, Derivatives and Hedging. The ASU also establishes a general contract modification principle that entities can apply in other areas that may be affected by reference rate reform and certain elective hedge accounting expedients. For eligible contract modifications, the principle generally allows an entity to account for and present modifications as an event that does not require contract remeasurement at the modification date or reassessment of a previous accounting determination. That is, the modified contract is accounted for as a continuation of the existing contract. The standard was effective upon issuance on March 12, 2020, and the optional practical expedients can generally be applied to contract modifications made and hedging relationships entered into on or before December 31, 2022. Borrowings under the Company's Credit Facilities bear interest based on LIBOR or an alternate rate. Provisions currently provide the Company with the ability to replace LIBOR with a different reference rate in the event that LIBOR ceases to exist.

2. Revenue Recognition

The following table presents our revenues disaggregated by source:

(Dollars in Thousands)	For the Three Months Ended September 30, 2021	2020	For the Nine Months Ended September 30, 2021	2020
FFS-patient care	$ 200,208	$ 168,622	$ 550,607	$ 474,816
FFS-administrative services	16,407	14,489	47,162	42,663
Shared savings	25,333	15,905	62,045	49,441
Care management fees (PMPM)	9,376	7,024	27,321	20,320
Other revenue	200	1,130	3,752	16,136
Total Revenue	$ 251,524	$ 207,170	$ 690,887	$ 603,376

Fee-for-service ("FFS") patient care is primarily generated from third-party payers with which the Company has established contractual billing arrangements. The following table presents the approximate percentages by source of net operating revenue received for healthcare services we provided for the periods indicated:

	For the Three Months Ended September 30, 2021	2020	For the Nine Months Ended September 30, 2021	2020
Commercial insurers	70 %	69 %	69 %	68 %
Government payers	17 %	18 %	16 %	16 %
Patient	13 %	13 %	15 %	16 %
	100 %	100 %	100 %	100 %

FFS-administrative services revenue is earned through the Company's MSA with Non-Owned Medical Groups primarily based on a fixed percentage of net collections on patient care generated by those medical groups.

Value Based Care ("VBC") revenue is generated through per member per month Care management fee ("PMPM") payments, from payers to provide care coordination services to patients and through shared savings contracts with large commercial payer organizations and the U.S. Federal Government.

Contract Asset

The Company has the following contract assets and unearned revenue:

(Dollars in Thousands)	September 30, 2021	December 31, 2020
Balances for contracts with customers		
Accounts receivable	$ 98,384	$ 99,118
Unearned revenue	$ 4,832	$ 2,759

Unearned Revenue

Unearned revenue is presented on the condensed consolidated balance sheet under other current liabilities and represent payments made to, or due from, customers in advance of our performance. All contracts are less than or equal to twelve months. Changes in the balance of total deferred revenue during the nine months ended September 30, 2021 are as follows:

(Dollars in Thousands)	December 31, 2020	Additions	Revenue Recognized	September 30, 2021
Unearned revenue	$ 2,759	3,161	(1,088)	$ 4,832

During the three and nine months ended September 30, 2021, the Company recognized approximately $0.2 million and $1.1 million, respectively, of revenue related to amounts unearned as of December 31, 2020.

Remaining Performance Obligations

As our performance obligations relate to contracts with a duration of one year or less, the Company elected the optional exemption in ASC 606-10-50-14(a). Therefore, the Company is not required to disclose the transaction price for the remaining performance obligations at the end of the reporting period or when the Company expects to recognize revenue. The Company has minimal unsatisfied performance obligations at the end of the reporting period as our patients typically are under no obligation to continue receiving services at our facilities.

3. Goodwill and Intangible Assets, Net

For the purposes of the goodwill impairment assessment, the Company as a whole is considered to be the reporting unit. The fair value of the reporting unit is estimated using a combination of three approaches, all equally weighted: a) discounted cash flow analysis (income approach), b) fair value of comparable transactions (transaction approach) and c) enterprise value to revenue multiple for comparable companies (market approach). Potential impairment is indicated when the carrying value of a reporting unit exceeds its estimated fair value. The Company's carrying value of goodwill at September 30, 2021 and December 31, 2020 is approximately $118.7 million. The most recently completed annual impairment test of goodwill was performed as of October 1, 2020 and the fair value of the reporting unit exceeded the carrying value and therefore it was determined that no impairment existed. No indicators of impairment were identified during the nine months ended September 30, 2021 and 2020.

A summary of the Company's intangible assets is as follows:

	September 30, 2021		December 31, 2020	
(Dollars in thousands)	**Intangible Assets**	**Accumulated Amortization**	**Intangible Assets**	**Accumulated Amortization**
Trade names	$ 4,600	$ 1,629	$ 4,600	$ 1,457
Consumer customer relationships	2,500	1,771	2,500	1,583
PMG customer relationships	600	177	600	158
Management Service Agreement (Complete MD)	2,200	825	2,200	722
	9,900	$ 4,402	9,900	$ 3,920
Less accumulated amortization	(4,402)		(3,920)	
Intangible assets, net	$ 5,498		$ 5,980	

The remaining weighted average life of all amortizable intangible assets is approximately 10 years at September 30, 2021.

Amortization expense for intangible assets was approximately $0.2 million for both the three months ended September 30, 2021 and 2020, respectively, and $0.5 million for both the nine months ended September 30, 2021 and 2020, respectively.

Estimated amortization expense for the Company's intangible assets for the following five years is as follows:

	(Dollars in Thousands)
Remainder of 2021	$ 160
2022	643
2023	643
2024	559
2025	393
Thereafter	3,100
Total	$ 5,498

4. Leases

The Company leases office space under various operating lease agreements. The initial terms of these leases range from 2 to 7 years and generally provide for periodic rent increases and renewal options.

The components of lease expense were as follows (in thousands):

(Dollars in Thousands)	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2021
Operating lease cost	$ 475	$ 1,406
Cash paid for amounts included in the measurement of lease liabilities - operating leases		$ 1,629
Weighted-average remaining lease term - operating leases		4.8 Years
Weighted-average discount rate - operating leases		3.5 %

The aggregate future lease payments for operating leases in the years subsequent to September 30, 2021 are as follows:

(Dollars in Thousands)	
Remainder of 2021	$ 549
2022	2,213
2023	2,261
2024	2,274
2025	2,237
Thereafter	1,407
Total future lease payments	10,941
Imputed interest	(901)
Total	$ 10,040

5. Property and Equipment, Net

A summary of the Company's property and equipment, net is as follows:

(Dollars in Thousands)	September 30, 2021	December 31, 2020
Furniture and fixtures	$ 1,110	$ 1,073
Computer equipment	1,430	1,051
Leasehold improvements	4,827	4,863
	7,367	6,987
Less accumulated depreciation and amortization	(3,026)	(2,173)
Property and equipment, net	$ 4,341	$ 4,814

6. Accrued Expenses

Accrued expenses consisted of the following:

(Dollars in Thousands)	September 30, 2021	December 31, 2020
Accrued employee compensation and benefits	$ 5,587	$ 6,167
Bonuses payable	7,903	10,418
Other accrued expenses	17,813	14,600
Total accrued expenses	$ 31,303	$ 31,185

7. Note Payable

The Company's Credit Facilities consists of the following:

(Dollars in Thousands)	September 30, 2021	December 31, 2020
Note payable	$ 33,469	$ 34,125
Less debt issuance costs	(930)	(466)
Less current portion	(875)	(875)
Note payable, net	$ 31,664	$ 32,784

On November 15, 2019, the Company entered into a Credit Agreement (the "Original Credit Agreement") by and among Privia Health, LLC, as the borrower, PH Group Holdings Corp., as a guarantor, certain subsidiaries of Privia Health, LLC, as guarantors, Silicon Valley Bank, as administrative agent and collateral agent (the "Administrative Agent"), and the several lenders from time to time party thereto. The Original Credit Agreement provided for up to $35.0 million in term loans (the "Term Loan Facility") that mature on November 15, 2024 with interest payable monthly at the lesser of LIBOR plus 2.0% or ABR plus 1.0% payable monthly (3.0% at September 30, 2021), plus up to an additional $10.0 million of financing (which was increased to $15.0 million in connection with the first amendment) in the form of a revolving loan (the "Revolving Loan Facility" and together with the Term Loan Facility, the "Credit Facilities"). The Revolving Loan Facility also includes a letter of credit sub-facility in the aggregate availability amount of $2.0 million and a swingline sub-facility in the aggregate availability amount of $2.0 million. The Company borrowed $35.0 million in term loans on November 15, 2019.

On August 27, 2021, the Company and certain of its subsidiaries entered into an assumption agreement and third amendment (the "Third Amendment") to the Original Credit Agreement (as amended by the Third Amendment, the "Credit Agreement"). Pursuant to the Third Amendment, the Company became the parent guarantor under the Credit Agreement and granted the Administrative Agent a first-priority security interest on substantially all of its real and personal property, subject to permitted liens.

The Third Amendment increased the size of the Revolving Loan Facility to $65.0 million, increased the letter of credit sub-facility to $5.0 million and extended the maturity date of the Credit Agreement to August 27, 2026. As amended, borrowings under the Credit Agreement bear interest at a rate equal to (i) in the case of eurodollar loans, LIBOR plus an applicable margin, subject to a 0.5% floor, and (ii) in the case of ABR loans, an ABR rate plus an applicable margin, subject to a floor of 1.5%. In addition, the Amendment, among other things, (i) changed the Term Loan Facility amortization schedule to 0.625% of the original principal amount of term loans for the fiscal quarters ending September 30, 2021 through and including June 30, 2024 and 1.25% of the original principal amount of term loans for the fiscal quarters ending thereafter and (ii) added a 1.0% prepayment premium for any term loans prepaid within six months of the effective date of the Third Amendment. The Third Amendment converted the financial covenants in the Original Credit Agreement to "springing" financial covenants, so that at any time the Company's cash is less than 125% of the outstanding borrowings under the Credit Facilities, or at least $15.0 million of borrowings are outstanding under the Revolving Loan, the Company will be required to maintain (i) a consolidated fixed charge coverage ratio of not less than 1.25 to 1.0, and (ii) a consolidated leverage ratio of no more than 3.0 to 1.0. As of September 30, 2021, the Company had $33.5 million in principal amount of indebtedness outstanding under the Term Loan Facility. As of September 30, 2021, "springing" financial covenants were not applicable.

During March 2020, the Company borrowed $10.0 million under the Revolving Loan Facility, which bore interest at the lesser of LIBOR + 2.5% or ABR + 1.5% payable monthly. These borrowings were repaid in 2020 with $5.0 million repaid in July 2020 and $5.0 million repaid in September 2020. On August 30, 2021, the Company increased its capacity under the Revolving Loan Facility from $15.0 million to $65.0 million. As of September 30, 2021 and December 31, 2020 there were no amounts outstanding under the Revolving Loan Facility.

Interest expense relating to the Credit Facilities was approximately $0.3 million and $0.5 million for the three months ended September 30, 2021 and 2020, respectively, and $0.9 million and $1.5 million for the nine months ended September 30, 2021, and 2020, respectively.

Debt issuance costs relating to the Credit Facilities of approximately $0.9 million have been capitalized and are being amortized over the life of the Credit Facilities using the effective interest method. Amortization expense of approximately $0.1 million was recorded for both the nine months ended September 30, 2021 and 2020, respectively, and a de minimis amount for both the three months ended September 30, 2021 and 2020, respectively.

Substantially all of the Company's real and personal property serve as collateral under the above debt arrangements.

Annual aggregate principal payments applicable to the note payable for years subsequent to September 30, 2021 are as follows:

(Dollars in Thousands)		
Remainder of 2021	$	219
2022		875
2023		875
2024		1,313
2025		1,750
Thereafter		28,437
Total	$	33,469

8. Income Taxes

The Company recorded an income tax benefit of $2.2 million and $8.6 million for the three months ended September 30, 2021 and 2020, respectively, and a income tax benefit of $20.2 million and $7.4 million for the nine months ended September 30, 2021 and 2020, respectively. This represents an estimated annual effective tax rate of 9.7% and 1.0% as of September 30, 2021 and 2020, respectively. The effective tax rate for the three and nine month periods ended September 30, 2021 was lower than the statutory rate due to the effect on the pre-tax loss of the non-deductible stock-based compensation expense related to the Company's IPO. The effective tax rate for the three and nine month periods ended September 30, 2020 was lower than the statutory rate due primarily to the reversal of the allowance on the deferred tax asset. Additionally, the benefit for the 3 months ended September 30, 2020 is higher than the nine months ended September 30, 2020 due to the release of the valuation allowance in the third quarter of 2020 as that is the period that the weight of all available positive evidence outweighed the weight of the negative evidence when evaluating the ability for the deferred tax asset to be realized in the future. Prior to the third quarter in 2020, tax expense was realized as a result of the increase in the deferred tax liability with all other deferred tax balances offset by the full valuation allowance recorded.

We consider both positive and negative evidence when evaluating the recoverability of our DTAs. The assessment is required to determine whether, based on all available evidence, it is more likely than not (i.e., greater than a 50% probability) that all or some portion of the DTAs will be realized in the future. As of September 30, 2021 and 2020, the weight of all available positive evidence was greater than the weight of all negative evidence, so a valuation allowance against the deferred tax asset was not recorded.

9. Stockholders' Equity

Anthem Private Placement

On May 3, 2021, concurrent with the closing of its IPO, the Company issued and sold, 4,000,000 shares of common stock, par value $0.01 per share, of the Company for an aggregate purchase price of $92 million (the "Private Placement"), or $23.00 per share, in a private placement to an affiliate of Anthem. As of May 3, 2021, Anthem holds approximately 3.9% of the issued and outstanding common stock of the Company. The securities issued to the Investor in the Private Placement were issued pursuant to the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933.

Stock option plan

The PH Group Holdings Corp. Stock Option Plan (the PH Group Option Plan) was created on January 17, 2014. The employees of the Company and its subsidiaries, consultants of the Company and the employees of Brighton Health Plan Services Holdings Corp. (BHPS) (a wholly-owned subsidiary of BHG Holdings) and its subsidiaries who have performed services for the Company were the participants of the PH Group Option Plan. The aggregate number of shares of common stock for which options may be granted under the PH Group Option Plan shall not exceed 4,229,850 shares.

Effective August 11, 2016, the PH Group Option Plan was transferred to its parent and became the PH Group Parent Corp. Stock Option Plan (the "PH Parent Option Plan" or "Prior Plan"). All other terms in the PH Group Option Plan remained unchanged in the PH Parent Option Plan at the effective date of the transfer.

Effective August 28, 2018, the PH Parent Option Plan was amended and restated to increase the aggregate number of shares of common stock for which options may be granted from 4,229,850 shares to 18,985,846 shares.

On April 1, 2021, contingent on the consummation of the IPO, the Board of Directors approved a modification to the PH Group Parent Corp. Stock Option Plan of the vesting conditions of certain outstanding stock option grants to certain employees and consultants. The modification accelerated by one year any time vested options that were not previously 100% vested and modified the vesting condition of the performance based options to vest 60% at IPO, 20% 12 months after IPO and 20% 18 months after the IPO. The modification also accelerated the CEO's time based options by an additional four months such that 100% of his time based options are vested. We recognized stock-based compensation of $195.1 million in the second quarter of 2021 related to these modifications and we expect to recognize an additional $89.9 million of additional stock compensation expense over the eighteen months following the completion of the IPO.

2021 Omnibus Incentive Plan

On April 6, 2021, the Company approved the Privia Health Group, Inc. 2021 Omnibus Incentive Plan (the "Plan") which permits awards up to 10,278,581 shares of the Company's common stock. The Plan also allows for an automatic increase on the first day of each fiscal year following the effective date of the Plan by an amount equal to the lesser of (i) 5% of outstanding shares on December 31 of the immediately preceding fiscal year or (ii) such number of shares as determined by the Company's Compensation Committee in its discretion. The Plan provides for the granting of stock options at a price equal to at least 100% of the fair market value of the Company's common stock as of the date of grant. The Plan also provides for the granting of Stock Appreciation Rights, Restricted Stock, Restricted Stock Units ("RSUs"), Performance Awards and other cash-based or other stock-based awards, all which must be granted at not less than the fair market value of the Company's common stock as of the date of grant. Participants in the Plan may include employees, consultants, other service providers and non-employee directors. On the effective date of the IPO, the Company issued 1,183,871 restricted stock units at the offering price and 3,683,217 options, with an exercise price equal to the offering price. These issuances are expected to generate stock-based compensation expense of $62.3 million to be recognized over the next four years starting on the effective date of the IPO as both the restricted stock units and stock options vest. The 2021 Plan is intended as the successor to and continuation of the PH Parent Option Plan. No additional stock awards will be granted under the Prior Plan.

2021 Employee Stock Purchase Plan

In April 2021, the Company's Board of Directors approved the Company's 2021 Employee Stock Purchase Plan ("2021 ESPP"). The 2021 ESPP became effective upon the execution of the underwriting agreement for the Company's IPO in April 2021. Per the Plan, shares may be newly issued shares, treasury shares or shares acquired on the open market. The Compensation Committee may elect to increase the total number of Shares available for purchase under the Plan as of the first day of each Company fiscal year following the Effective Date in an amount equal to up to one percent (1%) of the shares issued and outstanding on the immediately preceding December 31; provided that the maximum number of shares that may be issued under the Plan in any event shall be 10,278,581 shares. As of the IPO, the Company has reserved 1,027,858 shares of common stock for issuance under the 2021 ESPP.

Stock option activity

The following table summarizes stock option activity under the Prior Plan and Plan:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Grant-Date Fair Value	Weighted-Average Remaining Contractual Life
Balance at December 31, 2020	18,300,959	$ 2.01	$ 0.34	7.82
Granted	3,730,717	23.16	9.58	
Exercised	(328,323)	2.11	0.48	
Forfeited	(172,547)	9.73	3.75	
Balance at September 30, 2021	21,530,806	$ 5.61	$ 1.91	7.51
Exercisable at September 30, 2021	12,272,394	$ 2.01	$ 0.34	7.01

RSU Activity

The following table summarizes the RSU activity under the 2021 Plan:

	Number of Shares	Grant Date Fair Value
Unvested and outstanding at December 31, 2020	—	$ —
Granted	1,199,315	23.19
Vested	(195,652)	23.00
Forfeited	(14,011)	23.00
Unvested and outstanding at September 30, 2021	989,652	$ 23.23

Stock-based compensation expense

Total stock-based compensation expense for the three months ended September 30, 2021 and 2020, was approximately $25.8 million and $0.1 million, respectively, and $228.5 million and $0.4 million for the nine months ended September 30, 2021 and 2020, respectively. At September 30, 2021, there was approximately $119.1 million of unrecognized stock-based compensation expense related to unvested options and RSUs, net of forfeitures, that is expected to be recognized over a weighted-average period of 1.0 year.

Stock-based compensation expense was classified in the condensed consolidated statements of operations as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
(Dollars in Thousands)	**2021**	**2020**	**2021**	**2020**
Cost of platform	$ 4,947	$ —	$ 40,987	$ —
Sales and marketing	1,028	—	8,723	—
General and administrative	19,825	121	178,751	363
Total stock-based compensation	$ 25,800	$ 121	$ 228,461	$ 363

10. Related-Party Transactions

On October 31, 2020, $4.0 million of related party receivables was used to repay $4.0 million of the Notes payable to related parties, leaving $4.7 million of Notes payable to related parties. The Company paid interest of $0.2 million through October 31, 2020. In addition, on December 22, 2020, the remaining $4.7 million of Notes payable to related parties were converted to a capital contribution, leaving no remaining Notes payable to related parties outstanding as of December 31, 2020.

11. Commitments and Contingencies

There are no material commitments and contingencies as of September 30, 2021.

12. Concentrations of Credit Risk

Our financial instruments that are potentially subject to concentrations of credit risk consist primarily of cash, cash equivalents, and accounts receivable. While our cash and cash equivalents are managed by reputable financial institutions, the Company’s cash balances with the individual institutions may at times exceed the federally insured limits. At September 30, 2021, substantially all of the Company’s cash and cash equivalents were held at two financial institutions. The Company believes these financial institutions are financially sound and that minimal credit risk exists.

The Company receives payment for medical services provided to patients by its physicians through contracts with payers. Six payers within the network accounted for approximately 84% and 85% of such payments for the three month periods ended September 30, 2021 and 2020, respectively, and 82% for both the nine month periods ended September 30, 2021 and 2020, respectively. The Company evaluates accounts receivable to determine if they will ultimately be collected. In performing this evaluation, significant judgments and estimates are involved, such as past experience, credit quality, age of the receivable balance and current economic conditions that may affect ability to pay. As of September 30, 2021 and December 31, 2020, the Company had six payers within the network that made up approximately 71% and 70% of accounts receivable, respectively.

13. Net (Loss) Income Per Share

A reconciliation of net (loss) income available to common shareholders and the number of shares in the calculation of basic and diluted earnings (loss) income per share was calculated as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
(in thousands, except for share and per share amounts)	**2021**	**2020**	**2021**	**2020**
Net (loss) income attributable to Privia Health Group, Inc. common stockholders	$ (9,115)	$ 16,685	$ (176,251)	$ 27,380
Weighted average common shares outstanding - basic and diluted	105,896,622	95,950,929	101,576,775	95,945,804
Earnings per share attributable to Privia Health Group, Inc. common stockholders – basic and diluted	$ (0.09)	$ 0.17	$ (1.74)	$ 0.29

The treasury stock method is used to consider the effect of the potentially dilutive stock options. The following weighted-average outstanding shares of potentially dilutive securities were excluded from computation of diluted loss per share attributable to common shareholders for the period presented because including them would have been antidilutive:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Potentially dilutive stock options and RSUs to purchase common shares	20,352,659	17,952,492	20,410,709	17,977,529
Total potentially dilutive shares	20,352,659	17,952,492	20,410,709	17,977,529

14. Segment Financial Information

The Company determined in accordance with ASC Topic 280, Segment Reporting (“ASC 280”), that the Company operates in and reports as a single operating segment, which is to care for its patients’ needs. Operating segments are identified as components of an enterprise where separate discrete financial information is available for evaluation by the chief operating decision maker (“CODM”), or decision-making group, who reviews financial operating results on a regular basis for the purpose of allocating resources and evaluating financial performance.

The Company defines its CODM as its Chief Executive Officer, who regularly reviews financial operating results on a consolidated basis for purposes of allocating resources and evaluating financial performance. Although the Company derives its revenues from a number of different geographic regions, the Company neither allocates resources based on the operating results from the individual regions, nor manages each individual region as a separate business unit. The Company’s CODM manages the operations on a consolidated basis to make decisions about overall corporate resource allocation and to assess overall corporate profitability. As of September 30, 2021 and December 31, 2020, all of the Company’s long-lived assets were located in the United States and for the three and nine months ended September 30, 2021 and 2020 all revenue was earned in the United States.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our unaudited condensed consolidated financial statements and accompanying notes included elsewhere in this quarterly report on Form 10-Q. In addition, the following discussion and analysis and information contains forward-looking statements about the business, operations and financial performance of the Company based on our current expectations that involve risks, uncertainties and assumptions. Our actual results could differ materially from those anticipated by these forward-looking statements as a result of many factors. including, but not limited to, those identified below and those discussed in the sections titled "Risk Factors" and "Information Regarding Forward-Looking Statements" in this quarterly report on Form 10-Q.

Overview

Privia Health is a technology-driven, national physician-enablement company that collaborates with medical groups, health plans, and health systems to optimize physician practices, improve patient experiences, and reward doctors for delivering high-value care in both in-person and virtual care settings on the "Privia Platform". We directly address three of the most pressing issues facing physicians today: the transition to the VBC reimbursement model, the ever-increasing administrative requirements to operate a successful medical practice and the need to engage patients using modern user-friendly technology. We seek to accomplish these objectives by entering markets and organizing existing physicians and non-physician clinicians into a unique practice model that combines the advantages of a partnership in a large regional Medical Group with significant local autonomy for Privia Providers joining our Medical Groups. Our Medical Groups are designated as in-network by all major health insurance plans in all of our markets and all Privia Providers are credentialed with such health insurance plans.

Our platform is purpose-built, organizing physicians into cost efficient, value-based and primary-care centric networks bolstered by strong physician governance, and promotes a culture of physician leadership. The Privia Platform is powered by the Privia Technology Solution, which efficiently manages all aspects of our Privia Physicians' provision of healthcare services and eliminates the complexity and reduces the cost of otherwise having to buy more than 30 point solutions. We enhance the patient experience, improve practice economics and influence point of care delivery through investments in data analytics, revenue cycle management ("RCM"), practice and clinical operations and payer alignment. The Privia Platform is designed to succeed across demographic cohorts, acuity levels and reimbursement models, including traditional FFS Medicare, Medicare Shared Savings Program ("MSSP"), Medicare Advantage, Medicaid, commercial insurance and other existing and emerging direct contracting programs with payers and employers. We believe that the Privia model is a highly scalable solution to help our nation's healthcare system achieve the quadruple aim of better outcomes, lower costs, improved patient experience, and happier and more engaged providers. Our customers have affirmed our model, as Privia has rapidly become one of the nation's leading independent physician companies since launching our first Medical Group in 2013.

There are three core elements to our physician alignment approach:

1) A focus on maximizing the potential of a physician's medical practice across the physician's entire patient panel, with the end goal of succeeding in VBC reimbursement;

2) A highly flexible payer-agnostic approach to address the needs of multiple types of physician practices, from independently owned to hospital employed or hospital affiliated practices; and

3) Delivering a profitable model for both Privia and our Privia Physicians, regardless of the reimbursement model, geographic environment or specialty.

The Privia Platform is powered by the Privia Technology Solution, which efficiently manages all aspects of our Privia Physicians' practices and eliminates the complexity and reduces costs. The intended result is engaged physicians and non-physician clinicians delivering high quality virtual and in-person healthcare to patients with superior clinical outcomes and experiences at lower costs. We believe our technology-enabled platform is highly scalable, allowing us to both rapidly build density in new geographic markets and guide those markets from FFS to VBC by shifting the reimbursement model and helping our Privia Providers better manage the cost of care through a focus on quality and success-based reimbursement. This model is designed to enable significant growth, with significant revenue visibility, low invested capital and attractive margins. We believe the Privia Platform aligns with the direction healthcare is headed, including (1) a macro shift towards VBC models that focus on delivering coordinated, high quality care at lower total costs, (2) a greater focus on the patient experience and (3) a focus on optimizing provider workflow and bringing back the joy of practicing medicine. We believe our approach is highly attractive to multiple types of physician practices given our significant value proposition and our comprehensive solution set.

We believe our technology-enabled platform is differentiated and well positioned to drive sustainable long-term growth, with attractive margins and attractive returns on invested capital. The Privia Platform has the following key attributes:

- **Addresses a Large Total Addressable Market:** Targets a large and growing total addressable market.
- **Purpose-Built to Scale Nationally:** Flexible model to enter new markets with multiple types of physician practices.
- **Powered by the Privia Technology Solution:** Comprehensive cloud-based technology-enabled platform designed to optimize provider workflow across the full continuum of reimbursement environments as well as both virtual and in-person care settings.
- **Establishes Provider Density in Local Markets:** Supports a proven expansion strategy resulting in increased relevance with payers and patients.
- **Designed to Transform Care Delivery:** Designed to transition care delivery in each market from FFS to VBC and to enhance the care model and ability of Privia Providers to manage higher risk patients.
- **Demonstrates Physician Value Proposition Consistently:** Reduces administrative burden and generally increases provider profitability.
- **Generates Attractive Financial Results:** Has an established scale, diversified revenue mix with no single payer or individual practice concentration, and is profitable and capital efficient with attractive growth. See "Key Metrics" for a discussion of practice collections.
- **Led by a Highly Experienced Executive and Physician Leadership Team:** Our management team has significant experience leading payer, provider and healthcare information technology organizations.

Privia Physicians join the Medical Group in their geographic market as an owner of the Medical Group. Certain of our Medical Groups are majority-owned by us (each, an "Owned Medical Group"), with Privia Physicians owning a minority interest. However, in those markets in which state regulations do not allow us to own physician practices, the Medical Groups are owned entirely by Privia Physicians. We provide management services to each Medical Group though a local MSO established with the objective of maximizing the independence and autonomy of our Affiliated Practices, while providing Medical Groups with access to VBC opportunities either directly or through Privia-owned ACOs. In markets with Non-Owned Medical Groups, we earn revenue by providing administrative and management services through owned MSO entities (FFS-administrative services revenue). We have national committees that distribute quality guidance, and we employ Chief Medical Officers who provide clinical oversight and direction over the clinical affairs of the Owned Medical Groups. Additionally, we hold the provider contracts, maintain the patient records, set reimbursement rates, and negotiate payer contracts on behalf of the Owned Medical Groups. The Medical Groups have no ownership in the underlying Affiliated Practices, but the Affiliated Practices do provide certain services to our Medical Groups, such as use of space, non-physician staffing, equipment and supplies. We principally derive our revenues from the following three sources: (i) FFS-patient care revenue generated from providing healthcare services to patients through Privia Providers of Owned Medical Groups and FFS-administrative services earned for administrative services provided to Non-Owned Medical Groups, (ii) VBC revenue collected on behalf of our Privia Providers in the form of management and administrative fees, which, at this time, are primarily in the form of PMPM fees and shared savings, which includes quality bonuses, and (iii) other revenue from additional services offered by Privia to its Privia Providers or directly to patients or employers. The operations of our Owned Medical Groups, owned ACOs and owned MSOs are reflected within our consolidated financial results.

We recently began offering Privia Care Partners, a more flexible provider affiliation model, to providers who do not desire to join one of our medical groups. This model will initially aggregate providers in certain of our existing markets as well as new markets who are looking solely for VBC solutions without the necessity of changing EHR providers. We will furnish population health services, reporting and analytics to such providers along with a menu of management services from which providers may choose. We expect to launch Privia Care Partners on January 1, 2022 with over 25,000 attributed lives in partnership with over 300 providers in approximately 100 care center locations.

GAAP Financial Measures

- Revenue was $251.5 million and $207.2 million for the three months ended September 30, 2021 and 2020, respectively, and $690.9 million and $603.4 million for the nine months ended September 30, 2021 and 2020, respectively.
- Operating (loss) income was $(12.8) million and $8.5 million for the three months ended September 30, 2021 and 2020, respectively, and $(198.1) million and $21.2 million for the nine months ended September 30, 2021 and 2020, respectively; and
- Net (loss) income attributable to Privia Health Group, Inc. was $(9.1) million and $16.7 million, for the three months ended September 30, 2021 and 2020, respectively, and $(176.3) million and $27.4 million for the nine months ended September 30, 2021 and 2020, respectively.

Key Metrics and Non-GAAP Financial Measures

- Practice Collections was $401.5 million and $339.9 million for the three months ended September 30, 2021 and 2020, respectively, and $1.11 billion and $949.0 million for the nine months ended September 30, 2021 and 2020, respectively;
- Care Margin was $61.5 million and $46.7 million for the three months ended September 30, 2021 and 2020, respectively, and $169.8 million and $136.3 million for the nine months ended September 30, 2021 and 2020, respectively;
- Platform Contribution was $31.1 million and $21.5 million for the three months ended September 30, 2021 and 2020, respectively, and $79.8 million and $59.2 million for the nine months ended September 30, 2021 and 2020, respectively;
- Adjusted EBITDA was $13.9 million and $9.1 million for the three months ended September 30, 2021 and 2020, respectively, and $33.9 million and $23.2 million for the nine months ended September 30, 2021 and 2020, respectively.

See "Key Metrics and Non-GAAP Financial Measures" for more information as to how we define and calculate Implemented Providers, Attributed lives, Practice Collections, Care Margin, Platform Contribution, Platform Contribution Margin, Adjusted EBITDA and Adjusted EBITDA Margin, and for a reconciliation of income from operations, the most comparable GAAP measure, to Care Margin, income from operations, the most comparable GAAP measure, to Platform Contribution, and net (loss) income, the most comparable GAAP measure, to Adjusted EBITDA.

The COVID-19 Pandemic and the Coronavirus Aid, Relief and Economic Stimulus Act ("CARES Act")

The current COVID-19 pandemic had an impact on our results of operations, cash flow and financial position for the three and nine months ended and as of September 30, 2021 and 2020, as we experienced lower volumes than anticipated and shifts in the mix of services provided after the onset of the pandemic in the United States. See the Prospectus for additional information on impacts during 2020. We are closely monitoring the impact of the pandemic on all aspects of our business including impacts to employees, customers, patients, suppliers and vendors.

On March 27, 2020, the CARES Act was passed. It is intended to provide economic relief to individuals and businesses affected by the coronavirus pandemic. It also contains provisions related to healthcare providers' operations and the issues caused by the coronavirus pandemic. The following are significant economic impacts for the Company and its subsidiaries as a result of specific provisions of the CARES Act for the three and nine month periods ended September 30, 2021:

- The Company elected to defer its portion of Social Security taxes in 2020, which may be repaid over two years as follows: 50% by the end of 2021 and 50% by the end of 2022. Approximately $1.6 million is recorded in accrued expenses on the balance sheet as of September 30, 2021 related to this deferral and the Company intends to remit payment by the end of 2021; and

- The Company received $13.3 million in grant funds from the Provider Relief Fund under the CARES Act during the nine months ended September 30, 2020. No funds were received from the Provider Relief Fund under the CARES Act during the nine months ended September 30, 2021.

Our Revenue

We recognize revenue from multiple stakeholders, including health care consumers, health insurers, employers, providers and health systems. Our revenue includes (i) FFS revenue generated from providing healthcare services to patients through Privia Providers of Owned Medical Groups or administrative fees collected for providing administrative services to Non-Owned Medical Groups, (ii) VBC revenue collected on behalf of our providers, primarily per member per month (PMPM) fees (including care management fees, management services fees, care coordination fees and all other similar administrative fees) and shared savings (including surplus payments, shared savings, total cost of care budget payments and similar payments), and (iii) other revenue from additional services, such as concierge services, virtual visits, virtual scribes and coding.

FFS Revenue

We generate FFS-patient care revenue when we collect reimbursements for FFS medical services provided by Privia Providers. Our agreements with our providers have a multi-year term length and we have historically experienced a 95% provider retention rate, both of which lead to a highly predictable and recurring revenue model. Our FFS contracts with payer partners typically contain annual rate inflators and enhanced commercial FFS rates given our scale in each of our markets. As a result of receiving these rate inflators and enhancements, if we continue to be successful in expanding our provider base, we expect revenue will grow year-over-year in absolute dollars. In addition, in our FFS-patient care revenue, we include collections generated from ancillary services such as clinical laboratory, imaging and pharmacy operations. We also generate FFS-administrative services revenue by providing administration and management services to medical groups which are not owned or consolidated by us. FFS-patient care revenue represented 79.6%, and

81.4% of total revenue for the three months ended September 30, 2021 and 2020, respectively, and 79.7% and 78.7% for the nine months ended September 30, 2021 and 2020, respectively. FFS-administrative services revenue represented 6.5% and 7.0% of total revenue for the three months ended September 30, 2021 and 2020, respectively, and 6.8% and 7.1% for the nine months ended September 30, 2021 and 2020, respectively.

VBC Revenue

Over time, we create incremental value for our provider partners by enabling them to succeed in VBC arrangements. We generate VBC revenue when our providers are reimbursed through traditional FFS Medicare, MSSP, Medicare Advantage, commercial payers and other existing and emerging direct payer and employer contracting programs. The revenue is primarily collected in the form of (i) PMPM care management fees to cover costs of services typically not reimbursed under traditional FFS payment models, including population management, care coordination, advanced technology and analytics, and (ii) shared savings earned based on improved quality and lower cost of care for our attributed patients in VBC arrangements. VBC revenue represented 13.8% and 11.1% of total revenue for the three months ended September 30, 2021 and 2020, respectively, and 12.9% and 11.6% for the nine months ended September 30, 2021 and 2020, respectively. We expect VBC revenue to continue to increase as a percentage of total revenue as we grow total Attributed Lives under management as well as increase risk levels undertaken across value-based arrangements.

Other Revenue

The remainder of our revenue is derived from leveraging our existing base of providers and patients to deliver value-oriented services such as virtual visits, virtual scribes and coding. Other revenue represented 0.1% and 0.5% of total revenue for the three months ended September 30, 2021 and 2020, respectively, and 0.5% and 2.7% for the nine months ended September 30, 2021 and 2020, respectively. Provider Relief Funds under the CARES Act have been recorded within other revenue on the statement of operation for the nine months ended September 30, 2020.

Key Factors Affecting Our Performance

Addition of New Providers

Our ability to increase our provider base will enable us to deliver financial growth as our providers generate both our FFS and VBC revenue. Our existing provider penetration and market share provides us with significant opportunity to grow in both existing and new geographies, and we believe the number of providers joining Privia is a key indicator of the market's recognition of the attractiveness of our platform to our providers, patients and payers. We intend to increase our provider base in existing and new markets by adding new practices and assisting our existing practices with recruiting new providers, using our in-market and national sales and marketing teams. As we add providers to the Privia Platform, we expect them to contribute incremental economics as we leverage our existing brand and infrastructure, both at the corporate and in-market levels.

Addition of New Patients

Our ability to add new patients to our provider base in existing and new markets will also enable us to deliver revenue growth in both our FFS and VBC contracts. We believe the number of attributed patient lives in VBC programs is a key driver of our VBC revenue growth. Our branding and marketing strategies to drive growth in our practices has continued to result in increased engagement with new and existing patients. We believe our continued success in growing the visibility of the Privia brand will result in increased patient panels per provider and contribute incremental revenue in both FFS and VBC for our practices.

Expansion to New Markets

Based upon our experience to date, we believe Privia can succeed in all reimbursement environments and payment models. The data we collected from older provider cohorts consistently suggest that we improve their performance in both FFS and VBC metrics over time and inform our expectations for our new markets. We believe our in-market operating structure and ability to serve providers wherever they are on their transition to VBC can benefit physicians and providers throughout the U.S. and that our solution is applicable across all 50 states. We enter a market with an asset-light operating model and employ a disciplined, uniform approach to market structure and development. We partner with market leading medical groups and health systems to form anchor relationships and align other independent, affiliated, or employed providers into a single-TIN medical group. Our business model also gives us flexibility for future, incremental growth through the acquisition of minority or majority stakes in our practices and opening de-novo, fully-owned sites of care focused on Medicare Advantage and direct contracting models.

On October 1 2021, we launched Privia Medical Group – West Texas in partnership with Abilene Diagnostic Clinic, an independent multi-specialty group practice with more than 30 providers and five care center locations. This complements our established and expanding provider practice locations in North Texas (Dallas-Fort Worth) and the Gulf Coast region of the state.

On October 13, 2021, we entered the California market through an affiliation with BASS Medical Group, one of the Greater San Francisco Bay Area's leading healthcare multi-specialty groups with more than 400 providers spanning 42 specialties caring for patients at over 125 locations. Privia acquired a majority interest in BASS Management Services Organization, LLC, which is the exclusive provider of management services to BASS Medical Group.

Provider Satisfaction and Retention

Privia Providers have high satisfaction with their overall performance on our platform, and we strive to continuously improve provider well-being and patient satisfaction. Our percentage of collections Care Margin model combined with high patient and provider satisfaction results in 90%+ Practice Collections predictability on a rolling twelve month forward basis. We believe these metrics demonstrate the stability of our provider base and the appeal to prospective providers and patients of our platform.

Payer Contracts and Ability to Move Markets to VBC

Our FFS and VBC revenue is dependent upon our contracts and relationships with payers. We partner with a large and diverse set of payer groups nationally and in each of our markets to form provider networks and to lower the overall cost of care, and we structure bespoke contracts to help both providers and payers achieve their objectives in a mutually aligned manner. Maintaining, supporting and increasing the number of these contracts and relationships, particularly as we enter new markets, is important for our long-term success.

Privia's ability to work within each geographic market as it evolves in its shift towards VBC, with our experience working in all reimbursement environments, enables providers to accelerate and succeed in their transition. Our model is aligned with our payer partners, as we have demonstrated improved patient outcomes while driving incremental revenue growth. We intend to accelerate the move towards the adoption of VBC reimbursement in each market in current and emerging payer programs. To do so, we will need to continue enhancing our VBC capabilities and executing on initiatives to deliver next generation access, superior quality metrics and lower cost of care.

Components of Revenue

Our FFS revenue is primarily dependent upon the size of our provider base, payer contracted rates and patient volume. Our ability to maintain or improve pricing levels in our contracts with payers and patient volume for our providers will impact our results of operations. In addition to increasing our provider base and contracted rates over time, we also seek to increase patient volume by demonstrating the ability to provide a better patient experience that leads to higher retention rates and drives referrals to preferred, high quality and value-based providers. Our VBC revenue is primarily dependent upon the number of attributed patients in our VBC arrangements, risk levels of our payer contracts, and effective management of our patients' total cost of care. As we grow our provider base, we also expect to increase our total number of attributed patients in existing and new markets. In addition, we intend to increase the risk levels of our value-based programs as we seek a higher revenue opportunity on a per patient basis over time.

Investments in Growth

We expect to continue focusing on long-term growth through investments in our sales and marketing, our technology-enabled platform, and our operations. In addition, as we continue our efforts to move markets toward VBC, we expect to continue making additional investments in operations for an expanded suite of clinical capabilities to manage our patient population.

Key Metrics and Non-GAAP Financial Measures

We review a number of operating and financial metrics, including the following key metrics and non-GAAP financial measures, to evaluate our business, measure our performance, identify trends affecting our business, formulate our business plans, and make strategic decisions.

Key Metrics

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Implemented Providers (as of end of period)	2,826	2,454	2,826	2,454
Attributed Lives (in thousands) (as of end of period)	760	646	760	646
Practice Collections [1] ($ in millions)	$ 401.5	$ 339.9	$ 1,112.8	$ 949.0

(1) We define Practice Collections as the total collections from all practices in all markets and all sources of reimbursement (FFS, VBC and other) that we receive for delivering care and providing our platform and associated services. Practice Collections differ from revenue by including collections from Non-Owned Medical Groups.

Implemented Providers

We define Implemented Providers as the total of all service professionals on Privia Health's platform at the end of a given period who are credentialed by Privia Health and bill for medical services, in both Owned and Non-Owned Medical Groups during that period**.** This includes, but is not limited to, physicians, physician assistants, and nurse practitioners. We believe that growth in the number of

Implemented Providers is a key indicator of the performance of our business and expected revenue growth. This growth depends, in part, on our ability to successfully add new practices in existing markets and expand into new markets. The number of Implemented Providers increased 15.2% between September 30, 2021 and 2020, due to organic growth in our healthcare delivery business.

Attributed Lives

We define Attributed Lives as any patient that a payer deems attributed to Privia, in both Owned and Non-Owned Medical Groups, to deliver care as part of a VBC arrangement. We define our Attributed Lives as patients who have selected one of our owned or Non-Owned Medical Groups as their provider of primary care services as of the end of a particular period. The number of Attributed Lives is an important measure that impacts the amount of VBC revenue we receive. Attributed Lives increased 17.6% between September 30, 2021 and 2020 due to organic growth in all markets and the addition of attributed lives in the Tennessee market during the fourth quarter of 2020.

Practice Collections

We define Practice Collections as the total collections from all practices in all markets and all sources of reimbursement (FFS, VBC and other) that we receive for delivering care and providing our platform and associated services. Practice Collections differ from revenue by adding collections from Non-Owned Medical Groups. Practice Collections increased 18.1% for the three months ended September 30, 2021 when compared to the same periods in 2020 and increased 17.3% for the nine months ended September 30, 2021 when compared to the same period in 2020 due to organic growth of our healthcare delivery business.

Non-GAAP Financial Measures

In addition to our financial results determined in accordance with GAAP, we believe Care Margin, Platform Contribution, Platform Contribution Margin, Adjusted EBITDA and Adjusted EBITDA Margin are useful as non-GAAP measures to investors as these are metrics used by management in evaluating our operating performance and in assessing the health of our business. We use Care Margin, Platform Contribution, Platform Contribution Margin, Adjusted EBITDA and Adjusted EBITDA Margin to evaluate our ongoing operations and for internal planning and forecasting purposes. We believe that these non-GAAP financial measures, when taken together with the corresponding GAAP financial measures, provide meaningful supplemental information regarding our performance by excluding certain items that may not be indicative of our business, results of operations or outlook.

However, non-GAAP financial information is presented for supplemental informational purposes only, has limitations as an analytical tool and should not be considered in isolation or as a substitute for financial information presented in accordance with GAAP. In addition, other companies, including companies in our industry, may calculate similarly-titled non-GAAP measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of our non-GAAP financial measure as a tool for comparison. A reconciliation is provided below for our non-GAAP financial measures to the most directly comparable financial measure stated in accordance with GAAP. Investors are encouraged to review the related GAAP financial measures and the reconciliation of non-GAAP financial measures to their most directly comparable GAAP financial measures, and not to rely on any single financial measure to evaluate our business.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
(amounts in thousands, except for percentages)	**2021**	**2020**	**2021**	**2020**
Care Margin [1] ($)	$ 61,469	$ 46,738	$ 169,782	$ 136,317
Platform Contribution [1] ($)	$ 31,102	$ 21,497	$ 79,762	$ 59,184
Platform Contribution Margin [1] (%)	50.6%	46.0%	47.0%	43.4%
Adjusted EBITDA [1] ($)	$ 13,867	$ 9,131	$ 33,851	$ 23,202
Adjusted EBITDA Margin [1] (%)	22.6%	19.5%	19.9%	17.0%

1. See below for more information as to how we define and calculate Care Margin, Platform Contribution, Platform Contribution Margin, Adjusted EBITDA and Adjusted EBITDA Margin and for a reconciliation of income from operations, the most comparable GAAP measure, to Care Margin, income from operations, the most comparable GAAP measure, to Platform Contribution, and net income, the most comparable GAAP measure, to Adjusted EBITDA.

Care Margin

We define Care Margin as total revenue less the sum of physician and practice expense. Our Care Margin generated from FFS revenue is contractual and recurring in nature, and primarily based on an individually negotiated percentage of collections for each practice that joins Privia. Our Care Margin generated from VBC revenue is based on a percentage of care management fees and shared savings collected. We view Care Margin as all of the dollars available for us to manage our business, including providing administrative support to our practices, investing in sales and marketing to attract new providers to the Privia Platform, and supporting the organization through our corporate infrastructure. We expect Care Margin will grow year-over-year in absolute dollars as we continue to expand our provider base. We would also expect our care management and shared savings economics in our VBC arrangements to improve on a per patient basis as we manage towards lower total cost of care for our Attributed Lives and move towards higher risk VBC arrangements over time. Care Margin increased 31.5% for the three months ended September 30, 2021 when compared to the same period in 2020 and 24.5% for the nine months ended September 30, 2021 when compared to the same period in 2020 due to organic growth of our medical practice business.

In addition to our financial results determined in accordance with GAAP, we believe Care Margin, a non-GAAP measure, is useful in evaluating our operating performance. We use Care Margin to evaluate our ongoing operations and for internal planning and forecasting purposes. We believe that this non-GAAP financial measure, when taken together with the corresponding GAAP financial measures, provides meaningful supplemental information regarding our performance by excluding certain items that may not be indicative of our business, results of operations or outlook. In particular, we believe that the use of Care Margin is helpful to our investors as it is a metric used by management in assessing the health of our business and our operating performance.

The following table provides a reconciliation of operating (loss) income, the most closely comparable GAAP financial measure, to Care Margin. For the three months ended September 30, 2021, Cost of platform included $4.9 million of stock-based compensation expense, Sales and marketing included $1.0 million of stock-based compensation expense, and general and administrative included $19.8 million of stock-based compensation expense. For the nine months ended September 30, 2021, Cost of platform included $41.0 million of stock-based compensation expense, Sales and marketing included $8.7 million of stock-based compensation expense, and general and administrative included $178.8 million of stock-based compensation expense primarily related to the modification of outstanding options in connection with our IPO.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
(unaudited and amounts in thousands)	**2021**	**2020**	**2021**	**2020**
Operating (loss) income	$ (12,809)	$ 8,543	$ (198,089)	$ 21,218
Depreciation and amortization	466	457	1,351	1,389
General and administrative	33,910	9,788	216,563	29,196
Sales and marketing	4,588	2,709	18,950	7,381
Cost of platform	35,314	25,241	131,007	77,133
Care margin	$ 61,469	$ 46,738	$ 169,782	$ 136,317

Platform Contribution

We define Platform Contribution as total revenue less the sum of (i) physician and practice expense, (ii) cost of platform and (iii) stock-based compensation expense included in Cost of platform. The following table provides a reconciliation of operating income, the most closely comparable GAAP financial measure, to Platform Contribution. For the three months ended September 30, 2021, Cost of platform included $4.9 million of stock-based compensation expense, Sales and marketing included $1.0 million of stock-based compensation expense, and general and administrative included $19.8 million of stock-based compensation expense. For the nine months ended September 30, 2021, Cost of platform included $41.0 million of stock-based compensation expense, Sales and marketing included $8.7 million of stock-based compensation expense, and general and administrative included $178.8 million. For the nine months ended September 30, 2021, $195.1 million of this stock-based compensation expense was recognized for the modification of outstanding options in connection with our IPO. We consider platform contribution to be an important measure to monitor our performance, specific to pricing of our services, direct costs of delivering care, and cost of our platform and associated services. As a provider spends a longer time on the Privia Platform, we expect the Platform Contribution from that provider to increase both in terms of absolute dollars as well as a percent of Care Margin. We expect that this increase will be driven by improving per provider revenue economics over time as well as our ability to generate operating leverage on our in-market infrastructure costs. Platform Contribution increased 44.7% for the three months ended September 30, 2021 when compared to the same period in 2020 and increased 34.8% for the nine months ended September 30, 2021 when compared to the same period in 2020 due to organic growth of our medical practice business.

Platform Contribution Margin

We define Platform Contribution Margin as Platform Contribution as a percentage of Care Margin. We consider Platform Contribution Margin to be an important measure to monitor our performance, specific to pricing of our services, direct costs of delivering care, and cost of our platform and associated services. As a provider spends a longer time on the Privia Platform, we expect the Platform Contribution from that provider to increase both in terms of absolute dollars as well as a percent of Care Margin. We expect that this increase will be driven by improving per provider revenue economics over time as well as our ability to generate operating leverage on our in-market infrastructure costs. Platform Contribution Margin was 50.6% for three months ended September 30, 2021 compared to 46.0% during the same period in 2020 and 47.0% for the nine months ended September 30, 2021 compared to 43.4% during the same period in 2020. We continue to make strategic investments to provide better service to both our patients and physicians at a pace slower than the increase in revenue.

In addition to our financial results determined in accordance with GAAP, we believe platform contribution, a non-GAAP measure, is useful in evaluating our operating performance. We use Platform Contribution to evaluate our ongoing operations and for internal planning and forecasting purposes. We believe that this non-GAAP financial measure, when taken together with the corresponding GAAP financial measures, provides meaningful supplemental information regarding our performance by excluding certain items that may not be indicative of our business, results of operations or outlook. In particular, we believe that the use of Platform Contribution is helpful to our investors as it is a metric used by management in assessing the health of our business and our operating performance.

The following table provides a reconciliation of operating income, the most closely comparable GAAP financial measure, to platform contribution:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
(unaudited and amounts in thousands)	**2021**	**2020**	**2021**	**2020**
Operating (loss) income	$ (12,809)	$ 8,543	$ (198,089)	$ 21,218
Depreciation and amortization	466	457	1,351	1,389
General and administrative	33,910	9,788	216,563	29,196
Sales and marketing	4,588	2,709	18,950	7,381
Stock-based compensation(1)	4,947	—	40,987	—
Platform contribution	$ 31,102	$ 21,497	$ 79,762	$ 59,184

(1) Amount represents stock-based compensation expense included under Cost of Platform.

Adjusted EBITDA

We define Adjusted EBITDA as net (loss) income excluding interest income, interest expense, minority interest expense / income, depreciation and amortization, stock-based compensation, severance, other one time or non-recurring expenses and the benefit from income taxes. We include Adjusted EBITDA because it is an important measure on which our management assesses and believes investors should assess our operating performance. We consider Adjusted EBITDA to be an important measure because it helps illustrate underlying trends in our business and our historical operating performance on a more consistent basis. Adjusted EBITDA has limitations as an analytical tool including: (i) Adjusted EBITDA does not reflect the impact of stock-based compensation expense or the impact of withholding shares of outstanding common stock upon vesting, and (ii) Adjusted EBITDA does not reflect interest expense on our debt or the cash requirements necessary to service interest or principal payments. Adjusted EBITDA increased 51.9% for the three months ended September 30, 2021, when compared to the same period in 2020, and 45.9% for the nine months ended September 30, 2021, when compared to the same period in 2020 due to organic growth of our medical practice business.

Adjusted EBITDA Margin

We define Adjusted EBITDA Margin as Adjusted EBITDA as a percentage of Care Margin. We included Adjusted EBITDA Margin because it is an important measure on which our management assesses and believes investors should assess our operating performance. We consider Adjusted EBITDA Margin to be an important measure because it helps illustrate underlying trends in our business and our historical operating performance on a more consistent basis. Adjusted EBITDA Margin was 22.6% for three months ended September 30, 2021 an increase from 19.5% for the same period in 2020 and 19.9% for the nine months ended September 30, 2021 an increase from 17.0% for the same period in 2020 due to organic growth of our medical practice business.

We believe that Adjusted EBITDA, when taken together with the corresponding GAAP financial measures, provides meaningful supplemental information regarding our performance by excluding certain items that may not be indicative of our business, results of operations or outlook. In particular, we believe that the use of Adjusted EBITDA is helpful to our investors as it is a metric used by management in assessing the health of our business and our operating performance.

The following table provides a reconciliation of net (loss) income attributable to the Company, the most closely comparable GAAP financial measure, to Adjusted EBITDA:

audited and amounts in thousands)		For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
		2021	2020	2021	2020
t (loss) income	$	(9,115)	$ 16,685	$ (176,251)	$ 27,380
t loss attributable to non-controlling interests		(1,776)	(85)	(2,509)	(255)
nefit from income taxes		(2,210)	(8,561)	(20,214)	(7,387)
erest expense		292	504	885	1,480
preciation and amortization		466	457	1,351	1,389
ock-based compensation		25,800	121	228,461	363
her expenses(1)		410	10	2,128	232
ljusted EBITDA	$	13,867	$ 9,131	$ 33,851	$ 23,202

Other expenses include certain non-cash or non-recurring costs.

Components of Results of Operations

Revenue

Our revenue is earned in three main categories: FFS revenue, VBC revenue and other revenue.

Our FFS-patient care revenue is generated from providing healthcare services to patients. We receive payments pursuant to contracts with the U.S. federal government and large and small payer organizations that are multi-year in nature, typically ranging from three to five years. We also receive payments from patients that may be financially responsible for a portion or all of the service in the form of co-pays, coinsurance or deductibles.

Our FFS-administrative services business provides administration and management services to Non-Owned Medical Groups. The Company's MSAs with Non-Owned Medical Groups range from 5-20 years in duration and outline the terms and conditions of the administration and management services to be provided, which includes RCM services such as billings and collections, as well as other services, including, but not limited to, payer contracting, information technology services and accounting and treasury services. In certain MSAs, the Company is paid administrative fees equal to the cost of supplying certain services as outlined in the MSAs, and if applicable, a margin is added to the cost of certain services. Other MSAs are based on a fixed percentage of net collections.

VBC revenue is earned through our clinically integrated network and accountable care organizations which bring together independent physician practices to focus on sharing data, improving care coordination, and collaborating on initiatives to improve outcomes and lower healthcare spending. The Company has contracts with the U.S. federal government and large payer organizations that are multi-year in nature typically ranging from three to five years and is paid as follows: (1) care management fees on a PMPM basis and (2) incentive amounts typically earned on a shared savings basis.

The Other revenue is derived from leveraging our existing base of providers and patients to deliver value-oriented services such as concierge services, virtual visits, virtual scribes and coding.

Operating Expenses

Physician and practice expenses

Physician payments are set payments made to physicians associated with Owned Medical Groups. These payments are set and adjusted as necessary, pursuant to the Owned Medical Groups' Board of Directors' approved guidelines with variances specifically approved by the Owned Medical Groups' Board of Directors. Practice related payments are used to cover an Affiliated Practice's staff salary and benefits, medical supplies, rent and other occupancy costs, insurance and office supplies. Affiliated Practices are not owned by the Company and the Company bears no responsibility for any losses incurred by Affiliated Practices. Affiliated Practices are paid a variable amount based on collections and the services provided.

Cost of platform

Third-party EMR and practice management software expenses are paid on a percentage of revenue basis, while we pay most of the costs of our platform on a variable basis related to the number of implemented physicians we service. In addition, expenses contain stock-based compensation related to employees that provide Cost of platform services. Software development costs that do not meet capitalization criteria are expensed as incurred. As we continue to grow, we expect the cost of platform to continue to grow at a rate slower than the revenue growth rate.

Sales and marketing

Sales and marketing expenses consist of employee-related expenses, including salaries, commissions, stock-based compensation, and employee benefits costs, for all of our employees engaged in marketing, sales, community outreach, and sales support. In addition, sales and marketing expenses also include central and community-based advertising to generate greater awareness, engagement, and retention among our current and prospective patients as well as the infrastructure required to support all of our marketing efforts.

General and administrative

Corporate, general and administrative expenses include employee-related expenses, including salaries and related costs and stock-based compensation, technology infrastructure, occupancy costs, operations, clinical and quality support, finance, legal, human resources, and development departments. We expect our general and administrative expenses to increase over time following the IPO due to the additional legal, accounting, insurance, investor relations and other costs that we will incur as a public company, as well as other costs associated with continuing to grow our business. However, we anticipate general and administrative expenses to decrease as a percentage of revenue over the long term, although they may fluctuate as a percentage of revenue from period to period due to the timing and amount of these expenses.

Depreciation and amortization expense

Depreciation and amortization expenses are primarily attributable to our capital investment and consist of fixed asset depreciation and amortization of intangibles considered to have definite lives. We do not allocate depreciation and amortization expenses to other operating expense categories.

Interest Expense

Interest expense consists primarily of interest payments on our outstanding borrowings under our Term Loan Facility. See “Liquidity and Capital Resources—General and Note Payable.”

Results of Operations

The following table sets forth our condensed consolidated statements of operations data for the three and nine months ended September 30, 2021 and 2020.

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2021	2020	Change ($)	Change (%)	2021	2020	Change ($)	Change (%)
(in thousands)								
Revenue	$ 251,524	$ 207,170	$ 44,354	21.4 %	$ 690,887	$ 603,376	$ 87,511	14.5 %
Operating expenses:								
Physician and practice expense	190,055	160,432	29,623	18.5 %	521,105	467,059	54,046	11.6 %
Cost of platform	35,314	25,241	10,073	39.9 %	131,007	77,133	53,874	69.8 %
Sales and marketing	4,588	2,709	1,879	69.4 %	18,950	7,381	11,569	156.7 %
General and administrative	33,910	9,788	24,122	246.4 %	216,563	29,196	187,367	641.8 %
Depreciation and amortization	466	457	9	2.0 %	1,351	1,389	(38)	(2.7)%
Total operating expenses	264,333	198,627	65,706	33.1 %	888,976	582,158	306,818	52.7 %
Operating (loss) income	(12,809)	8,543	(21,352)	(249.9)%	(198,089)	21,218	(219,307)	(1033.6)%
Interest expense	292	504	(212)	(42.1)%	885	1,480	(595)	(40.2)%
(Loss) income before benefit from income taxes	(13,101)	8,039	(21,140)	(263.0)%	(198,974)	19,738	(218,712)	(1108.1)%
Benefit from income taxes	(2,210)	(8,561)	6,351	(74.2)%	(20,214)	(7,387)	(12,827)	173.6 %
Net (loss) income	(10,891)	16,600	(27,491)	(165.6)%	(178,760)	27,125	(205,885)	(759.0)%
Less: Loss attributable to non-controlling interests	(1,776)	(85)	(1,691)	1989.4 %	(2,509)	(255)	(2,254)	883.9 %
Net (loss) income attributable to Privia Health Group, Inc.	$ (9,115)	$ 16,685	$ (25,800)	(154.6)%	$ (176,251)	$ 27,380	$ (203,631)	(743.7)%

Revenue

The following table presents our revenues disaggregated by source:

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
(Dollars in Thousands)	2021	2020	Change ($)	Change (%)	2021	2020	Change ($)	Change (%)
FFS-patient care	$ 200,208	$ 168,622	$ 31,586	18.7 %	$ 550,607	$ 474,816	$ 75,791	16.0 %
FFS-administrative services	16,407	14,489	1,918	13.2 %	47,162	42,663	4,499	10.5 %
Shared savings	25,333	15,905	9,428	59.3 %	62,045	49,441	12,604	25.5 %
Care management fees (PMPM)	9,376	7,024	2,352	33.5 %	27,321	20,320	7,001	34.5 %
Other revenue	200	1,130	(930)	(82.3)%	3,752	16,136	(12,384)	(76.7)%
Total Revenue	$ 251,524	$ 207,170	$ 44,354	21.4 %	$ 690,887	$ 603,376	$ 87,511	14.5 %

Three months ended September 30, 2021 and 2020.

Revenue was $251.5 million for the three months ended September 30, 2021, an increase of $44.3 million or 21.4%, compared to $207.2 million for the three months ended September 30, 2020. Key drivers of this revenue growth were FFS–patient care revenue which increased $31.6 million or 18.7%, shared savings revenue, which increased $9.4 million or 59.3%, care management fees (PMPM), which increased $2.4 million or 33.5% and FFS-administrative services which increased $1.9 million or 13.2%, partially offset by a decrease in other revenue of $0.9 million or 82.3%.

Growth in FFS-patient care revenue and FFS-administrative services was primarily attributed to an increase in visit volumes as COVID-19 restrictions, including temporary lockdowns, were lifted in certain states as well as the addition of new providers. As of September 30, 2021, we had 2,826 implemented providers compared to 2,454 as of September 30, 2020, an increase of 15.2%. Care management fees (PMPM) growth was due mainly to an increase in the total number of VBC contracts that include the payment of care management fees and an increase in Attributed Lives. Shared savings growth was primarily due to more Attributed Lives in government programs as well as performance in those programs during 2020 that was greater than previously estimated. The decrease in other revenue was driven by various immaterial items.

Nine months ended September 30, 2021 and 2020.

Revenue was $690.9 million for the nine months ended September 30, 2021, an increase of $87.5 million or 14.5% compared to $603.4 million for the nine months ended September 30, 2020. Key drivers of this revenue growth were FFS–patient care revenue which increased $75.8 million or 16.0%, shared savings revenue, which increased $12.6 million or 25.5%, care management fees (PMPM), which increased $7.0 million or 34.5% and FFS-administrative services which increased $4.5 million or 10.5%, partially offset by a decrease in other revenue of $12.4 million or 76.7%.

Growth in FFS - patient care revenue and FFS-administrative services was primarily attributed to an increase in visit volumes as COVID-19 restrictions are lifted in certain states as well as the addition of new providers. Care management fees (PMPM) growth was due mainly to an increase in the total number of VBC contracts that include the payment of care management fees and an increase in Attributed Lives. Shared savings growth was primarily due to more Attributed Lives in government programs as well as performance in those programs during 2020 that was greater than previously estimated. The decrease in other revenue was primarily driven by the grant funds received as part of the CARES Act Provider Relief Fund in 2020 as additional funds were not received in 2021 as part of the CARES Act Provider Relief Fund.

Operating Expenses

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
(Dollars in Thousands)	**2021**	**2020**	**Change ($)**	**Change (%)**	**2021**	**2020**	**Change ($)**	**Change (%)**
Operating Expenses:								
Physician and practice expense	$ 190,055	$ 160,432	$ 29,623	18.5 %	$ 521,105	$ 467,059	$ 54,046	11.6 %
Cost of platform	35,314	25,241	10,073	39.9 %	131,007	77,133	53,874	69.8 %
Sales and marketing	4,588	2,709	1,879	69.4 %	18,950	7,381	11,569	156.7 %
General and administrative	33,910	9,788	24,122	246.4 %	216,563	29,196	187,367	641.8 %
Depreciation and amortization expense	466	457	9	2.0 %	1,351	1,389	(38)	(2.7)%
Total operating expenses	$ 264,333	$ 198,627	$ 65,706	33.1 %	$ 888,976	$ 582,158	$ 306,818	52.7 %

Physician and practice expenses

Physician expenses were $190.1 million for the three months ended September 30, 2021, an increase of $29.7 million, or 18.5%, compared to $160.4 million for the three months ended September 30, 2020. This increase was driven primarily by higher FFS-patient care revenue and growth in Implemented Providers.

Physician expenses were $521.1 million for the nine months ended September 30, 2021, an increase of $54.0 million or 11.6%, compared to $467.1 million for the nine months ended September 30, 2020. This increase was driven primarily by higher FFS-patient care revenue and growth in Implemented Providers partially offset by a decrease in grant expense.

Cost of platform

Cost of platform expenses were $35.3 million for the three months ended September 30, 2021, an increase of $10.1 million, or 39.9%, compared to $25.2 million for the three months ended September 30, 2020. This increase was primarily driven by the increase of $4.9 million of stock-based compensation expense recognized during the three months ended September 30, 2021, increase in consulting costs of $2.2 million and an increased investment in salaries and benefits of $2.2 million as we continue to grow.

Cost of platform expenses were $131.0 million for the nine months ended September 30, 2021, an increase of $53.9 million, or 69.8% compared to $77.1 million for the nine months ended September 30, 2020. This increase was primarily driven by the increase of $41.0 million of stock-based compensation expense recognized during the three months ended September 30, 2021 primarily related to the modification of vesting terms of options in connection with the Company’s IPO, an increased investment in salaries and benefits of $6.1 million as we continue to grow and an increase in consulting costs of $4.6 million.

Sales and marketing

Sales and marketing expenses were $4.6 million for the three months ended September 30, 2021, an increase of $1.9 million, or 69.4%, compared to $2.7 million for the three months ended September 30, 2020. This increase was driven primarily by the increase of $1.0 million of stock-based compensation expense recognized during the three months ended September 30, 2021 and an increase in salaries and benefits of $0.7 million.

Sales and marketing expenses were $19.0 million for the nine months ended September 30, 2021, an increase of $11.6 million, or 156.7%, compared to $7.4 million for the nine months ended September 30, 2020. This increase was primarily driven by the increase of $8.7 million of stock-based compensation expense recognized during the nine months ended September 30, 2021, primarily related to the modification of vesting terms of options in connection with the Company’s IPO and an increase in salaries and benefits of $2.4 million..

General and administrative

General and administrative expenses was $33.9 million for the three months ended September 30, 2021, an increase of $24.1 million, or 246.4%, compared to $9.8 million for the three months ended September 30, 2020. The increase was primarily driven by the increase of $19.7 million of stock-based compensation expense recognized during the three months ended September 30, 2021, an increase in salaries and benefits of $2.3 million and an increase of $0.4 million in consulting services primarily related to the Company’s IPO.

General and administrative expenses were $216.6 million for the nine months ended September 30, 2021, an increase of $187.4 million, or 641.8%, compared to $29.2 million for the nine months ended September 30, 2020. This increase was primarily driven by the increase of $178.4 million of stock-based compensation expense recognized during the nine months ended September 30, 2021 primarily related to the modification of vesting terms of options in connection with the Company’s IPO, an increase in salaries and benefits of $4.3 million and an increase of $2.0 million in consulting services primarily related to the Company’s IPO.

Depreciation and amortization expense

Depreciation and amortization expenses remained relatively consistent for the three and nine months ended September 30, 2021 as compared to the same periods in 2020.

Interest expense

Interest expense was $0.3 million for the three months ended September 30, 2021, a decrease of $0.2 million, or 42.1%, compared to $0.5 million for the same period in 2020. The decrease was primarily driven by the repayment of a note payable to related parties in 2020.

Interest expense was $0.9 million for the nine months ended September 30, 2021, a decrease of $0.6 million, or 40.2%, compared to $1.5 million for the nine months ended September 30, 2020. The decrease was primarily driven by the repayment of a note payable to related parties in 2020.

Benefit from income taxes

The benefit from income taxes of $2.2 million for the three months ended September 30, 2021 decreased $6.4 million when compared to the benefit from income taxes of $8.6 million for the same period in 2020. The benefit for the three months ended September 30, 2020 is primarily the result of the removal of the valuation allowance as the weight of all positive evidence outweighs the weight of the negative evidence when evaluating the ability for the deferred tax asset to be realized in the future. The benefit for the three months ended September 30, 2021 is primarily the result of the pre-tax loss offset by the non-deductible stock-based compensation expense related to the modification of vesting terms of options in connection with the Company’s IPO and its impact on the annualized effective tax rate applied to quarter to date pretax results, in addition to the windfall tax benefit recorded on stock option exercises during the quarter..

The benefit from income taxes of $20.2 million for the nine months ended September 30, 2021 increased $12.8 million when compared to the benefit from income taxes of $7.4 million for the same period in 2020. The benefit from the nine months ended September 30, 2020 is primarily the result of the removal of the valuation allowance as the weight of all positive evidence outweighs the weight of the negative evidence when evaluating the ability for the deferred tax asset to be realized in the future. The benefit for the nine months ended September 30, 2021 is primarily the result of the pre-tax loss offset by the non-deductible stock-based compensation expense related to the modification of vesting terms of options in connection with the Company’s IPO.

Additionally, The benefit for the 3 months ended September 30, 2020 is higher than the nine months ended September 30, 2020 due to the release of the valuation allowance in the third quarter of 2020 as that is the period that the weight of all available evidence outweighed the weight of the negative evidence when evaluating the ability for the deferred tax asset to be realized in the future. Prior to the third quarter in 2020, tax expense was realized as a result of the increase in the deferred tax liability with all other deferred tax balances offset by the full valuation allowance recorded.

Net loss attributable to non-controlling interests

Net loss attributable to non-controlling interests was $1.8 million for the three months ended September 30, 2021, an increase of $1.7 million, compared to $0.1 million for the same period in 2020 and is primarily due to an increase in net loss before non-controlling interest.

Net loss attributable to non-controlling interests was $2.5 million for the nine months ended September 30, 2021, an increase of $2.2 million, compared to $0.3 million for the same period in 2020 and is primarily due to an increase in net loss before non-controlling interest.

Liquidity and Capital Resources

General

To date, we have financed our operations principally through sale of our equity, payments received from various payers and through borrowings under the Credit Facilities. As of September 30, 2021, we had cash and cash equivalents of $362.1 million. We received $211.0 million of net proceeds received from the Company's IPO and Anthem private placement on May 3, 2021. Our cash and cash equivalents primarily consist of highly liquid investments in money market funds and cash.

We believe that following our IPO, our cash and cash equivalents, together with cash flows from operations, will be sufficient to fund our operating and capital needs for at least the next 12 months. Our assessment of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement and involves risks and uncertainties. Our actual results could vary because of, and our future capital requirements will depend on, many factors, including our growth rate, and the timing and extent of spending to increase our sales and marketing activities. We may in the future enter into arrangements to acquire or invest in complementary businesses, services and technologies, including intellectual property rights. We have based this estimate on assumptions that may prove to be wrong, and we could use our available capital resources sooner than we currently expect. We may be required to seek additional equity or debt financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital when desired, or if we cannot expand our operations or otherwise capitalize on our business opportunities because we lack sufficient capital, our business, results of operations, and financial condition would be adversely affected.

Indebtedness

On December 31, 2018, we assumed $8.7 million in notes payable to related parties as part of a merger with a sister organization. The notes mature on dates ranging from December 2020 to December 2021 and have interest rates ranging from 1.25% to 2.93%. On October 31, 2020, $4.0 million of related party receivables was used to repay $4.0 million of the notes payable to related parties, leaving $4.7 million of notes payable to related parties. The Company paid interest of $0.2 million through October 31, 2020. In addition, on December 22, 2020, the remaining $4.7 million of notes payable to related parties was forgiven and assigned to BHG Holdings, leaving no remaining notes payable to related parties outstanding.

On November 15, 2019, the Company entered into a Credit Agreement (the "Original Credit Agreement") by and among Privia Health, LLC, as the borrower, PH Group Holdings Corp., as a guarantor, certain subsidiaries of the Privia Health, LLC, as guarantors, Silicon Valley Bank, as administrative agent and collateral agent (the "Administrative Agent"), and the several lenders from time to time party thereto. The Original Credit Agreement provided for up to $35.0 million in term loans (the "Term Loan Facility") that mature on November 15, 2024 with interest payable monthly at the lesser of LIBOR plus 2.0% or ABR plus 1.0% payable monthly (3.0% at March 31, 2021), plus up to an additional $10.0 million of financing (which was increased to $15.0 million in connection with the first amendment) in the form of a revolving loan (the "Revolving Loan Facility" and together with the Term Loan Facility, the "Credit Facilities"). We borrowed $35.0 million in term loans on November 15, 2019. During the first year of any loans, the Original Credit Agreement allowed for early repayment of part or all of the term loans in increments of $0.5 million with a pre-payment fee of 1% of any debt prepaid. After the first year from any borrowing, the debt may be repaid without the pre-payment fee.

During August 2021, the Company and certain of its subsidiaries entered into an assumption agreement and third amendment (the "Third Amendment") to the Original Credit Agreement (as amended by the Third Amendment, the "Credit Agreement").

The Third Amendment increased the size of the Revolving Loan Facility to $65.0 million, increased the letter of credit sub-facility to $5.0 million and extended the maturity date of the Credit Facilities to August 27, 2026. As amended, borrowings under the Credit Facilities bear interest at a rate equal to (i) in the case of eurodollar loans, LIBOR plus an applicable margin, subject to a 0.5% floor, and (ii) in the case of ABR loans, an ABR rate plus an applicable margin, subject to a floor of 1.5%. In addition, the Amendment, among other things, (i) changed the Term Loan Facility amortization schedule to 0.625% of the original principal amount of term loans for the fiscal quarters ending September 30, 2021 through and including June 30, 2024 and 1.25% of the original principal amount of term loans for the fiscal quarters ending thereafter and (ii) added a 1.0% prepayment premium for any term loans prepaid within six months of the effective date of the Third Amendment. The Third Amendment converted the financial covenants in the Original Credit Agreement to “springing” financial covenants, so that at any time our cash is less than 125% of the outstanding borrowings under the Credit Facilities, or at least $15.0 million of borrowings are outstanding under the Revolving Loan Facility, we will be required to maintain (i) a consolidated fixed charge coverage ratio of not less than 1.25 to 1.0, and (ii) a consolidated leverage ratio of no more than 3.0 to 1.0. As of September 30, 2021, we had $33.5 million aggregate principal amount of indebtedness outstanding under the Term Loan Facility, and no borrowings under the Revolving Loan Facility. We were in compliance with our debt covenants as of September 30, 2021.

Cash Flows

The following table presents a summary of our condensed consolidated cash flows from operating, investing and financing activities for the periods indicated.

	For the Nine Months Ended September 30,	
(in thousands)	2021	2020
Condensed Consolidated Statements of Cash Flows Data:		
Net cash provided by operating activities	$ 67,378	$ 42,230
Net cash used in investing activities	(396)	(380)
Net cash provided by (used in) financing activities	210,497	(548)
Net increase in cash and cash equivalents	$ 277,479	$ 41,302

Operating Activities

Net cash provided by operating activities was $67.4 million for the nine months ended September 30, 2021, an increase of $25.2 million, compared to $42.2 million for the same period in 2020. Significant changes impacting net cash provided by operating activities for the nine months ended September 30, 2021 compared to the same period in 2020 were as follows:

- Increase in (loss) of $(205.9) million from income of $27.1 million of net income during the nine months ended September 30, 2020 to $(178.8) million of net loss during the same period in 2021, primarily driven by the recognition of $228.5 million of stock-based compensation expense related to the modification of vesting terms of options in connection with the Company’s IPO.
- Decrease of $10.8 million in the increase related to accounts receivable, net, which was an increase for the nine months ended September 30, 2021 of $0.7 million compared to the same period in 2020 of $(10.1) million, primarily driven by an increase in accounts receivable, net due to an increase in FFS and VBC revenue.
- Decrease of $(12.6) million related to deferred tax benefit, which was an increase for the nine months ended September 30, 2021 of $(20.4) million as compared to the loss in the same period in 2020 of $(7.8) million, primarily due to the tax benefit generated as a result of the stock-based compensation expense related to the modification of vesting terms of options in connection with the Company’s IPO, which the majority is not currently deductible for tax purposes.

Investing Activities

Net cash used in investing activities remained relatively consistent for the nine months ended September 30, 2021 and 2020 and related to purchases of property and equipment in both periods.

Financing Activities

Net cash provided by financing activities was $210.5 million for the nine months ended September 30, 2021, an increase of $211.0 million, compared to $(0.5) million used for financing activities for the same period in 2020. This increase primarily related net proceeds from the Company’s IPO of $211.0 million during nine months ended September 30, 2021, and net proceeds from stock options exercised of $0.6 million.

Contractual Obligations, Commitments and Contingencies

Operating Leases. The Company leases office space under various operating lease agreements. The initial terms of these leases range from 2 to 7 years and generally provide for periodic rent increases, renewal, and termination operations. Total rent expense under operating leases was $0.5 million and $0.6 million for the three months ended September 30, 2021 and 2020, respectively, and $1.4 million and $1.8 million for the nine months ended September 30, 2021 and 2020, respectively.

Off Balance Sheet Obligations. We do not have any off-balance sheet arrangements as of September 30, 2021.

Commitments and Contingencies. See Note 11 "Commitments and Contingencies" for further discussion on our commitments and contingencies.

Critical Accounting Policies and Estimates

Our management's discussion and analysis of financial condition and results of operations is based on our condensed consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosure. On an on-going basis we evaluate significant estimates and assumptions, including, but not limited to, revenue recognition, stock-based compensation, estimated useful lives of assets, intangible assets subject to amortization, and the computation of income taxes. Future events and their effects cannot be predicted with certainty; accordingly, the Company's accounting estimates require the exercise of judgment. The accounting estimates used in the preparation of the financial statements will change as new events occur, as more experience is acquired, as additional information is obtained, and as the Company's operating environment changes. Management evaluates and updates assumptions and estimates on an ongoing basis. Actual results may differ from these estimates under different assumptions or conditions.

There have been no changes to the critical accounting policies reported in the Prospectus that affect our significant judgments and estimates used in the preparation of our Condensed Consolidated Financial Statements other than those outlined in Note 1, "Organization and Summary of Significant Accounting Policies."

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of exposure due to potential changes in inflation or interest rates. We do not hold financial instruments for trading purposes.

Interest Rate Risk

Our primary market risk exposure is changing prime rate-based interest rates. Interest rate risk is highly sensitive due to many factors, including U.S. monetary and tax policies, U.S. and international economic factors and other factors beyond our control. Our Credit Agreement bears interest at a floating rate equal to the lesser of LIBOR plus 2.0% or ABR plus 1.0%. As of September 30, 2021, we had total outstanding debt of $33.5 million in principal amount under the Loan Agreement. Based on the amount outstanding, a 100 basis point increase or decrease in market interest rates over a twelve-month period would result in a change to interest expense of $0.3 million.

Inflation Risk

Based on our analysis of the periods presented, we believe that inflation has not had a material effect on our operating results. There can be no assurance that future inflation will not have an adverse impact on our operating results and financial condition.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures were effective as of September 30, 2021.

Changes to our Internal Controls over Financial Reporting

There were no changes made to the Company's internal control over financial reporting during the three and nine months ended September 30, 2021 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are currently involved in, and may in the future become involved in, legal proceedings, claims and investigations in the ordinary course of our business, including medical malpractice and consumer claims. Although the results of these legal proceedings, claims and investigations cannot be predicted with certainty, we do not believe that the final outcome of any matters that we are currently involved in are reasonably likely to have a material adverse effect on our business, financial condition or results of operations. 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 or interim rulings.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed in the Prospectus.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Use of Proceeds from Initial Public Offering

On May 3, 2021, we completed our IPO pursuant to a Registration Statement (File No. 333-255086), which was declared effective on April 28, 2021. The Registration Statement registered an aggregate of 22,425,000 shares of our common stock at an aggregate offering price of $515.8 million. In the offering, we sold 5,725,000 shares of common stock at an aggregate offering price of $131.7 million and our majority stockholder sold 16,700,000 shares of our common stock at an aggregate offering price of $384.1 million. The number of shares sold by us included the full exercise of the underwriters' option to purchase up to an additional 2,925,000 shares of common stock from us. Goldman Sachs & Co. LLC and J.P. Morgan Securities LLC acted as representatives of the underwriters for the offering. The offering commenced on April 26, 2021 and did not terminate before all of the securities registered in the Registration Statement were sold.

We received net proceeds of approximately $211.0 million from the IPO and Anthem private placement after deducting underwriters' discounts and commissions of $7.9 million and expenses of $4.8 million payable by us. There has been no material change in the use of proceeds as described in the Prospectus.

ITEM 3. DEFAULT UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

Item 6. EXHIBITS

Exhibit Number	Description
10.1	Assumption Agreement and Third Amendment to the Credit Agreement, dated August 27, 2021, by and among Privia Health Group, Inc., as parent guarantor, Privia Health, LLC, as the borrower, certain other subsidiaries of Privia Health Group, Inc., as guarantors, Silicon Valley Bank, as administrative agent and collateral agent, and the several lenders from time to time party thereto (including conformed copy of the Credit Agreement attached as Exhibit B thereto). (incorporated by reference to Exhibit 10. 1 to the Company's Current Report on Form 8-K filed on August 30, 2021)
10.11	Amendment No. 1 to the Registration Rights Agreement between Privia Health Group, Inc. and the other signatories party thereto dated October 29, 2021
31.1	Certification of the Chief Executive Officer pursuant to Exchange Act Rules Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
31.2	Certification of the Chief Financial Officer pursuant to Exchange Act Rules Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
32.1*	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, filed herewith.
32.2*	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, filed herewith.
101.INS	XBRL Instance Document **
101.SCH	XBRL Taxonomy Schema **
101.CAL	XBRL Taxonomy Definition **
101.DEF	XBRL Taxonomy Calculation **
101.LAB	XBRL Taxonomy Labels **
101.PRE	XBRL Taxonomy Presentation **

* The certifications furnished in Exhibit 32.1 and Exhibit 32.2 hereto are deemed to accompany this Quarterly Report on Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that the registrant specifically incorporates it by reference.

** The financial information contained in these XBRL documents is unaudited.

SIGNATURES

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

	Privia Health Group, Inc.
Dated: November 08, 2021	/s/ David Mountcastle
	Name: David Mountcastle
	Title: Chief Financial Officer and Authorized Officer

AMENDMENT NO. 1 TO
REGISTRATION RIGHTS AGREEMENT

This Amendment No. 1 (this "**Amendment**"), effective as of October 29, 2021, is made to that certain Registration Rights Agreement, dated as of May 2, 2021 (this "**Agreement**"), by and among Privia Health Group, Inc., a Delaware corporation (the "**Company**"), Brighton Health Group Holdings, LLC, and the parties listed on Schedule I thereto.

W I T N E S S E T H:

WHEREAS, the Company desires to revise Schedule I to the Agreement.

WHEREAS, Section 3.08 permits the Company and the requisite number of holders specified therein to amend the Agreement.

NOW, THEREFORE, the Agreement is hereby amended as follows:

I. Amendment. Schedule I to the Agreement is amended by the addition of the following text:

"14. Thomas Bartrum

15. David Mountcastle"

II. No Other Modification. Except as modified and amended herein, all other terms and provisions of the Agreement will remain in full force and effect.

III. Joinder. By executing this Amendment, each of Thomas Bartrum and David Mountcastle hereby agree, severally and not jointly, to become a party to, to be bound by, and to comply with the provisions of the Agreement as a Holder in the same manner as if each were an original signatory to the Agreement.

[*The remainder of page intentionally left blank. Signature page follows.*]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first written above.

PRIVIA HEALTH GROUP, INC.

By: /s/ Thomas Bartrum
Name: Thomas Bartrum
Title: General Counsel

[*Signature Page to Registration Rights Agreement*]

BROAD STREET PRINCIPAL INVESTMENTS, L.L.C.

By: /s/ William Y. Eng
Name: William Y. Eng
Title: Vice President

MBD 2013 HOLDINGS, L.P.

BY: MBD ADVISORS, L.L.C., ITS GENERAL PARTNER

By: /s/ William Y. Eng
Name: William Y. Eng
Title: Vice President

BRIDGE STREET 2013 HOLDINGS, L.P.

BY: BRIDGE STREET OPPORTUNITY ADVISORS, L.L.C., ITS GENERAL PARTNER

By: /s/ William Y. Eng
Name: William Y. Eng
Title: Vice President

PAMPLONA CAPITAL PARTNERS III, L.P.

By: Pamplona Equity Advisors III Ltd., its general partner

By: /s/ Wade Kenney
Name: Wade Kenney
Title: Director

[*Signature Page to Registration Rights Agreement*]

/s/ Jeffrey B. Butler

Jeffrey B. Butler

[*Signature Page to Registration Rights Agreement*]

NATIONAL INVESTMENT GROUP, INC.

By: /s/ Robert Haft

Name: Robert Haft,

Title: Manager

[*Signature Page to Registration Rights Agreement*]

HEP PRIVIA INVESTORS, LLC

By: /s/ David P. Tamburri

Name: David P. Tamburri

Title: President & Secretary

[*Signature Page to Registration Rights Agreement*]

BRIGHTON FAMILY, LLC

By: /s/ William M. Sullivan

Name: William M. Sullivan

Title: Managing Member

[*Signature Page to Registration Rights Agreement*]

/s/ David Rothenberg

David Rothenberg

[*Signature Page to Registration Rights Agreement*]

CHP III, L.P.

By: CHP III Management, LLC, its general partner

By: /s/ John J. Park

Name: John J. Park

Title: Managing Member

Address for Notices:

Cardinal Partners

230 Nassau Street

Princeton, NJ 08542

Attn: John Park

Email: johnpark@cardinalpartners.com

SOUTH BEDFORD COMPANY LLC

By: /s/ Scott Hayworth

Name: Scott Hayworth, MD

Title: Managing Director, South Bedford Company

Address for Notices:
90 South Bedford Rd.
Mount Kisco, NY 10549

[*Signature Page to Registration Rights Agreement*]

By: /s/ Shawn Morris

Name: Shawn Morris

Address for Notices:

By: /s/ Parth Mehrotra

Name: Parth Mehrotra

Address for Notices:

[*Signature Page to Registration Rights Agreement*]

/s/ Thomas Bartrum

Thomas Bartrum

[*Signature Page to Registration Rights Agreement*]

/s/ David Mountcastle
David Mountcastle

[*Signature Page to Registration Rights Agreement*]

Exhibit 31.1

Certification Pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, Shawn Morris, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Privia Health 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)) 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. 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
   c. 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 08, 2021

/s/ Shawn Morris

Shawn Morris

Chief Executive Officer

Exhibit 31.2

Certification Pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, David Mountcastle, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Privia Health 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)) 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. 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
   c. 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 08, 2021

/s/ David Mountcastle
David Mountcastle
Chief Financial Officer and Authorized Officer

Certification of the Chief Executive Officer

Pursuant to Rule 18 U.S.C. Section 1350

In connection with the Quarterly Report on Form 10-Q of Privia Health Group, Inc. (the “Company”) for the period ended September 30, 2021, as filed with the U.S. Securities and Exchange Commission (the “Report”), I, Shawn Morris, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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 08, 2021	/s/ Shawn Morris
		Shawn Morris
		Chief Executive Officer

Exhibit 32.2

Certification of the Chief Financial Officer

Pursuant to Rule 18 U.S.C. Section 1350

In connection with the Quarterly Report on Form 10-Q of Privia Health Group, Inc. (the “Company”) for the period ended September 30, 2021, as filed with the U.S. Securities and Exchange Commission (the “Report”), I, David Mountcastle, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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 08, 2021

/s/ David Mountcastle
David Mountcastle
Chief Financial Officer and Authorized Officer