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 March 31, 2023

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 April 28, 2023, the registrant had outstanding 115,662,314 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," "could," "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 with 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 personal information is subject to various federal and state privacy and security regulations and our use, disclosure, and other processing of protected health information is subject to the Health Insurance Portability and Accountability Act of 1996;
- the continued availability of qualified workforce, including staff at our Medical Groups, and the continued upward pressure on compensation for such workforce; and
- other risk factors described in our annual report on Form 10-K for the year ended December 31, 2022 and our other filings with the Securities and Exchange Commission ("SEC").

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)

	March 31, 2023	December 31, 2022
Assets	(unaudited)	
Current assets:		
Cash and cash equivalents	$ 311,229	$ 347,992
Accounts receivable	260,881	189,604
Prepaid expenses and other current assets	16,667	14,366
Total current assets	588,777	551,962
Non-current assets:		
Property and equipment, net	3,095	3,386
Right-of-use asset	7,618	8,089
Intangible assets, net	97,637	57,387
Goodwill	135,050	126,938
Deferred tax asset	38,503	40,368
Other non-current assets	4,663	4,683
Total non-current assets	286,566	240,851
Total assets	$ 875,343	$ 792,813
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 46,300	$ 52,837
Provider liability	260,368	208,424
Operating lease liabilities, current	3,021	3,013
Total current liabilities	309,689	264,274
Non-current liabilities:		
Operating lease liabilities, non-current	7,788	8,490
Other non-current liabilities	1,345	1,000
Total non-current liabilities	9,133	9,490
Total liabilities	318,822	273,764
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Common stock, $0.01 par value, 1,000,000,000 and 1,000,000,000 shares authorized; 115,469,961 and 114,690,808 shares issued and outstanding at March 31, 2023 and December 31, 2022, respectively	1,159	1,148
Additional paid-in capital	721,486	714,639
Accumulated deficit	(209,369)	(216,693)
Total Privia Health Group, Inc. stockholders' equity	513,276	499,094
Non-controlling interest	43,245	19,955
Total stockholders' equity	556,521	519,049
Total liabilities and stockholders' equity	$ 875,343	$ 792,813

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 March 31, 2023	2022
Revenue	$ 386,276	$ 313,801
Operating expenses:		
Provider expense	302,255	242,187
Cost of platform	44,730	41,272
Sales and marketing	5,286	4,661
General and administrative	25,951	36,110
Depreciation and amortization	1,340	1,118
Total operating expenses	379,562	325,348
Operating income (loss)	6,714	(11,547)
Interest (income) expense, net	(1,813)	232
Income (loss) before provision for income taxes	8,527	(11,779)
Provision for income taxes	2,125	6,308
Net income (loss)	6,402	(18,087)
Less: loss attributable to non-controlling interests	(922)	(577)
Net income (loss) attributable to Privia Health Group, Inc.	$ 7,324	$ (17,510)
Net income (loss) per share attributable to Privia Health Group, Inc. stockholders – basic and diluted	$ 0.06	$ (0.16)
Weighted average common shares outstanding – basic	115,009,010	108,059,064
Weighted average common shares outstanding – diluted	124,328,964	108,059,064

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

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, 2021	107,837,741	$ 1,078	$ 633,902	$ (208,108)	$ 426,872	$ 23,309	$ 450,181
Issuance of common stock upon exercise of stock options	435,030	5	794	—	799	—	799
Stock-based compensation expense	—	—	24,881	—	24,881	—	24,881
Contributed non-controlling interest	—	—	—	—	—	125	125
Net loss	—	—	—	(17,510)	(17,510)	(577)	(18,087)
Balance at March 31, 2022	108,272,771	$ 1,083	$ 659,577	$ (225,618)	$ 435,042	$ 22,857	$ 457,899
Balance at Balance at December 31, 2022	114,690,808	$ 1,148	$ 714,639	$ (216,693)	$ 499,094	$ 19,955	$ 519,049
Issuance of common stock upon exercise of stock options and vesting of restricted stock units	779,153	11	1,466	—	1,477	—	1,477
Stock-based compensation expense	—	—	5,381	—	5,381	—	5,381
Contributed non-controlling interest	—	—	—	—	—	24,212	24,212
Net income (loss)	—	—	—	7,324	7,324	(922)	6,402
Balance at March 31, 2023	115,469,961	$ 1,159	$ 721,486	$ (209,369)	$ 513,276	$ 43,245	$ 556,521

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 Three Months Ended March 31,	
	2023	2022
Cash flows from operating activities		
Net income (loss)	$ 6,402	$ (18,087)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation	291	306
Amortization of intangibles	1,049	812
Amortization of debt issuance costs	—	38
Stock-based compensation	5,381	24,881
Deferred tax expense	1,865	6,308
Changes in asset and liabilities:		
Accounts receivable	(71,277)	(48,836)
Prepaid expenses and other current assets	(2,301)	(1,694)
Other non-current assets and right-of-use asset	493	1,679
Accounts payable and accrued expenses	(6,537)	(1,742)
Provider liability	51,944	31,616
Operating lease liabilities	(694)	(601)
Net cash used in operating activities	(13,384)	(5,320)
Cash from investing activities		
Purchases of property and equipment	—	(34)
Business Acquisitions, net of cash acquired	(24,856)	—
Net cash used in investing activities	(24,856)	(34)
Cash flows from financing activities		
Repayment of note payable	—	(219)
Proceeds from exercised stock options	1,477	799
Proceeds from non-controlling interest	—	125
Net cash provided by financing activities	1,477	705
Net decrease in cash and cash equivalents	(36,763)	(4,649)
Cash and cash equivalents at beginning of period	347,992	320,577
Cash and cash equivalents at end of period	$ 311,229	$ 315,928
Supplemental disclosure of cash flow information:		
Interest paid	$ 22	$ 368

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. ("Privia Health", "Privia", the "Company") 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 (the "Privia Platform").

The Company uses the same operational and financial model in each market. As of March 31, 2023, Privia operates in thirteen markets: 1) the Mid-Atlantic Region (states of Virginia, Maryland and the District of Columbia); 2) Georgia; 3) the Gulf Coast Region (Houston, Texas); 4) North Texas (Dallas/Fort Worth, Texas); 5) West Texas (Abilene, Texas); 6) Central Florida; 7) Tennessee; 8) California; 9) Montana; 10) Ohio; 11) North Carolina; 12) Delaware; and 13) Connecticut.

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 four where the Company is at least the majority owner.

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 provider 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 months ended March 31, 2023, are not indicative of the results to be expected for the full fiscal year ending December 31, 2023. The condensed consolidated balance sheet at December 31, 2022, was derived from audited annual financial statements but does not contain all disclosures required by accounting principles generally accepted in the United States of America. 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. If the Company determines that an entity in which it holds a contractual, or ownership, interest is a VIE and that the Company is the primary beneficiary, the Company consolidates such entity in its consolidated financial statements. The primary beneficiary of a VIE is the party that meets both of the following criteria: (i) has the power to make decisions that most significantly affect the economic performance of the VIE; and (ii) has the obligation to absorb losses or the right to receive benefits that in either case could potentially be significant to the VIE. Management performs ongoing reassessments of whether changes in the facts and circumstances regarding the Company's involvement with a VIE will cause the consolidation conclusion to change. Changes in consolidation status are applied prospectively.

The Company has relationships with medical groups in which the Company has no ownership interests, which are either (a) owned 100% by Privia Physicians ("Non-Owned Medical Groups") or (b) majority owned, indirectly through a professional entity by a licensed physician holding a Privia leadership position ("Friendly Medical Groups"). Each of our Medical Groups (e.g., Owned Medical Groups, Non-Owned Medical Groups and Friendly Medical Groups) contracts with the Privia Physician's historic practice entity, which no longer furnishes healthcare services (the "Affiliated Practice") whereby the Affiliated Practice provides certain subcontracted services to the Medical Groups to allow the Medical Group to operate at the practice location.

The Company evaluated its relationship with (a) Non-Owned Medical Groups (not including Friendly Medical Groups) and and their Affiliated Practices, (b) Friendly Medical Groups and their Affiliated Practices, and (c) 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 (whether those of Owned Medical Groups, Non-Owned Medical Groups or Friendly Medical Groups); nor does the Company have an ownership in Non-Owned Medical Groups. The PMSA and support services agreement ("SSA") entered by Non-Owned Medical Groups and Friendly 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. For Friendly Medical Groups, in addition to the MSA, the Company has a contractual relationship, evidenced by a restriction agreement (each a "Restriction Agreement") with its Nominee Physicians and their respective Friendly Medical Groups. 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). However, management has determined, based on the provisions of the Restriction Agreement on the Nominee Physician (Friendly PC), the governing documents of the Friendly Medical Groups, and after considering the requirements of ASC 810, that the Company should consolidate the financial position or results of operations of the Friendly Medical Groups and the friendly PCs.

ASC 810 requires the Company to consolidate the financial position, results of operations and cash flows of a Non-Owned Medical Group affiliated by means of a service agreement if the Non-Owned Medical Group is a VIE and the Company is its primary beneficiary. An Affiliated Practice would be considered a VIE if (a) it is thinly capitalized (i.e., the equity is not sufficient to fund the Non-Owned Medical Group's activities without additional subordinated financial support) or (b) the equity holders of the Non-Owned Medical Group as a group have one of the following four characteristics: (i) lack the power to direct the activities that most significantly affect the Non-Owned Medical Group's economic performance, (ii) possess non-substantive voting rights, (iii) lack the obligation to absorb the Non-Owned Medical Group's expected losses, or (iv) lack the right to receive the Non-Owned Medical Group's expected residual returns.

The characteristics of both (a) and (b) do not exist and as such the 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 service agreement for the three months ended March 31, 2023 and 2022. Each time that it 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 the SSA, and the Company determined they do not represent VIEs as they do not meet the criteria in ASC 810 for similar reasons outlined above.

The Company, however, does meet the criteria for consolidation of the Friendly Medical Groups based on the discussion above.

In February 2023, the Company announced a partnership with Community Medical Group, the largest Clinically Integrated Network ("CIN") in Connecticut with approximately 1,100 multi-specialty providers, to launch Privia Quality Network Connecticut ("PQN-CT"). The Company performed an analysis as noted above and determined that PQN- CT does not represent a VIE as it does not meet the criteria in ASC 810, but the entity is consolidated because Privia owns a majority of the voting interest in the entity.

Privia Medical Group – West Texas, PLLC, ("PMG West Texas") is a physician-owned Medical Group, with PMG West Texas Holdings, PLLC ("Friendly WTX PC"), a Texas professional limited liability company entirely owned by a licensed physician with a leadership role in the Company, owning majority membership interests and having governance and control rights via the governing documents of PMG West Texas. The Company has a contractual relationship with Friendly WTX PC through a Restriction Agreement. The VIE analysis was performed, and the Company determined that characteristic (b) exists as a result of meeting (ii) and (iv) and as such, PMG West Texas and Friendly WTX PC do represent VIEs and are consolidated as they do meet the criteria in ASC 810.

Privia Medical Group Tennessee, PLLC ("PMG-TN" is a physician owned Medical Group, with PMG-TN Physicians, PLLC, a Tennessee professional limited liability company entirely owned by a licensed physician with a leadership role in the Company ("Friendly TN PC"), owning majority membership interests therein and having governance and control rights via the governing documents of PMG-TN. Again, the same analysis was performed, and the Company determined that characteristic (b) exists as a result of meeting (ii) and (iv) and as such, PMG-TN and Friendly TN PC do represent VIEs as they do meet the criteria in ASC 810.

The aggregated carrying value of the Company's VIE's for both the current assets and liabilities included in the consolidated balance sheets after elimination of intercompany transactions were $2.1 million as of March 31, 2023 and $1.4 million as of December 31, 2022.

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 the Company evaluates 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.

Business Combination

Accounting for business combinations requires us to allocate the fair value of purchase considerations to the tangible assets acquired, liabilities assumed, and intangible assets acquired based on their estimated fair values, which were determined primarily using the income method. The excess of the fair value of purchase consideration over the fair values of these identified assets and liabilities is recorded as goodwill. Such valuations require us to make significant estimates and assumptions, especially at the acquisition date with respect to intangible assets. Significant estimates in valuing certain intangible assets include, but are not limited to, revenue growth rates, medical claims expense, cost of care expenses, operating expenses, discount rate, contract terms and useful life from acquired assets.

Our estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. Allocation of purchase consideration to identifiable assets and liabilities affects the Company's amortization expense, as acquired finite-lived intangible assets are amortized over the useful life, whereas any indefinite lived intangible assets, including goodwill, are not amortized. During the measurement period, which is not to exceed one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings. During February 2023, Company completed an acquisition to expand into a new market. The consideration paid for each of the acquisitions was derived through arm's length negotiations. The Company's acquisition was accounted for using the acquisition method pursuant to the requirements of FASB ASC Topic 805, *Business Combinations* ("ASC 805"). The results of operations of the acquisition have been included in the Company's consolidated financial statements since their respective date of acquisition. For additional details, refer to Note 3 "Business Combinations."

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, LLC, Privia Management Company Montana, LLC, BASS Privia Management Company of California, LLC, Privia Management Company West Texas, LLC, Privia Management Company North Carolina, LLC, Privia Management Company of Ohio, LLC, Privia Services Company Connecticut, LLC, Privia Quality Network Connecticut, LLC, Privia Quality Network Delaware, LLC 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 consolidated financial statements for the year ended December 31, 2022 in the Annual Form 10-K. During the three months ended March 31, 2023, there were no significant changes to those accounting policies and estimates.

Recently Adopted Accounting Pronouncements

None.

Recently Issued Accounting Pronouncements Pending Adoption

None.

2. Revenue Recognition

The following table presents our revenues disaggregated by source:

	For the Three Months Ended March 31,	
(Dollars in Thousands)	2023	2022
FFS-patient care	$ 227,789	$ 204,344
FFS-administrative services	26,396	23,006
Capitated revenue	78,260	48,330
Shared savings	43,928	27,959
Care management fees	8,558	8,804
Other revenue	1,345	1,358
Total revenue	$ 386,276	$ 313,801

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 revenue received for healthcare services we provided for the periods indicated:

	For the Three Months Ended March 31,	
	2023	2022
Commercial insurers	69 %	71 %
Government payers	14 %	14 %
Patient	17 %	15 %
	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 primarily earned through contracts for Capitated revenue, Shared savings and Care management fees. Capitated revenue is generated through what is typically known as an "at-risk contract." At-risk capitation refers to a model in which the Company receives a fixed monthly payment from the third-party payer in exchange for providing healthcare services to attributed beneficiaries. The Company is responsible for providing or paying for the cost of healthcare services required by those attributed beneficiaries for a set of services. At-risk Capitated revenue is recorded at the total amount gross in revenues because the Company is acting as a principal in arranging for, providing, and controlling the managed healthcare services provided to the attributed lives. Shared savings revenue and Care management fees are generated through 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)	March 31, 2023	December 31, 2022
Balances for contracts with customers		
Accounts receivable	$ 260,881	$ 189,604

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. Business Combinations

During February 2023, the Company entered into the Connecticut market through the acquisition of Privia Quality Network Connecticut ("PQN-CT"), whereby Privia acquired a majority ownership in PQN-CT. The acquisition was accounted for using the acquisition method pursuant to the requirements of ASC 805. The results of operations of the acquisition have been included in the Company's consolidated financial statements since the date of acquisition. Unaudited proforma consolidated financial information for the acquisition during the three months ended March 31, 2023 have not been included as the results are immaterial.

The purchase price for the acquisition was allocated as follows:

(Dollars in thousands)		Total Acquisitions as of March 31, 2023
Cash paid	$	24,856
Other Liabilities		344
Total consideration	$	25,200
Payer contract intangible		41,300
Goodwill		8,112
Fair value of non-controlling interests		(24,212)
Total acquired net assets	$	25,200

The goodwill relating to this acquisition is primarily attributable to synergies related to the assembled workforce. Goodwill is measured as the excess of the consideration transferred over the fair value of assets acquired and liabilities assumed on the acquisition date.

4. Goodwill and Intangible Assets, Net

For the purposes of the goodwill impairment assessment, the Company as a whole is considered to be a reporting unit. The Company recognizes the excess of the purchase price, plus the fair value of any non-controlling interests in the acquiree, over the fair value of identifiable net assets acquired as goodwill. The Company performs a qualitative assessment on goodwill at least annually or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may not be recoverable. If it is determined in the qualitative assessment that the fair value of a reporting unit is more likely than not below its carrying amount, then the Company will perform a quantitative impairment test. The quantitative goodwill impairment test is performed by comparing the fair value of a reporting unit with its carrying amount. Any excess in the carrying value of a reporting unit's goodwill over its fair value is recognized as an impairment loss, limited to the total amount of goodwill allocated to that reporting unit. The Company's carrying value of goodwill at March 31, 2023 and December 31, 2022 was approximately $135.1 million and $126.9 million, respectively. No indicators of impairment were identified during the three months ended March 31, 2023 and 2022.

During February 2023, the Company entered into the Connecticut market through the acquisition of Privia Quality Network Connecticut ("PQN-CT"), whereby Privia acquired majority ownership in PQN-CT. During the three months ended March 31, 2023 the Company recorded Goodwill of $8.1 million in connection with the acquisition, which represents the excess of the purchase price over the fair value of the net assets acquired.

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

	March 31, 2023				December 31, 2022			
(Dollars in thousands)		Intangible Assets		Accumulated Amortization		Intangible Assets		Accumulated Amortization
Trade names	$	4,600	$	1,974	$	4,600	$	1,917
Consumer customer relationships		2,500		2,145		2,500		2,083
PMG customer relationships		600		215		600		208
Management Service Agreement (Complete MD)		2,200		1,031		2,200		997
Physician network		1,520		152		1,520		127
Payer contracts		2,750		196		2,750		164
MSO Service Agreement (BPMC)		51,800		3,694		51,800		3,087
Payer contracts (PQN-CT)		41,300	$	226		—	$	—
		107,270	$	9,633		65,970	$	8,583
Less accumulated amortization		(9,633)				(8,583)		
Intangible assets, net	$	97,637			$	57,387		

The remaining weighted average life of all amortizable intangible assets is approximately 19.3 years at March 31, 2023.

Amortization expense for intangible assets was approximately $1.0 million and $0.8 million for the three months ended March 31, 2023 and 2022, respectively.

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

	(Dollars in Thousands)
Remainder of 2023	$ 3,915
2024	5,147
2025	4,965
2026	4,965
2027	4,965
Thereafter	73,680
Total	$ 97,637

5. Property and Equipment, Net

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

(Dollars in Thousands)	March 31, 2023	December 31, 2022
Furniture and fixtures	$ 1,402	$ 1,402
Computer equipment	1,657	1,657
Leasehold improvements	4,855	4,855
	7,914	7,914
Less accumulated depreciation and amortization	(4,819)	(4,528)
Property and equipment, net	$ 3,095	$ 3,386

6. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following:

(Dollars in Thousands)	March 31, 2023	December 31, 2022
Accounts payable	$ 6,950	$ 6,731
Accrued employee compensation and benefits	6,805	6,177
Bonuses payable	2,937	15,203
Other accrued expenses	29,608	24,726
Total accounts payable and accrued expenses	$ 46,300	$ 52,837

7. Provider Liability

Provider liability, represents costs payable to physicians, hospitals and other ancillary providers, including both Privia physicians, their related physician practices, and providers the Company has contracted with through payer partners. Those costs include amounts that have not yet been paid for physician guaranteed payments and other required distributions pursuant to the service agreements as well as medical claims costs for services provided to attributed beneficiaries for which the Company is financially responsible under at-risk Capitated revenue arrangements whether paid directly by the Company or indirectly by payers with whom the Company has contracted. Provider expenses are recognized in the period in which services are provided and include estimates of claims that have been incurred but have either not yet been received, processed, or paid and as such, not reported.

Provider liability estimates are developed using actuarial methods commonly used by health insurance actuaries that include a number of factors and assumptions including medical service utilization trends, changes in membership, observed medical cost trends, historical claim payment patterns and other factors.

Each period, the Company re-examines previously established provider liability estimates based on actual claim submissions and other changes in facts and circumstances. As more complete claims information becomes available, the Company adjusts its estimates and recognizes those changes in estimates in the period in which the change is identified. The difference between the estimated liability and the actual settlements of claims is recognized in the period in which the claims are settled. The Company's provider liability balance represents management's best estimate of its liability for unpaid Provider expenses as of March 31, 2023 and 2022. The Company uses judgment to determine the appropriate assumptions for developing the required estimates.

The Company's liabilities for unpaid medical claims under at-risk capitation arrangements, which are included in Provider liability in the Company's condensed consolidated balance sheets, were as follows:

(Dollars in Thousands)	March 31, 2023	2022
Balance, beginning of period	$ 28,617	$ —
Incurred health care costs		
Current year	75,632	48,330
Prior years	3,268	—
Total claim incurred	$ 78,900	$ 48,330
Claims Paid		
Current year	(29,716)	(33,476)
Prior years	(28,079)	—
Total claims paid	$ (57,795)	$ (33,476)
Adjustments to other claims-related liabilities	—	—
Other service physician service agreement adjustments	—	—
Balance, end of period	$ 49,722	$ 14,854

8. Note Payable

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 the guarantor, certain subsidiaries of Privia Health, LLC, as guarantors, Silicon Valley Bank, as administrative agent and collateral agent (the "Administrative Agent"). 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.

On March 16, 2023, the Company provided notice to terminate the Credit Agreement. As of March 16, 2023, the Company had no borrowings and no letters of credit outstanding under the Credit Agreement. The Company did not incur any early termination penalties in connection with the termination of the Credit Agreement.

9. Income Taxes

The Company recorded a provision for income tax of $2.1 million and $6.3 million for the three months ended March 31, 2023 and 2022, respectively. This represents an effective tax rate of 25.0% and (53.6)% as of March 31, 2023 and 2022, respectively. The effective tax rates for the three months ended March 31, 2023, and 2022, respectively, differ from the statutory U.S. federal income tax rate of 21% primarily due to 162(m) limitations, state income taxes, and excess tax benefits related to equity award vesting and exercise events.

Management considers both positive and negative evidence when evaluating the recoverability of our deferred tax assets ("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 March 31, 2023 and December 31, 2022, 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.

10. Stockholders' Equity

Novant Health Private Placement

On March 2, 2023, Privia Health Group, Inc. (the "Company") entered into a strategic alignment agreement (the "Equity Alignment Agreement") with ChoiceHealth, Inc. ("Novant Sub"), a subsidiary of Novant Health, Inc. ("Novant Health"), in connection with the strategic partnership between the Company and Novant Health entered into in November 2022 to launch Privia Medical Group — North Carolina.

Pursuant to the Equity Alignment Agreement, Novant Sub will be entitled to receive, and the Company agreed to issue, shares of the Company's common stock, par value $0.01 per share (the "Common Stock"), to Novant Sub any time each of the following events occurs, in the following amounts:

1. The Company will issue 745,712 shares of Common Stock to Novant Sub each time Privia Medical Group — North Carolina implements 1,000 providers in specified markets in North Carolina.
2. The Company will issue 372,856 shares of Common Stock to Novant Sub each time the Company and Novant Health enter a new state pursuant to a mutually agreed business plan developed for such state.

3. The Company will issue 745,712 shares of Common Stock to Novant Sub each time the partnership between the Company and Novant Health for each new state implements 1,000 providers in specified core markets in such state.

The Equity Alignment Agreement will renew every four years, subject to the delivery of a third-party valuation opinion. The renewal will be required to use the same issuance triggers, but the number of shares may be adjusted to be consistent with the valuation opinion. The number of shares of Common Stock issuable to Novant Sub under the Equity Alignment Agreement and all renewals of the Equity Alignment Agreement will be subject to a total cap equal to 19.9% of the total number of shares of Common Stock outstanding as of the effective date of the Equity Alignment Agreement and as of the effective date of all renewals, whichever is lowest.

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"). 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. The Company recognized stock-based compensation of $195.1 million in the second quarter of 2021 related to these modifications and recognized 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 PH Parent Option 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 March 31, 2023, the Company has reserved 1,027,858 shares of common stock for issuance under the 2021 ESPP. As of March 31, 2023, no shares have been issued under this plan.

Stock option activity

The following table summarizes stock option activity under the PH Parent Option Plan and 2021 Plan:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value (in thousands)
Balance at December 31, 2022	13,176,721	$ 7.86	9.02	$ 197,695
Granted	—	—		
Exercised	(639,713)	2.01		
Forfeited	(140,161)	23.00		
Balance at March 31, 2023	12,396,847	$ 7.99	8.60	$ 243,650
Exercisable March 31, 2023	8,841,190	$ 2.06	8.85	$ 225,943

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, 2022	2,404,664	$ 23.81
Granted	—	—
Vested	(101,457)	25.56
Forfeited	(99,890)	24.04
Unvested and outstanding at March 31, 2023	2,203,317	$ 23.72

Stock-based compensation expense

Total stock-based compensation expense for the three months ended March 31, 2023 and 2022, was approximately $5.4 million and $24.9 million, respectively. At March 31, 2023, there was approximately $57.8 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 1.2 years.

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

	For the Three Months Ended March 31,	
(Dollars in Thousands)	**2023**	**2022**
Cost of platform	$ 2,107	$ 4,623
Sales and marketing	400	788
General and administrative	2,874	19,470
Total stock-based compensation	$ 5,381	$ 24,881

11. Related-Party Transactions

On November 3, 2022, the Company announced a strategic partnership with Novant Health Enterprises, a division of Novant Health, to launch Privia Medical Group – North Carolina for independent providers throughout North Carolina. A member of our board of directors is a member of the board of trustees of Novant Health. No revenue or expense was recognized related to Novant Health for the three months ended March 31, 2023.

12. Commitments and Contingencies

There are no material commitments and contingencies as of March 31, 2023 and December 31, 2022.

13. 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. Our cash and cash equivalents primarily consist of highly liquid investments in money market funds and cash.

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 73% and 74% of such payments for the three month periods ended March 31, 2023 and 2022, 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 March 31, 2023 and December 31, 2022, the Company had six payers within the network that made up approximately 70% and 67% of accounts receivable, respectively.

14. Net Income (Loss) Per Share

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

	For the Three Months Ended March 31,	
(in thousands, except for share and per share amounts)	**2023**	**2022**
Net income (loss) attributable to Privia Health Group, Inc. common stockholders	$ 7,324	$ (17,510)
Weighted average common shares outstanding - basic	115,009,010	108,059,064
Weighted average common share outstanding - diluted	124,328,964	108,059,064
Earnings (loss) per share attributable to Privia Health Group, Inc. common stockholders – basic and diluted	$ 0.06	$ (0.16)

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

	Three Months Ended March 31,	
	2023	**2022**
Potentially dilutive stock options to purchase common stock and RSUs	5,280,210	20,815,106
Total potentially dilutive shares	5,280,210	20,815,106

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 payers in all of our markets and all Privia Providers are credentialed with such health insurance payers.

Under our standard model, Privia Physicians join the Medical Group in their geographic market as an owner of the Medical Group. Certain of our Medical Groups are Owned Medical Groups, 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 Non-Owned Medical Groups or Friendly Medical Groups. Privia Physicians who owned their own practices prior to joining Privia continue to own their Affiliated Practices, but those Affiliated Practices no longer furnish healthcare services. 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 provide management services to each Medical Group through 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. 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 and the owned ACOs.

We also offer Privia Care Partners, a more flexible provider affiliation model, to providers who do not desire to join one of our medical groups. This model aggregates providers in certain of our existing markets as well as new markets who are looking solely for VBC solutions without the necessity of changing EMR providers. We furnish population health services, reporting and analytics to such providers along with a menu of management services from which providers may choose.

GAAP Financial Measures

- Revenue was $386.3 million and $313.8 million for the three months ended March 31, 2023 and 2022, respectively;
- Gross profit was $83.0 million and $70.8 million for the three months ended March 31, 2023 and 2022, respectively;
- Operating income (loss) was $6.7 million and $(11.5) million for the three months ended March 31, 2023 and 2022, respectively; and
- Net income (loss) attributable to Privia Health Group, Inc. was $7.3 million and $(17.5) million, for the three months ended March 31, 2023 and 2022, respectively.

Key Metrics and Non-GAAP Financial Measures

- Practice Collections were $658.9 million and $561.9 million for the three months ended March 31, 2023 and 2022, respectively;
- Care Margin was $84.0 million and $71.6 million for the three months ended March 31, 2023 and 2022, respectively;
- Platform Contribution was $41.4 million and $35.0 million for the three months ended March 31, 2023 and 2022, respectively; and
- Adjusted EBITDA was $16.9 million and $14.8 million for the three months ended March 31, 2023 and 2022, respectively.

See “Key Metrics and Non-GAAP Financial Measures” below 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 gross profit, the most comparable GAAP measure, to Care Margin, gross profit, the most comparable GAAP measure, to Platform Contribution, and net income (loss), the most comparable GAAP measure, to Adjusted EBITDA.

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, through capitated revenue, shared savings (including surplus payments, shared savings, total cost of care budget payments and similar payments) and care management fees (including care management fees, management services fees, care coordination fees and all other similar administrative fees), 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 59.0% and 65.1% of total revenue for the three months ended March 31, 2023 and 2022, respectively. FFS-administrative services revenue represented 6.8% and 7.3% of total revenue for the three months ended March 31, 2023 and 2022, 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) Capitated revenue earned by providing healthcare services to Medicare Advantage attributed beneficiaries for a defined group of services to include professional, institutional and pharmacy through a contract that is typically known as an “at-risk contract,” (ii) Shared savings earned based on improved quality and lower cost of care for our attributed lives in VBC incentive arrangements and (iii) 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. VBC revenue represented 33.8% and 27.1% of total revenue for the three months ended March 31, 2023 and 2022, 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 0.3% and 0.4% of total revenue for the three months ended March 31, 2023 and 2022, respectively.

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 have 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.

In November 2022, the Company announced a strategic partnership with Novant Health Enterprises, a division of Novant Health, to launch Privia Medical Group – North Carolina in order to offer community physicians and provider groups throughout North Carolina with resources to reduce administrative burden and enable care insights and collaboration, as well as to support their transition to value-based care.

In January 2023, the Company announced a partnership with Beebe Healthcare, a not-for-profit community healthcare system located in Sussex County, Delaware, to launch an ACO in that state.

In February 2023, the Company announced a partnership with Community Medical Group, the largest Clinically Integrated Network ("CIN") in Connecticut with approximately 1,100 multi-specialty providers, to launch Privia Quality Network of Connecticut ("PQN-CT"). We acquired a majority ownership in PQN-CT. During the three months ended March 31, 2023 we recorded Goodwill of $8.1 million in connection with the acquisition, which represents the excess of the purchase price over the fair value of the net assets acquired.

In March 2023, The company announced signing of definitive agreements forming a strategic partnership with OhioHealth, a nationally recognized, not-for-profit, charitable, healthcare outreach of the United Methodist Church, to launch Privia Medical Group – Ohio for community physicians throughout the state of Ohio.

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 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.

Our 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.

Privia Health launched three new ACOs in the first quarter of 2023, expanding the total number of Privia-owned ACOs to ten, serving beneficiaries across the District of Columbia and eleven states, including California, Connecticut, Delaware, Florida, Georgia, Maryland, Montana, North Carolina, Tennessee, Texas, and Virginia.

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.

We launched Privia Care Partners on January 1, 2022 to offer a more flexible affiliation model for providers who do not desire to join one of our medical groups. This model aggregates providers solely for VBC contracts without the necessity for providers to change EHRs. We furnish population health services, reporting and analytics to such providers along with a menu of management services from which providers may choose. As of January 1, 2023, approximately 350 providers with more than 42,000 attributed lives are participating in the Privia Care Partners model.

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 March 31,	
	2023	2022
Implemented Providers (as of end of period)	3,716	3,370
Attributed Lives (in thousands) (as of end of period)	1,037	848
Practice Collections [1] ($ in millions)	$ 658.9	$ 561.9

(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 10.3% as of March 31, 2023 compared to March 31, 2022, due to organic growth in our healthcare delivery business as well as entrance into Montana markets.

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. The number of Attributed Lives is an important measure that impacts the amount of VBC revenue we receive. Attributed Lives increased 22.3% as of March 31, 2023 compared to March 31, 2022, due to the entrance into the Delaware and Connecticut Markets, as well as organic growth.

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. FFS arrangements accounted for 76.9% and 81.7% of our practice collections for the three months ended March 31, 2023 and 2022, respectively, while VBC accounted for 23.0% and 18.1% of practice collections for the three months ended March 31, 2023 and 2022, respectively.

Practice Collections increased 17.3% for the three months ended March 31, 2023 when compared to the same period in 2022, due mainly to organic growth of our healthcare delivery business, our at-risk Capitated revenue contracts and as well as entrance into the Connecticut markets.

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.

In the third quarter of 2022, we changed the definition of Adjusted EBITDA to exclude employer taxes on equity vesting/exercise. In prior periods, this amount was considered de minimis and the Adjusted EBITDA amounts were not adjusted. Employer payroll tax expense related to employee stock transactions are tied to the vesting or exercise of underlying equity awards and the price of our common stock at the time of vesting, which varies in amount from period to period and is dependent on market forces that are often beyond our control. As a result, management excludes this item from our internal operating forecasts and models. Management believes that non-GAAP measures adjusted for employer payroll taxes on employee stock transactions provide investors with a basis to measure our core performance against the performance of other companies without the variability created by employer payroll taxes on employee stock transactions as a result of the stock price at the time of employee exercise.

	For the Three Months Ended March 31,	
(amounts in thousands, except for percentages)	**2023**	**2022**
Care Margin [1] ($)	$ 84,021	$ 71,614
Platform Contribution [1] ($)	$ 41,398	$ 34,965
Platform Contribution Margin [1] (%)	49.3%	48.8%
Adjusted EBITDA [1] ($)	$ 16,864	$ 14,801
Adjusted EBITDA Margin [1] (%)	20.1%	20.7%

(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 Gross Profit, the most comparable GAAP measure, to Care Margin, Gross Profit the most comparable GAAP measure, to Platform Contribution, and net income (loss), the most comparable GAAP measure, to Adjusted EBITDA.

Care Margin

We define Care Margin as Gross Profit excluding amortization of intangible assets. Gross Profit is defined as total revenue less provider expenses and amortization of intangible assets. 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 17.3% for the three months ended March 31, 2023 when compared to the same period in 2022 due to organic growth of our medical practice business. As a percentage of revenue, Care Margin decreased to 21.8% for the three months ended March 31, 2023 from 22.8% for the same period in 2022 due to the addition of new at-risk capitation arrangements during the first quarter of 2023.

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 gross profit, the most closely comparable GAAP financial measure, to Care Margin.

	For the Three Months Ended March 31,	
(unaudited and amounts in thousands)	**2023**	**2022**
Revenue	$ 386,276	$ 313,801
Provider expense	(302,255)	(242,187)
Amortization of intangible assets	(1,049)	(812)
Gross Profit	$ 82,972	$ 70,802
Amortization of intangibles assets	1,049	812
Care margin	$ 84,021	$ 71,614

Platform Contribution

We define Platform Contribution as Gross Profit, excluding amortization of intangible assets, less Cost of platform and excluding stock-based compensation expense included in Cost of platform. The following table provides a reconciliation of gross profit, the most closely comparable GAAP financial measure, to Platform Contribution. 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 18.4% for the three months ended March 31, 2023 when compared to the same period in 2022 due to organic growth of our medical practice business and new market entry.

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

	For the Three Months Ended March 31,	
(unaudited and amounts in thousands)	**2023**	**2022**
Revenue	$ 386,276	$ 313,801
Provider expense	(302,255)	(242,187)
Amortization of intangibles assets	(1,049)	(812)
Gross Profit	$ 82,972	$ 70,802
Amortization of intangibles assets	1,049	812
Cost of platform	(44,730)	(41,272)
Stock-based compensation[1]	2,107	4,623
Platform contribution	$ 41,398	$ 34,965

[1] Amount represents stock-based compensation expense included in Cost of Platform.

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 49.3% for three months ended March 31, 2023 compared to 48.8% during the same period in 2022. 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.

Adjusted EBITDA

We define Adjusted EBITDA as net income (loss) excluding interest income, interest expense, non-controlling interest expense / income, depreciation and amortization, stock-based compensation, severance, other one time or non-recurring expenses, employer taxes on equity vesting/exercises and the provision for 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, 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 13.9% for the three months ended March 31, 2023, when compared to the same period in 2022 due to organic growth of our medical practice business and growth in our value based care 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 20.1% for three months ended March 31, 2023 a decrease from 20.7% for the same period in 2022 due to the addition of new at-risk capitation arrangements and investments in new markets during the first quarter of 2023.

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 income (loss) attributable to the Company, the most closely comparable GAAP financial measure, to Adjusted EBITDA:

(unaudited and amounts in thousands)	**For the Three Months Ended March 31, 2023**	**2022**
Net income (loss)	$ 7,324	$ (17,510)
Net loss attributable to non-controlling interests	(922)	(577)
Provision for income taxes	2,125	6,308
Interest (income) expense, net	(1,813)	232
Depreciation and amortization	1,340	1,118
Stock-based compensation	5,381	24,881
Other expenses[1]	3,429	349
Adjusted EBITDA	$ 16,864	$ 14,801

[1] Other expenses include employer taxes on equity vesting/exercises, legal, severance and certain non-recurring costs. Employer taxes on equity vesting/exercises of $0.3 million were recorded for the three months ended March 31, 2023.

Components of Results of Operations

Revenue

As noted above under “Our Revenue,” revenue is earned in three main categories: FFS revenue, VBC revenue and other revenue.

Operating Expenses

Provider expenses

Provider expenses are amounts accrued or payments made to physicians, hospitals and other service providers, including Privia physicians, their related physician practices, and providers the Company has contracted with through payer partners. Those costs include physician guaranteed payments and other required distributions pursuant to the service agreements as well as medical claims costs for services provided to attributed beneficiaries under at-risk Capitated revenue arrangements for which the Company is financially responsible whether paid directly by the Company or indirectly by payers with whom the Company has contracted. Provider expenses are recognized in the period in which services are 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 but exclude any depreciation and amortization expense. 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.

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 (income) expense

Interest (income) expense consists primarily of interest earned by the Company, offset by interest payments (including deferred financing costs) 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 months ended March 31, 2023 and 2022.

	For the Three Months Ended March 31,			
	2023	2022	Change ($)	Change (%)
(in thousands)				
Revenue	$ 386,276	$ 313,801	$ 72,475	23.1 %
Operating expenses:				
Provider expense	302,255	242,187	60,068	24.8 %
Cost of platform	44,730	41,272	3,458	8.4 %
Sales and marketing	5,286	4,661	625	13.4 %
General and administrative	25,951	36,110	(10,159)	(28.1)%
Depreciation and amortization	1,340	1,118	222	19.9 %
Total operating expenses	379,562	325,348	54,214	16.7 %
Operating income (loss)	6,714	(11,547)	18,261	(158.1)%
Interest (income) expense, net	(1,813)	232	(2,045)	(881.5)%
Income (loss) before provision for income taxes	8,527	(11,779)	20,306	(172.4)%
Provision for income taxes	2,125	6,308	(4,183)	(66.3)%
Net income (loss)	6,402	(18,087)	24,489	(135.4)%
Less: loss attributable to non-controlling interests	(922)	(577)	(345)	59.8 %
Net income (loss) attributable to Privia Health Group, Inc.	$ 7,324	$ (17,510)	$ 24,834	(141.8)%

Revenue

The following table presents our revenues disaggregated by source:

(Dollars in Thousands)	For the Three Months Ended March 31, 2023	2022	Change ($)	Change (%)
FFS-patient care	$ 227,789	$ 204,344	$ 23,445	11.5 %
FFS-administrative services	26,396	23,006	3,390	14.7 %
Capitated revenue	78,260	48,330	29,930	61.9 %
Shared savings	43,928	27,959	15,969	57.1 %
Care management fees (PMPM)	8,558	8,804	(246)	(2.8)%
Other Revenue	1,345	1,358	(13)	(1.0)%
Total Revenue	$ 386,276	$ 313,801	$ 72,475	23.1 %

Three months ended March 31, 2023 and 2022

Revenue was $386.3 million for the three months ended March 31, 2023, an increase from $313.8 million for the three months ended March 31, 2022. Key drivers of this revenue growth were an increase in capitated revenue of $29.9 million during the three months ended March 31, 2022; FFS–patient care revenue, which increased $23.5 million; shared savings revenue, which increased $15.9 million and FFS-administrative services, which increased $3.4 million.

Growth in FFS-patient care revenue and FFS-administrative services was primarily attributed to the addition of new providers and increase in visit volume. As of March 31, 2023, we had 3,716 implemented providers compared to 3,370 as of March 31, 2022. Capitated revenue growth is due to the addition of new arrangements during the first quarter of 2023. Shared savings growth was primarily due to more Attributed Lives in Medicare programs as well as continued strong performance in our value based care programs.

Operating Expenses

(Dollars in Thousands)	For the Three Months Ended March 31, 2023	2022	Change ($)	Change (%)
Operating Expenses:				
Provider expense	$ 302,255	$ 242,187	$ 60,068	24.8 %
Cost of platform	44,730	41,272	3,458	8.4 %
Sales and marketing	5,286	4,661	625	13.4 %
General and administrative	25,951	36,110	(10,159)	(28.1)%
Depreciation and amortization expense	1,340	1,118	222	19.9 %
Total operating expenses	$ 379,562	$ 325,348	$ 54,214	16.7 %

Provider expenses

Provider expenses were $302.3 million for the three months ended March 31, 2023 compared to $242.2 million for the same period in 2022. This increase was driven primarily by higher FFS-patient care revenue and growth in Implemented Providers and the addition of new capitated arrangements during the first quarter of 2023.

Cost of platform

Cost of platform expenses were $44.7 million for the three months ended March 31, 2023 compared to $41.3 million for the same period in 2022. The increase was driven by an increase in platform costs of $3.2 million, primarily related to an increase in implemented providers and an increase in salaries and benefits of $3.4 million related to continued growth during the three months ended March 31, 2023 compared the same period in 2022, partially offset by a decrease of $2.5 million in stock-based compensation expense primarily related to the remaining pre-IPO stock option awards becoming fully vested during the fourth quarter of 2022.

Sales and marketing

Sales and marketing expenses were $5.3 million for the three months ended March 31, 2023 compared to $4.7 million for the same period in 2022. The increase was driven by an increase in salaries and benefits of $0.5 million during the three months ended March 31, 2023 compared to the same period in 2022.

General and administrative

General and administrative expenses was $26.0 million for the three months ended March 31, 2023 compared to $36.1 million for the same period in 2022. The decrease was driven by the reduction of $16.6 million in stock-based compensation expense during the three months ended March 31, 2023 compared to the same period in 2022, primarily related to the remaining pre-IPO stock option awards becoming fully vested during the fourth quarter of 2022, partially offset by an increase in non-recurring expense of $2.4 million and an increase in salaries and benefits of $1.3 million.

Depreciation and amortization expense

Depreciation and amortization expenses were $1.3 million for the three months ended March 31, 2023 compared to $1.1 million for the same period in 2022. This increase was primarily driven by amortization of intangible assets related to the acquisition of Privia Quality Network Connecticut ("PQN-CT") during the first quarter of 2023.

Interest (income) expense, net

Interest (income) expense was a net interest income amount of $(1.8) million for the three months ended March 31, 2023 compared to $0.2 million of interest expense for the same period in 2022. This change was primarily the result of the repayment of the Term Loan Facility at the end of June 2022 and the increase in the rate of interest earned on cash in our bank accounts.

Provision for income taxes

The provision for income taxes was $2.1 million for the three months ended March 31, 2023, a decrease from $6.3 million for the same period in 2022. The provision for income taxes for the three months ended March 31, 2023 is primarily the result of the pre-tax income offset by windfall tax benefits recorded on stock option exercises and RSU vesting during the quarter. The provision for income taxes for the three months ended March 31, 2022 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 during the second quarter of 2021 in addition to the windfall tax benefit recorded on stock option exercises during the quarter.

Net loss attributable to non-controlling interests

Net loss attributable to non-controlling interests was $0.9 million for the three months ended March 31, 2023, an increase from $0.6 million compared to the same period in 2022. The change was primarily related to investments in new markets.

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 March 31, 2023, we had cash and cash equivalents of $311.2 million. Our cash and cash equivalents primarily consist of highly liquid investments in money market funds and cash.

We believe that our cash and cash equivalents, including the proceeds from the IPO, together with cash flows from operations, will provide adequate resources to fund our short-term and long-term operating and capital needs. 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 in the future seek a credit facility with a financial institution for long term capital structure flexibility, and 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 August 27, 2021, the Company and certain of its subsidiaries entered into an assumption agreement and third amendment (the "Third Amendment") to the Credit Agreement, dated as of November 15, 2019 (as amended by the Third Amendment, the "Credit Agreement") by and among the Company, certain of the Company's subsidiaries, as guarantors, and Silicon Valley Bank, as administrative agent, collateral agent and lender, providing for a term loan (the "Term Loan Facility") and a revolving loan (the "Revolving Loan Facility"). 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 bore 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.

On June 24, 2022, we voluntarily prepaid all outstanding indebtedness under the Term Loan Facility under the Credit Agreement using cash on hand.

On March 16, 2023, we provided notice to terminate the Credit Agreement.

As of March 16, 2023, we had no borrowings and no letters of credit outstanding under the Revolving Loan Facility. We did not incur any early termination penalties in connection with the termination of the Credit Agreement.

We believe we do not have any near-term credit facility needs given our available cash balance. However, we do plan to evaluate the need for a credit facility in the future as it would provide additional long term capital structure flexibility.

Cash Flows

Our cash requirements within the next twelve months include provider liabilities, accounts payable and accrued liabilities, and purchase commitments and other obligations. We expect the cash required to meet these obligations to be primarily generated through cash flows from operations and our available cash. Based on current and anticipated levels of operations, we anticipate that net cash provided by operating activities, together with the available cash on hand at March 31, 2023, should be adequate to meet anticipated cash requirements for the short term (next 12 months) and long term (beyond 12 months).

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

	For the Three Months Ended March 31,	
(in thousands)	**2023**	**2022**
Condensed Consolidated Statements of Cash Flows Data:		
Net cash used in operating activities	$ (13,384)	$ (5,320)
Net cash used in investing activities	(24,856)	(34)
Net cash provided by financing activities	1,477	705
Net decrease in cash and cash equivalents	$ (36,763)	$ (4,649)

Operating Activities

Net cash used in operating activities was $13.4 million for the three months ended March 31, 2023, an increase from $5.3 million for the same period in 2022. Significant changes impacting net cash used in operating activities for the three months ended March 31, 2023 compared to the same period in 2022 were as follows:

- A decrease in loss of $24.5 million from income of $6.4 million for the three months ended March 31, 2023 compared to loss of $(18.1) million for the same period in 2022, primarily driven by the decrease in stock-based compensation expense during the three months ended March 31, 2023 when compared to the same period in 2022, primarily related to the remaining pre-IPO stock option awards becoming fully vested during the fourth quarter of 2022.
- An increase of $(71.3) million in accounts receivable, for the three months ended March 31, 2023 compared to the same period in 2022 of $(48.8) million, a difference of $(22.5) million. The increase is primarily driven by the addition of new at-risk capitation arrangements during the three months ended March 31, 2023 and an increase in FFS and VBC revenue.
- An increase of $51.9 million in provider liability for the three months ended March 31, 2023 compared to an increase of $31.6 million during the same period in 2022, a difference of $20.3 million. The increase is primarily due to an increase in provider expense related to shared savings and new at-risk capitation arrangements during the three months ended March 31, 2023.
- A decrease of $(4.4) million in deferred tax expense which was a decrease for the provision for income tax for the three months ended March 31, 2023 of $1.9 million compared to a decrease for the provision for income tax for the same period in 2022 of $6.3 million. The decrease is primarily driven by the impact of non-deductible stock-based compensation expense.

Investing Activities

Net cash used in investing activities was $24.9 million for the three months ended March 31, 2023 compared to a de minimis amount during the same period in 2022, primarily due to Privia's investment in one new market during the first quarter of 2023.

Financing Activities

Net cash provided by financing activities was $1.5 million for the three months ended March 31, 2023, an increase from net cash provided of $0.7 million for financing activities for the same period in 2022. This increase primarily related to an increase in proceeds from stock options exercised of $0.7 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 9 years and generally provide for periodic rent increases, renewal, and termination operations. Total rent expense under operating leases was $0.7 million for both the three months ended March 31, 2023 and 2022.

Off Balance Sheet Obligations. We do not have any off-balance sheet arrangements as of March 31, 2023.

Commitments and Contingencies. See Note 12 "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 2022 Annual Form 10-K 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 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. As of March 31, 2023, the Company had no borrowing agreements and no letters of credit in place.

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 March 31, 2023.

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 months ended March 31, 2023 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 Company's Annual Report on Form 10-K filed with the SEC, except as set forth below:

Adverse developments affecting the financial services industry could adversely affect our business operations, financial condition and results of operations.

On March 10, 2023, SVB was closed by the California Department of Financial Protection and Innovation, which immediately appointed the Federal Deposit Insurance Corporation ("FDIC") as receiver. On March 12, 2023, the U.S. Treasury, Federal Reserve, and FDIC announced that SVB depositors would have access to all of their money starting March 13, 2023. We maintain our cash and cash equivalents in accounts with financial institutions that exceed insured limits. Market conditions can impact the viability of these institutions. In the event of failure of any of the financial institutions where we maintain our cash and cash equivalents, we could lose our deposits in excess of the federally insured or protected amounts and there can be no assurance that we will be able to access uninsured funds in a timely manner or at all.

Widespread investor concerns regarding the U.S. or international financial systems could result in less favorable commercial financing terms, including higher interest rates or costs and tighter financial and operating covenants, or systemic limitations on access to credit and liquidity sources, thereby making it more difficult for us to obtain financing on acceptable terms or at all. On March 16, 2023, we provided notice to terminate our credit agreement with SVB, and, as a result, we do not currently have a revolving loan facility. If we are unable to obtain new debt financing when needed, it could, among other risks, adversely impact our ability to meet our operating expenses or fulfill our other obligations.

In addition, if any parties with whom we conduct business, including our customers and vendors, are unable to access funds pursuant to such instruments or lending arrangements with such a financial institution, their ability to pay their obligations to us or to enter into new commercial arrangements with us could be adversely affected. Any of these impacts, or any other impacts resulting from or related to the factors described above, could have material adverse impacts on our business operations, financial condition and results of operations.

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

Novant Health Private Placement

On March 2, 2023, Privia Health Group, Inc. (the "Company") entered into a strategic alignment agreement (the "Equity Alignment Agreement") with ChoiceHealth, Inc. ("Novant Sub"), a subsidiary of Novant Health, Inc. ("Novant Health"), in connection with the strategic partnership between the Company and Novant Health entered into in November 2022 to launch Privia Medical Group — North Carolina.

Pursuant to the Equity Alignment Agreement, Novant Sub will be entitled to receive, and the Company agreed to issue, shares of the Company's common stock, par value $0.01 per share (the "Common Stock"), to Novant Sub any time each of the following events occurs, in the following amounts:

1. The Company will issue 745,712 shares of Common Stock to Novant Sub each time Privia Medical Group — North Carolina implements 1,000 providers in specified markets in North Carolina.
2. The Company will issue 372,856 shares of Common Stock to Novant Sub each time the Company and Novant Health enter a new state pursuant to a mutually agreed business plan developed for such state.
3. The Company will issue 745,712 shares of Common Stock to Novant Sub each time the partnership between the Company and Novant Health for each new state implements 1,000 providers in specified core markets in such state.

The Equity Alignment Agreement will renew every four years, subject to the delivery of a third-party valuation opinion. The renewal will be required to use the same issuance triggers, but the number of shares may be adjusted to be consistent with the valuation opinion. The number of shares of Common Stock issuable to Novant Sub under the Equity Alignment Agreement and all renewals of the Equity Alignment Agreement will be subject to a total cap equal to 19.9% of the total number of shares of Common Stock outstanding as of the effective date of the Equity Alignment Agreement and as of the effective date of all renewals, whichever is lowest.

Any issuance of Common Stock to Novant Sub will not be registered under the Securities Act of 1933, as amended (the "Securities Act"), and will be made in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act.

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	Form of PSU Award Agreement under the 2021 Omnibus Incentive Plan
10.2	Strategic Alignment Agreement, dated as of March 2, 2023, by and between Privia Health Group, Inc. and ChoiceHealth, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 7, 2023)
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 **
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)**

* 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: May 04, 2023	/s/ David Mountcastle
	Name: David Mountcastle
	Title: Executive Vice President, Chief Financial Officer and Authorized Officer

Exhibit 10.1

PRIVIA HEALTH GROUP, INC.
2021 OMNIBUS INCENTIVE PLAN

NOTICE OF PERFORMANCE STOCK UNIT AWARD

[DATE]

Privia Health Group, Inc., a Delaware corporation (the "**Company**"), has granted the individual listed below as the Participant, effective as of the Grant Date (as set forth below), an award of Performance Stock Units (the "**PSUs**" or the "**Award**") under the Privia Health Group, Inc. 2021 Omnibus Incentive Plan (as amended from time to time, the "**Plan**"). The Award is subject to the terms and conditions set forth in this award grant letter (this "**Grant Letter**") and the Performance Stock Unit Award Agreement attached hereto as Exhibit A (including all exhibits and appendices thereto) (the "**Award Agreement**" and, together with this Grant Letter, this "**Agreement**").

Unless otherwise defined in this Agreement, capitalized terms shall have the meanings assigned to them in the Plan. In the event of a conflict among the provisions of the Plan, this Agreement and any descriptive materials provided to the Participant, the provisions of the Plan will prevail.

AWARD TERMS

Participant:	[●]
Target Number of Performance Stock Units:	[●]
Maximum Number of Performance Stock Units:	[●]
Grant Date:	[●] (the "**Grant Date**")
Performance Period:	[●]
Vesting:	Subject to the terms and conditions of the Award Agreement, the PSUs shall vest as provided in Exhibit B.

Please review this Agreement and let us know if you have any questions about this Agreement, the Award or the Plan. You are advised to consult with your own tax advisors in respect of any tax consequences arising in connection with this Award.

If you have questions please contact Kristen Hall, the Company's Deputy General Counsel, via email at kristen.hall@priviahealth.com. Otherwise, please provide your signature and address where indicated below.

EXHIBIT A

PRIVIA HEALTH GROUP, INC.
2021 OMNIBUS INCENTIVE PLAN

PERFORMANCE STOCK UNIT AWARD AGREEMENT

This Performance Stock Unit Award Agreement (together with all exhibits, schedules and appendices hereto, this "**Award Agreement**"), dated as of the date of the Grant Letter, is by and between the Company, and the individual listed in the Grant Letter as the Participant.

WHEREAS, the Company has granted the Award to the Participant under the Plan, effective as of the Grant Date, and the Participant hereby accepts the Award, in each case, subject to the terms and conditions of the Plan and this Agreement; and

WHEREAS, by accepting the Award and entering into this Agreement, the Participant acknowledges having received and read a copy of the Plan and agrees to comply with it, this Agreement and all applicable laws and regulations.

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein, and for other good and valuable consideration, the parties hereto agree as follows.

1. *Grant of Award*. The Company has granted to the Participant on the Grant Date an award of performance stock units ("**PSUs**") as set forth in the Grant Letter, subject to the terms and conditions of the Plan and this Agreement. This Award is granted under the Plan, the provisions of which are incorporated herein by reference and made a part of this Agreement.

2. *Issuance of PSUs*. Each PSU shall represent the right to receive a Share upon the vesting of such PSU, as determined in accordance with and subject to the terms of this Agreement and the Plan. Prior to actual payment of any vested PSUs, such PSUs will represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company.

3. *Terms and Conditions*. It is understood and agreed that the Award evidenced hereby is subject to the following terms and conditions:

(a) *Vesting of Award*. Subject to Section[s] 4[, 5 and 10], the Award shall vest and become non-forfeitable in accordance with <u>Exhibit B</u>.

(b) *Voting Rights*. The Participant shall have no voting rights or any other rights as a stockholder of the Company with respect to the PSUs unless and until the Participant becomes the record owner of the Shares, including Dividend Shares (as defined below) to the extent applicable, underlying such PSUs.

(c) *Dividend Shares*. If a dividend is paid on Shares during the period commencing on the Grant Date and ending on the date on which the Shares underlying the PSUs are distributed to the Participant pursuant to Section 3(c), the Participant shall be eligible to receive an amount equal to the dividend that the Participant would have received had the Shares underlying the PSUs been distributed to the Participant immediately prior to the record date with respect to such dividend payment, with such amount reinvested in Shares; *provided,* *however,* that no such amount shall be payable with respect to any PSUs that are forfeited. Such amount shall be paid to the Participant on the date on which the Shares underlying the PSUs are distributed to the Participant in the same form (cash, Shares or other property) in which such dividend is paid to holders of Shares generally. Any Shares that the Participant is eligible to receive pursuant to this Section 3(c) are referred to herein as "**Dividend Shares**."

(d) *Distribution on Vesting*. Subject to the provisions of this Agreement, upon the vesting of any of the PSUs, the Company shall deliver to the Participant, as soon as reasonably practicable after the Determination Date (or the date of the Participant's Termination of Service, as applicable), a number of Shares equal to the number of vested PSUs as determined in accordance with Exhibit B and the number of Dividend Shares (as determined in accordance with Section 3(c)); *provided* that such delivery of Shares shall be made no later than March 15 of the calendar year immediately following the year in which the Determination Date (or the date of the Participant's Termination of Service, as applicable) occurs, subject to applicable laws including Section 409A of the Code. Upon such delivery, such Shares (including Dividend Shares) shall be fully assignable, alienable, saleable and transferrable by the Participant; *provided* that any such assignment, alienation, sale, transfer or other alienation with respect to such Shares shall be in accordance with applicable securities laws and any applicable Company policy.

(e) *Restrictions on Transferability*. Except as permitted by the Plan or as may be permitted by the Committee, neither this Award nor any right under this Award shall be assignable, alienable, saleable or transferable by the Participant otherwise than by will or pursuant to the laws of descent and distribution or to a designated Beneficiary. This provision shall not apply to any portion of this Award for which Shares have been fully distributed and shall not preclude forfeiture of any portion of this Award in accordance with the terms herein.

(f) *No Right to Continued Service*. The grant of an Award shall not be construed as giving the Participant the right to be retained in the employ of, or to continue to provide services to, the Company or any of its Affiliates. The receipt of any Award under the Plan is not intended to confer any rights on the receiving Participant except as set forth in the applicable Agreement.

(g) *No Right to Future Awards*. Any Award granted under the Plan shall be a one-time Award that does not constitute a promise of future grants. The Company, in its sole discretion, maintains the right to make available future grants under the Plan.

4. *Termination of Service*. Except as otherwise provided in the Plan or in Section 5 below, in the event of the Participant's Termination of Service for any reason prior to the date on which the Award otherwise becomes vested, the unvested portion of the Award shall immediately be forfeited by the Participant and become the property of the Company, without any payment or consideration being due to the Participant.

5. *Vesting Acceleration.*

(a) *Vesting Acceleration Upon a Change in Control*. If (x) a Change in Control occurs during the Performance Period (as defined on Exhibit B), (y) Participant has not experienced a Termination of Service prior to the date of the

Change in Control and (z) the PSUs are not assumed, converted or replaced by the surviving corporation or successor (or affiliate thereof) in connection with the Change in Control, then a number of PSUs equal to (1) such number of PSUs as would vest based on the actual achievement of the applicable performance metrics as determined by the Committee as of the Change in Control in accordance with Exhibit B (if applicable, with such metrics prorated to reflect a shortened Performance Period), and (2) prorated based on the number of days elapsed from the first day of the Performance Period through the next anniversary of the Grant Date that follows the effective date of the Change in Control (or the full Performance Period, if earlier), shall vest, effective immediately prior to, but subject to the occurrence of, such Change in Control.

(b) *Vesting Acceleration Upon Termination Without Cause or for Good Reason.* Notwithstanding the foregoing, and except as provided in (c), below, in the event of the Participant's Termination of Service by the Company without Cause or by the Participant for Good Reason following the first anniversary of the Grant Date, subject to the Participant's execution and non-revocation of a customary release of claims in favor of the Company and its Affiliates within 60 days following the date of such Termination of Service, then the Participant's PSUs shall remain eligible to vest on the Determination Date, with respect to a number of PSUs equal to the actual number of PSUs that would have vested based on the actual achievement of the applicable performance metrics pursuant to and in accordance with Exhibit B, prorated based on the number of days elapsed from the first day of the Performance Period through the date of the Participant's Termination of Service.

(c) *Vesting Acceleration Upon Termination Without Cause or for Good Reason following a Change in Control.* Notwithstanding Section 5(b) above, in the event that (x) a Change in Control occurs during the Performance Period and the PSUs are assumed, converted or replaced by the surviving corporation or successor (or affiliate thereof) in connection with the Change in Control such that accelerated vesting does not occur pursuant to Section 5(a), above, and (y) following such Change in Control, the Participant incurs a Termination of Service by the Company without Cause or by the Participant for Good Reason during the Performance Period, then subject to the Participant's execution and non-revocation of a customary release of claims in favor of the Company and its Affiliates within 60 days following the date of such Termination of Service, the Participant shall vest with respect to a number of PSUs calculated pursuant to Section 5(a) above, effective as of the date of such Termination of Service.

6. *Restrictions on Shares Issued*. To the extent that Shares are issued to the Participant upon vesting of the Award which are not registered under the Securities Act of 1933, as amended from time to time, and the rules, regulations and guidance thereunder (including any successor provision thereto) pursuant to an effective registration statement, the stock certificates evidencing such Shares may bear such restrictive legend as the Company deems to be required or advisable under applicable law.

7. *Tax Liability; Withholding Requirements*.

(a) The Participant shall be solely responsible for any applicable taxes (including, without limitation, income and excise taxes) and penalties, and any interest that accrues thereon, that the Participant incurs in connection with the receipt, vesting or distribution of any PSU granted hereunder.

(b) To the extent authorized by the Committee, the Company may withhold any tax (or other governmental obligation) that becomes due with respect to the PSUs (or any dividend distribution thereon) and take such action as it deems appropriate to ensure that all applicable withholding, income or other taxes, which are the sole and absolute responsibility of the Participant, are withheld or collected from the Participant and, unless otherwise determined by the Committee, to the extent such withholding would not result in liability classification of any portion of the Award pursuant to FASB ASC Subtopic 718-10. The Participant shall make arrangements satisfactory to the Company to enable the Company to satisfy all such withholding requirements. Notwithstanding the foregoing, the Committee may, in its sole discretion, permit the Participant to satisfy any such withholding requirement by transferring to the Company pursuant to such procedures as the Committee may require, effective as of the date on which such requirement arises, a number of vested Shares owned and designated by the Participant having an aggregate Fair Market Value as of such date that is at least equal to the minimum, and not more than the maximum, amount required to be withheld (including by authorizing the Company to withhold Shares that would otherwise be issuable or deliverable to the Participant as a result of the vesting of the Award), to the extent such withholding would not result in liability classification of any portion of the Award pursuant to FASB ASC Subtopic 718-10.

8. *Not Salary, Pensionable Earnings or Base Pay*. The Participant acknowledges that the Award shall not be included in or deemed to be a part of (a) salary, normal salary or other ordinary compensation, (b) any definition of pensionable or other earnings (however defined) for the purpose of calculating any benefits payable to or on behalf of the Participant under any pension, retirement, termination or dismissal indemnity, severance benefit, retirement indemnity or other benefit arrangement of the Company or any of its Affiliates or (c) any calculation of base pay or regular pay for any purpose.

9. *Whistleblower Protection*. The Participant has the right under federal law to certain protections for cooperating with or reporting legal violations to the SEC or its Office of the Whistleblower, as well as certain other governmental entities and self-regulatory organizations. As such, nothing in this Agreement or otherwise is intended to prohibit the Participant from disclosing this Agreement to, or from cooperating with or reporting violations to, the SEC or any such governmental entity or self-regulatory organization, and the Participant may do so without notifying the Company. The Company may not retaliate against the Participant for any of these activities, and nothing in this Agreement or otherwise requires the Participant to waive any monetary award or other payment that the Participant might become entitled to from the SEC or any such governmental entity or self-regulatory organization.

10. *Restrictive Covenants*. If the Participant violates any Restrictive Covenant (as defined below), then the Company shall be entitled, at its election, exercisable by written notice to the Participant, to terminate the unvested portion of the Award and any vested portion of the Award that has not yet been distributed to the Participant pursuant to Section 3(c), which shall then be of no further force and effect. "**Restrictive Covenant**" shall mean any non-competition, non-solicitation or non-hire covenant or restriction applicable to the Participant contained in any employment or other agreement between the Company or any of its Affiliates and the Participant.

11. *Recoupment/Clawback*. This Award (including any amounts or benefits arising from this Award) shall be subject to recoupment or "clawback" as may be required by applicable law, stock exchange rules or by any applicable Company policy or arrangement the Company has in place from time to time.

12. *References*. References herein to rights and obligations of the Participant shall apply, where appropriate, to the Participant's legal representative or estate without regard to whether specific reference to such legal representative or estate is contained in a particular provision of this Agreement.

13. *Representations and Covenants of the Participant*. The Participant represents, warrants, agrees and covenants to the Company that: (a) the Participant has not been induced to enter into this Agreement by expectation of employment or continued employment with the Company or any of its Affiliates; (b) the receipt of the Awards contemplated by this Agreement under the Plan is voluntary; (c) the Participant will comply with all applicable federal and state laws applicable to (i) this Agreement and the Awards contemplated thereby and (ii) the acquisition and sale of any Shares issued hereunder; and (d) the Participant shall indemnify and hold the Company and all of its Affiliates harmless from and against any loss, cost or expense incurred by the Company or any of its Affiliates in connection with any breach or default by the Participant under such applicable laws.

14. *Miscellaneous*.

(a) *Notices*. Any notice required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been given when delivered personally or by courier, email, or sent by certified or registered mail, postage prepaid, return receipt requested, duly addressed to the party concerned at the address indicated below or to such changed address as such party may subsequently by similar process give notice of:

If to the Company:

Privia Health Group, Inc.
950 N. Glebe Road, Suite 700
Arlington, VA 22203
Attention: General Counsel

If to the Participant:

At the Participant's most recent address shown on the records of the Company.

(b) *Entire Agreement*. This Agreement, the Plan and any other agreements, schedules, exhibits and other documents referred to herein or therein constitute the entire agreement and understanding between the parties in respect of the subject matter hereof and supersede all prior and contemporaneous arrangements, agreements and understandings, both oral and written, whether in term sheets, presentations or otherwise, between the parties with respect to the subject matter hereof; *provided* that the restrictions set forth in this Agreement are in addition to, not in lieu of, any other obligation and/or restriction that the Participant may have with respect to the Company or any of its Affiliates, whether by operation of law, contract, or otherwise, including, without limitation, any non-solicitation obligations contained in an employment agreement, consulting agreement or other similar agreement entered into by and between the Participant and the Company or one of its Affiliates, which shall survive the termination of any such agreements, and be enforceable independently of such other agreements.

(c) *Sections 409A and 457A of the Code*. For the avoidance of doubt, to the extent that this Award is subject to Section 409A and/or Section 457A of the Code, the Award is intended to comply with the requirements of Sections 409A and 457A of the Code, and the provisions of the Award shall be interpreted in a manner that satisfies the requirements of Sections 409A and 457A of the Code. Section 19 of the Plan is hereby incorporated by reference. However, notwithstanding any other provision of the Plan, the Grant Letter or this Agreement, if at any time the Committee determines that this Award (or any portion thereof) may be subject to Section 409A of the Code, the Committee shall have the right in its sole discretion (without any obligation to do so or to indemnify Participant or any other person for failure to do so) to adopt such amendments to the Plan, the Grant Letter or this Agreement, or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, as the Committee determines are necessary or appropriate for this Award either to be exempt from the application of Section 409A of the Code or to comply with the requirements of Section 409A of the Code.

(d) *Severability*. If any provision of this Agreement is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction, or would disqualify the Plan or this Agreement under any law deemed applicable by the Board, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Board, materially altering the intent of this Agreement, such provision shall be stricken as to such jurisdiction, and the remainder of this Agreement shall remain in full force and effect.

(e) *Amendment; Waiver*. No amendment or modification of any provision of this Agreement that has a material adverse effect on the Participant shall be effective unless signed in writing by or on behalf of the Company and the Participant; *provided* that the Company may amend or modify this Agreement without the Participant's consent in accordance with the provisions of the Plan or as otherwise set forth in this Agreement. No waiver of any breach or condition of this Agreement shall be deemed to be a waiver of any other or subsequent breach or condition, whether of like or different nature. Any amendment or modification of or to any provision of this Agreement, or any waiver of any provision of this Agreement, shall be effective only in the specific instance and for the specific purpose for which made or given.

(f) *Assignment*. Neither this Agreement nor any right, remedy, obligation or liability arising hereunder or by reason hereof shall be assignable by the Participant.

(g) *Successors and Assigns; No Third-Party Beneficiaries*. This Agreement shall inure to the benefit of and be binding upon the Company and the Participant and their respective heirs, successors, legal representatives and permitted assigns. Nothing in this Agreement, express or implied, is intended to confer on any Person other than the Company and the Participant, and their respective heirs, successors, legal representatives and permitted assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

(h) *Governing Law; Waiver of Jury Trial*. This Agreement shall be governed by the laws of the State of Delaware, without application of the conflicts of law principles thereof. TO THE EXTENT ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY IS NOT GOVERNED BY SECTION 14(i), EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY WITH RESPECT TO SUCH LEGAL PROCEEDING.

(i) *Dispute Resolution*. Any dispute or claim arising out of, under or in connection with the Plan or any Award Agreement shall be submitted to arbitration in Delaware and shall be conducted in accordance with the rules of, but not necessarily under the auspices of, the American Arbitration Association ("**AAA**") rules in force when the notice of arbitration is submitted. The arbitration shall be conducted before an arbitration tribunal comprised of one individual, mutually selected by the Company and the Participant, such selection to be made within 30 calendar days after notice of arbitration has been given. In the event the parties are unable to agree in such time, AAA will provide a list of three available arbitrators and an arbitrator will be selected from such three-member panel provided by AAA by the parties alternately striking out one name of a potential arbitrator until only one name remains. The party entitled to strike an arbitrator first shall be selected by a toss of a coin. The Participant and the Company agree that such arbitration will be confidential and no details, descriptions, settlements or other facts concerning such arbitration shall be disclosed or released to any third party without the specific written consent of the other party, unless required by law or court order or in connection with enforcement of any decision in such arbitration. Any damages awarded in such arbitration shall be limited to the contract measure of damages, and shall not include punitive damages.

(j) *Participant Undertaking; Acceptance*. The Participant agrees to take whatever additional action and execute whatever additional documents the Company may deem necessary or advisable to carry out or give effect to any of the obligations or restrictions imposed on either the Participant or the Award pursuant to this Agreement. The Participant acknowledges receipt of a copy of the Plan and this Agreement and understands that material definitions and provisions concerning the Award and the Participant's rights and obligations with respect thereto are set forth in the Plan. The Participant has read carefully, and understands, the provisions of this Agreement and the Plan.

(k) *Captions*. Captions provided herein are for convenience only and shall not affect the scope, meaning, intent or interpretation of the provisions of this Award Agreement.

(l) *Counterparts*. This Agreement may be executed in duplicate counterparts, each of which shall be deemed an original, and all of which taken together shall constitute one and the same instrument. Facsimile, electronic (PDF, etc.) and other copies or duplicates of this Agreement are valid and enforceable as originals. Similarly, Agreements signed by hand, electronically (DocuSign or similar service), or, on behalf of the Company, by signature stamp, are valid and enforceable as original signatures.

(m)*Acceptance*. By accepting the Award Agreement, the Participant hereby agrees that the electronic acceptance of the Award Agreement constitutes a legally binding acceptance of the Award Agreement, and that the electronic acceptance of the Award Agreement shall have the same force and effect as if the Award Agreement was physically signed.

(n) *Limits Applicable to Section 16 Persons*. Notwithstanding any other provision of the Plan or this Agreement, if the Participant is subject to Section 16 of the Exchange Act, then the Plan, the PSUs and this Agreement shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by Applicable Law, this Agreement shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first written above.

PRIVIA HEALTH GROUP, INC.
By: ______________________________
Name:
Title:

AGREED AND ACCEPTED:

PARTICIPANT

By: __
Name:

<u>Exhibit B</u>

PERFORMANCE GOALS

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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) 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.

Exhibit 31.1

Date:	May 04, 2023	/s/ Shawn Morris
		Shawn Morris
		Chief Executive Officer

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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) 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:	May 04, 2023	/s/ David Mountcastle
		David Mountcastle
		Executive Vice President, Chief Financial Officer and Authorized Officer

Exhibit 32.1

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 March 31, 2023, 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: May 04, 2023

/s/ Shawn Morris

Shawn Morris
Chief Executive Officer

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 March 31, 2023, 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: May 04, 2023	/s/ David Mountcastle
	David Mountcastle
	Executive Vice President, Chief Financial Officer and Authorized Officer