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

FORM 10-Q

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

For the quarterly period ended June 30, 2021

OR

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

Commission file number: 001-38399

AdaptHealth Corp.

(Exact name of registrant as specified in its charter)

Delaware	**82-3677704**
(State of Other Jurisdiction of incorporation or Organization)	(I.R.S. Employer Identification No.)
220 West Germantown Pike Suite 250, Plymouth Meeting, PA	**19462**
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code: (610) 630-6357

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

Title of Each Class	Trading Symbol(s)	Name Of Each Exchange On Which Registered
Common Stock, par value $0.0001 per share	**AHCO**	**The Nasdaq Stock Market LLC**

Securities registered pursuant to Section 12(g) of the Act: None

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 x 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 (§232.0405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x 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 x	Non-accelerated filer ☐	Smaller reporting company x Emerging growth company x

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 x

As of August 2, 2021, there were 130,910,675 shares of the Registrant's Common Stock issued and outstanding.

ADAPTHEALTH CORP.

FORM 10-Q
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CERTAIN DEFINED TERMS

Throughout this Quarterly Report on Form 10-Q, unless otherwise specified or the context so requires:

"*AdaptHealth Holdings*" means AdaptHealth Holdings LLC, a Delaware limited liability company;

"*AdaptHealth Units*" means units of AdaptHealth Holdings;

"*BM Notes*" means, collectively, (i) the Amended and Restated Promissory Notes, dated as of November 8, 2019, issued by AdaptHealth Holdings in favor of affiliates of Assured Guaranty Ltd. (formerly BlueMountain Capital Management, LLC), which amended and restated the Promissory Notes, dated as of November 8, 2019, issued by AdaptHealth Holdings in favor of affiliates of Assured Guaranty Ltd., and (ii) the Second Amended and Restated Promissory Notes, dated as of March 20, 2019, issued by AdaptHealth Holdings in favor of affiliates of Assured Guaranty Ltd. (formerly BlueMountain Capital Management, LLC), which amended and restated the Amended and Restated Promissory Notes, dated as of March 20, 2019, issued by AdaptHealth Holdings in favor of affiliates of Assured Guaranty Ltd.;

"*Business Combination*" means our business combination with AdaptHealth Holdings, which we completed on November 8, 2019;

"Charter" means our Third Amended and Restated Certificate of Incorporation, filed with the Secretary of State of the State of Delaware on July 28, 2021;

"*Class A Common Stock*" means the Class A Common Stock, par value $0.0001 per share, created on the Closing, which, following the filing of the Charter, has been renamed to "Common Stock" (as defined below);

"*Class B Common Stock*" means the Class B Common Stock, par value $0.0001 per share, created on the Closing, which following the filing of the Charter, no longer exists;

"*Closing*" means the closing of the Business Combination;

"*Common Stock*" means our Common Stock, par value $0.0001 per share;

"*Exchange Agreement*" means the Exchange Agreement, dated as of November 8, 2019, by and among AdaptHealth, AdaptHealth Holdings, and holders of AdaptHealth Units;

"*OEP Purchaser*" means OEP AHCO Investment Holdings, LLC, a Delaware limited liability company;

"*Series B-1 Preferred Stock*" means the series of preferred stock of the Company designated as "Series B-1 Convertible Preferred Stock," par value $0.0001 per share;

"*Sponsor*" means Deerfield/RAB Ventures LLC;

"*Tax Receivable Agreement*" means the Tax Receivable Agreement, dated as of November 8, 2019, by and among AdaptHealth, AdaptHealth Holdings, and holders of AdaptHealth Units; and

"Warrants" means, collectively, the warrants that were issued in our initial public offering (our "IPO") pursuant to the registration statement declared effective on February 15, 2018 and which were redeemed on September 2, 2020 (the "*public warrants*") and the warrants initially issued to our Sponsor in a private placement that occurred simultaneously with our IPO (the "*private placement warrants*"), which private placement warrants have been distributed from the Sponsor to its members.

CAUTIONARY STATEMENT

In this Quarterly Report on Form 10-Q, including "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" in Part I Item 2, and the documents incorporated by reference herein, we make forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements relate to expectations for future financial performance, business strategies or expectations for our business. These statements may be preceded by, followed by or include the words "may," "might," "will," "will likely result," "should," "estimate," "plan," "project," "forecast," "intend," "expect," "anticipate," "believe," "seek," "continue," "target" or similar expressions.

These forward-looking statements are based on information available to us as of the date they were made, and involve a number of risks and uncertainties which may cause them to turn out to be wrong. Accordingly, forward-looking statements should not be relied upon as representing our views as of any subsequent date, and we do not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date they were made, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws. As a result of a number of known and unknown risks and uncertainties, our actual results or performance may be materially different from those expressed or implied by these forward- looking statements. Some factors that could cause actual results to differ include:

- competition and the ability of our business to grow and manage growth profitably;
- changes in applicable laws or regulations;
- fluctuations in the U.S. and/or global stock markets;
- the possibility that we may be adversely affected by other economic, business, and/or competitive factors;
- the impact of the coronavirus (COVID-19) pandemic and our response to it;
- failure to consummate or realize the expected benefits of acquisitions, including the failure to realize the expected benefits of the acquisition of AeroCare Holdings, Inc. ("AeroCare"); and
- other risks and uncertainties set forth in this Form 10-Q, as well as the documents incorporated by reference herein.

PART I – FINANCIAL INFORMATION
Item 1. Consolidated Interim Financial Statements

ADAPTHEALTH CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)
(UNAUDITED)

	June 30, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 178,189	$ 99,962
Accounts receivable	302,127	171,065
Inventory	81,507	58,783
Prepaid and other current assets	29,046	33,441
Total current assets	590,869	363,251
Equipment and other fixed assets, net	309,071	110,468
Goodwill	3,231,200	998,810
Identifiable intangible assets, net	233,630	116,061
Other assets	19,344	16,483
Deferred tax assets	303,551	208,399
Total Assets	$ 4,687,665	$ 1,813,472
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 350,714	$ 254,212
Current portion of capital lease obligations	23,919	22,282
Current portion of long-term debt	96,750	8,146
Contract liabilities	24,872	11,043
Other liabilities	83,861	89,524
Contingent consideration common shares liability	25,758	36,846
Total current liabilities	605,874	422,053
Long-term debt, less current portion	1,776,326	776,568
Other long-term liabilities	317,464	186,470
Long-term portion of contingent consideration common shares liability	20,675	33,631
Warrant liability	73,283	113,905
Total Liabilities	2,793,622	1,532,627
Commitments and contingencies (note 14)		
Stockholders' Equity		
Class A Common Stock, par value of $0.0001 per share, 210,000,000 shares authorized; 130,064,838 and 76,457,439 shares issued and outstanding as of June 30, 2021 and December 31, 2020, respectively	13	8
Class B Common Stock, par value of $0.0001 per share, 35,000,000 shares authorized; 0 and 13,218,758 shares issued and outstanding as of June 30, 2021 and December 31, 2020, respectively	—	1
Preferred Stock, par value of $0.0001 per share, 5,000,000 shares authorized; 124,060 and 163,560 shares issued and outstanding as of June 30, 2021 and December 31, 2020, respectively	1	1
Additional paid-in capital	2,015,875	558,486
Accumulated deficit	(124,055)	(199,196)
Accumulated other comprehensive loss	(1,871)	(4,411)
Total stockholders' equity attributable to AdaptHealth Corp.	1,889,963	354,889
Noncontrolling interests in subsidiaries	4,080	(74,044)
Total stockholders' equity	1,894,043	280,845
Total Liabilities and Stockholders' Equity	$ 4,687,665	$ 1,813,472

See accompanying notes to unaudited consolidated interim financial statements.

ADAPTHEALTH CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Net revenue	$ 617,017	$ 232,116	$ 1,099,136	$ 423,555
Costs and expenses:				
Cost of net revenue	490,720	198,418	887,418	366,048
General and administrative expenses	42,946	17,092	99,578	31,439
Depreciation and amortization, excluding patient equipment depreciation	17,944	1,036	31,324	2,278
Total costs and expenses	551,610	216,546	1,018,320	399,765
Operating income	65,407	15,570	80,816	23,790
Interest expense, net	23,147	7,482	45,332	15,420
Loss on extinguishment of debt	7,736	—	11,949	—
Change in fair value of contingent consideration common shares liability (note 10)	(22,079)	(42)	(24,044)	16,325
Change in fair value of warrant liability (note 10)	(37,454)	(654)	(40,622)	35,446
Other loss (income), net	1,669	(900)	1,150	(1,991)
Income (loss) before income taxes	92,388	9,684	87,051	(41,410)
Income tax expense	12,330	1,826	10,635	185
Net income (loss)	80,058	7,858	76,416	(41,595)
Income (loss) attributable to noncontrolling interests	951	3,388	1,275	(11,514)
Net income (loss) attributable to AdaptHealth Corp.	$ 79,107	$ 4,470	$ 75,141	$ (30,081)
Weighted average common shares outstanding - basic	129,664	44,508	120,438	43,242
Weighted average common shares outstanding - diluted	136,582	47,834	127,720	43,242
Basic net income (loss) per share [1]	$ 0.56	$ 0.10	$ 0.56	$ (0.70)
Diluted net income (loss) per share [1]	$ 0.12	$ 0.08	$ 0.06	$ (0.70)

(1) See Note 11, *Earnings Per Share*, to the unaudited consolidated interim financial statements for the calculations of basic and diluted net income (loss) per share.

See accompanying notes to unaudited consolidated interim financial statements.

ADAPTHEALTH CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(IN THOUSANDS)
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	**2020**	**2021**	**2020**
Net income (loss)	$ 80,058	$ 7,858	$ 76,416	$ (41,595)
Other comprehensive income (loss):				
Interest rate swap agreements, inclusive of reclassification adjustment	664	(1,066)	2,540	(12,483)
Comprehensive income (loss)	80,722	6,792	78,956	(54,078)
Income (loss) attributable to noncontrolling interests	951	3,388	1,275	(11,514)
Comprehensive income (loss) attributable to AdaptHealth Corp.	$ 79,771	$ 3,404	$ 77,681	$ (42,564)

See accompanying notes to unaudited consolidated interim financial statements.

ADAPTHEALTH CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
(IN THOUSANDS)
(UNAUDITED)

	Class A Common Stock		Class B Common Stock		Preferred Stock		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income (loss)	Noncontrolling interests in subsidiaries	Total
	Shares	Amount	Shares	Amount	Shares	Amount					
Balance, December 31, 2020	76,458	$ 8	13,219	$ 1	164	$ 1	$ 558,486	$ (199,196)	$ (4,411)	$ (74,044)	$ 280,845
Issuance of Class A Common Stock for acquisitions	14,092	2	—	—	—	—	564,986	—	—	—	564,988
Issuance of Series C Preferred Stock for an acquisition	—	—	—	—	130	—	523,856	—	—	—	523,856
Issuance of stock options for an acquisition	—	—	—	—	—	—	134,683	—	—	—	134,683
Exchange of Class B Common Stock for Class A Common Stock	13,219	1	(13,219)	(1)	—	—	(77,919)	—	—	77,919	—
Equity-based compensation	172	—	—	—	—	—	8,582	—	—	—	8,582
Cashless exercise of stock options	9	—	—	—	—	—	—	—	—	—	—
Issuance of Class A Common Stock, net of offering costs of $13,832	8,450	1	—	—	—	—	265,017	—	—	—	265,018
Conversion of Series B-1 Preferred Stock to Class A Common Stock	3,950	—	—	—	(40)	—	—	—	—	—	—
Conversion of Series C-1 Preferred Stock to Class A Common Stock	13,047	1	—	—	(130)	—	(1)	—	—	—	—
Class A Common Stock issued in connection with Employee Stock Purchase Plan	8	—	—	—	—	—	314	—	—	—	314
Net loss	—	—	—	—	—	—	—	(3,966)	—	324	(3,642)
Equity activity resulting from the Tax Receivable Agreement	—	—	—	—	—	—	16,768	—	—	—	16,768
Change in fair value of interest rate swaps, inclusive of reclassification adjustment	—	—	—	—	—	—	—	—	1,876	—	1,876
Other	(19)	—	—	—	—	—	(810)	—	—	—	(810)
Balance, March 31, 2021	129,386	$ 13	—	$ —	124	$ 1	$ 1,993,962	— (203,162)	$ (2,535)	$ 4,199	$ 1,792,478
Issuance of Class A Common Stock for acquisitions	441	—	—	—	—	—	12,166	—	—	—	12,166
Equity-based compensation	37	—	—	—	—	—	7,447	—	—	—	7,447
Exercise of stock options	200	—	—	—	—	—	2,300	—	—	—	2,300
Distribution to non-controlling interest	—	—	—	—	—	—	—	—	—	(1,070)	(1,070)
Net income	—	—	—	—	—	—	—	79,107	—	951	80,058
Change in fair value of interest rate swaps, inclusive of reclassification adjustment	—	—	—	—	—	—	—	—	664	—	664
Balance, June 30, 2021	130,064	$ 13	—	$ —	124	$ 1	$ 2,015,875	— (124,055)	$ (1,871)	$ 4,080	$ 1,894,043

ADAPTHEALTH CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
(IN THOUSANDS)
(UNAUDITED) (Continued)

	Class A Common Stock		Class B Common Stock		Preferred Stock		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income (loss)	Noncontrolling interests in subsidiaries	Total
	Shares	Amount	Shares	Amount	Shares	Amount					
Balance, December 31, 2019	40,816	$ 4	31,564	$ 3	—	$ —	$ —	$ (40,258)	$ 1,431	$ (26,963)	$ (65,783)
Issuance of Class A Common Stock for an acquisition	387	—	—	—	—	—	6,248	—	—	—	6,248
Exchange of Class B Common Stock for Class A Common Stock	1,000	—	(1,000)	—	—	—	(361)	—	—	361	—
Exercise of warrants	1,092	—	—	—	—	—	15,273	—	—	—	15,273
Equity-based compensation	59	—	—	—	—	—	2,223	—	—	—	2,223
Net loss	—	—	—	—	—	—	—	(34,551)	—	(14,902)	(49,453)
Equity activity resulting from Tax Receivable Agreement	—	—	—	—	—	—	2,483	—	—	—	2,483
Change in fair value of interest rate swaps, inclusive of reclassification adjustment	—	—	—	—	—	—	—	—	(6,570)	(4,847)	(11,417)
Balance, March 31, 2020	43,354	$ 4	30,564	$ 3	—	$ —	$ 25,866	$ (74,809)	$ (5,139)	$ (46,351)	$ (100,426)
Exchange of Class B Common Stock for Class A Common Stock	2,055	—	(2,055)	—	—	—	(1,580)	—	—	1,580	—
Exercise of warrants	1,034	1	—	—	—	—	17,627	—	—	—	17,628
Equity-based compensation	32	—	—	—	—	—	3,244	—	—	—	3,244
Exchange of Class A Common Stock for Series B-1 Preferred Stock	(15,810)	(2)	—	—	158	1	1	—	—	—	—
Distribution to non-controlling interest	—	—	—	—	—	—	—	—	—	(800)	(800)
Net income	—	—	—	—	—	—	—	4,470	—	3,388	7,858
Equity activity resulting from the Put/Call Agreement	—	—	—	—	—	—	(29,927)	—	—	—	(29,927)
Equity activity resulting from the Tax Receivable Agreement	—	—	—	—	—	—	2,223	—	—	—	2,223
Change in fair value of interest rate swaps, inclusive of reclassification adjustment	—	—	—	—	—	—	—	—	(656)	(410)	(1,066)
Balance, June 30, 2020	30,665	$ 3	28,509	$ 3	158	$ 1	$ 17,454	$ (70,339)	$ (5,795)	$ (42,593)	$ (101,266)

See accompanying notes to unaudited consolidated interim financial statements.

ADAPTHEALTH CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Cash flows from operating activities:		
Net income (loss)	$ 76,416	$ (41,595)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, including patient equipment depreciation	86,768	35,114
Equity-based compensation	16,029	5,467
Change in fair value of contingent consideration common shares liability	(24,044)	16,325
Change in fair value of warrant liability	(40,622)	35,446
Deferred income tax expense (income)	6,544	(1,613)
Change in fair value of interest rate swaps, net of reclassification adjustment	(1,443)	(1,415)
Change in fair value of contingent consideration	255	(2,900)
Payment of contingent consideration in connection with an acquisition	—	(1,000)
Amortization of intangible assets	24,231	—
Amortization of deferred financing costs	2,306	783
Imputed interest expense	173	—
Write-off of deferred financing costs	3,495	—
Loss on extinguishment of debt from prepayment penalty	8,454	—
Gain on sale of investment	—	(591)
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable	(4,608)	(20,506)
Inventory	15,841	(6,792)
Prepaid and other assets	8,678	3,603
Accounts payable and accrued expenses and other current liabilities	(30,849)	90,682
Net cash provided by operating activities	147,624	111,008
Cash flows from investing activities:		
Payments for business acquisitions, net of cash acquired	(1,292,631)	(107,463)
Purchases of equipment and other fixed assets	(79,396)	(10,915)
Payments for investments in cost method companies	—	(1,000)
Proceeds from sale of investment	—	2,046
Net cash used in investing activities	(1,372,027)	(117,332)
Cash flows from financing activities:		
Proceeds from borrowings on long-term debt and lines of credit	1,070,000	70,000
Repayments on long-term debt and lines of credit	(470,521)	(21,641)
Proceeds from the issuance of Class A Common Stock	278,850	—
Proceeds from the issuance of senior unsecured notes	500,000	—
Proceeds from exercise of warrants	—	11,883
Proceeds from exercise of stock options	2,300	—
Payments on capital leases	(19,767)	(19,409)
Payments for equity issuance costs	(13,832)	—
Payments of deferred financing costs	(18,039)	—
Proceeds received in connection with Employee Stock Purchase Plan	314	—
Payments for tax withholdings from equity-based compensation activity	(810)	—
Distributions to noncontrolling interests	(1,070)	(800)
Payment of contingent consideration in connection with acquisitions	(13,396)	—
Payment of deferred purchase price in connection with acquisitions	(2,945)	—
Payments for debt prepayment penalties	(8,454)	—
Net cash provided by financing activities	1,302,630	40,033
Net increase in cash and cash equivalents	78,227	33,709
Cash and cash equivalents at beginning of period	99,962	76,878
Cash and cash equivalents at end of period	$ 178,189	$ 110,587
Supplemental disclosures:		
Cash paid for interest	$ 30,382	$ 15,488
Cash paid for income taxes	13,756	2,155
Noncash investing and financing activities:		
Equipment acquired under capital lease obligations	$ 18,644	$ 20,632
Unpaid equipment and other fixed asset purchases at end of period	20,114	6,990
Equity consideration issued in connection with acquisitions	1,235,693	6,248
Contingent purchase price in connection with acquisitions	1,000	—
Deferred purchase price in connection with acquisitions	983	33

See accompanying notes to unaudited consolidated interim financial statements.

ADAPTHEALTH CORP. AND SUBSIDIARIES

Notes to Consolidated Interim Financial Statements (Unaudited)

(1) General Information

AdaptHealth Corp. and subsidiaries (AdaptHealth or the Company), f/k/a DFB Healthcare Acquisitions Corp. (DFB), is a national leader in providing patient-centered, healthcare-at-home solutions including home medical equipment, medical supplies, and related services. AdaptHealth focuses primarily on providing (i) sleep therapy equipment, supplies and related services (including CPAP and bi PAP services) to individuals suffering from obstructive sleep apnea (OSA), (ii) medical devices and supplies to patients for the treatment of diabetes (including continuous glucose monitors (CGM) and insulin pumps), (iii) home medical equipment (HME) to patients discharged from acute care and other facilities, (iv) oxygen and related chronic therapy services in the home, and (v) other HME medical devices and supplies on behalf of chronically ill patients with wound care, urological, incontinence, ostomy and nutritional supply needs. AdaptHealth services beneficiaries of Medicare, Medicaid and commercial payors.

On July 8, 2019, AdaptHealth Holdings LLC (AdaptHealth Holdings) entered into an Agreement and Plan of Merger (the Merger Agreement), as amended on October 15, 2019, with DFB, pursuant to which AdaptHealth Holdings combined with DFB (the Business Combination). The Business Combination closed on November 8, 2019.

Unless the context otherwise requires, "the Company", "we," "us," and "our" refer, for periods prior to the closing of the Business Combination, to AdaptHealth Holdings and its subsidiaries and, for periods upon or after the closing of the Business Combination, to AdaptHealth Corp. and its subsidiaries, including AdaptHealth Holdings and its subsidiaries.

The consolidated interim financial statements are unaudited, but reflect all normal recurring adjustments that are, in the opinion of management, necessary to fairly present the information set forth herein. The interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K/A for the year ended December 31, 2020. Interim results are not necessarily indicative of the results for a full year.

There have been no material changes in the Company's significant accounting policies as compared to the significant accounting policies described in the Company's Annual Report on Form 10-K/A for the year ended December 31, 2020.

(a) Basis of Presentation

The consolidated interim financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). In the opinion of management, the consolidated interim financial statements include all necessary adjustments for a fair presentation of the financial position and results of operations for the periods presented.

The Business Combination was accounted for as a reverse recapitalization, with DFB treated as the acquired company and AdaptHealth Holdings as the acquirer, for financial reporting purposes. Therefore, the equity structure has been restated to that of the Company.

As of June 30, 2021, the Company is an "emerging growth company," as defined in Section 2(a) of the Securities Act of 1933, as amended, (the Securities Act), as modified by the Jumpstart our Business Startups Act of 2012, (the JOBS Act), and it may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in its periodic reports and proxy statements, and other exemptions. We will remain an emerging growth company until the earliest of (i) the last day of the fiscal year in which the market value of our Common Stock that is held by non-affiliates exceeds $700 million as of June 30 of that fiscal year, (ii) the last day of the fiscal year in which we have total annual gross revenue of $1.07 billion or more during such fiscal year, (iii) the date on which we have issued more than $1.0 billion in non-convertible debt in the prior three-year period or (iv) the last day of the fiscal year following the fifth anniversary of the date of the first sale of our common stock in the IPO, which would be December 31, 2023. The Company will no longer qualify as an emerging growth company as of December 31, 2021 due to the market value of its Common Stock that was held by non-affiliates as of June 30, 2021.

(b) Basis of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

(c) Concentration of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash and trade accounts receivable. The Company maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

(d) Accounting Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and reported amounts of revenues and expenses during the reporting period. Management bases these estimates and assumptions upon historical experience, existing and known circumstances, authoritative accounting pronouncements and other factors that management believes to be reasonable. Significant areas requiring the use of management estimates relate to revenue recognition and the valuation of accounts receivable (implicit price concession), income taxes, contingent consideration, equity-based compensation, interest rate swaps, warrant liability and long-lived assets, including goodwill and identifiable intangible assets. Actual results could differ from those estimates.

(e) Valuation of Goodwill

The Company has a significant amount of goodwill on its balance sheet that resulted from the business acquisitions the Company has made in recent years. Goodwill is not amortized and is tested for impairment annually and upon the occurrence of a triggering event or change in circumstances indicating a possible impairment. Such changes in circumstance can include, among others, changes in the legal environment, reimbursement environment, operating performance, and/or future prospects. The Company performs its annual impairment review of goodwill during the fourth quarter of each year. The impairment testing can be performed on either a quantitative or qualitative basis. The Company first assesses qualitative factors to determine whether it is necessary to perform quantitative goodwill impairment testing. If determined necessary, the Company applies the quantitative impairment test to identify and measure the amount of impairment, if any.

(f) Impairment of Long Lived Assets

The Company's long lived assets, such as equipment and other fixed assets and definite-lived identifiable intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the

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Notes to Consolidated Interim Financial Statements (Unaudited) (Continued)

carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Definite-lived identifiable intangible assets consist of tradenames, payor contracts, contractual rental agreements and developed technology. These assets are amortized using the straight-line method over their estimated useful lives, which reflects the pattern in which the economic benefits of the assets are expected to be consumed. These assets are tested for impairment consistent with the Company's long-lived assets. The following table summarizes the useful lives of the identifiable intangible assets acquired:

Tradenames	5 to 10	years
Payor contracts	10	years
Contractual rental agreements	2	years
Developed technology	5	years

The Company did not incur any impairment charges on long-lived assets for the three and six months ended June 30, 2021 and 2020. In addition to consideration of impairment upon the events or changes in circumstances described above, management regularly evaluates the remaining useful lives of its long lived assets.

(g) Business Segment

The Company's chief operating decision-makers are its Chief Executive Officer and President, who make resource allocation decisions and assess performance based on financial information presented on an aggregate basis. There are no segment managers who are held accountable by the chief operating decision-makers, or anyone else, for any planning, strategy and key decision-making regarding operations. The corporate office is responsible for contract negotiation with vendors and payors, corporate compliance with healthcare laws and regulations, and revenue cycle management, among other corporate supporting functions. Accordingly, the Company has a single reportable segment and operating segment structure.

(h) Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize leases on its-balance sheet and disclose key information about leasing arrangements. Under the new guidance, lessees are required to recognize a lease liability, which represents the discounted obligation to make future minimum lease payments, and a corresponding right-of-use (ROU) asset on the balance sheet for most leases. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement. The Company expects to elect the "package of practical expedients" under the new standard, which, among other things, permits lease agreements that are twelve months or less to be excluded from the balance sheet, and permits the Company not to reassess under the new standard its prior conclusions about lease identification, lease classification and initial direct costs. The Company will adopt the new standard during the year ended December 31, 2021. The Company expects to adopt this guidance using a modified retrospective transition approach by applying the new standard to all leases existing at the date of initial application, and will recognize a cumulative-effect adjustment to the opening balance of accumulated deficit in the period of adoption. The Company expects that this standard will have a material effect on its consolidated financial statements. While the Company continues to assess all of the effects of the adoption, it currently estimates that upon adoption it will record approximately $88 million to $98 million of operating lease liabilities on its consolidated balance sheet, with a corresponding ROU asset, based on the present value of the remaining minimum rental payments under the current leasing standard for existing operating leases. This amount is estimated as of the date of initial application (January 1, 2021), and will be impacted by changes to the existing operating leases during 2021 for new leases, lease amendments, lease terminations and acquisitions. The Company does not expect the adoption will have an impact on its accounting for existing capital leases. The adoption will also require significant new disclosures about the Company's leasing activities.

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Additionally, the Company estimates that it will record approximately $55 million to $65 million of operating lease liabilities on its consolidated balance sheet, with a corresponding ROU asset, based on the present value of the remaining minimum rental payments under the current leasing standard for operating leases acquired by the Company in connection with the acquisition of AeroCare Holdings, Inc. (AeroCare) on February 1, 2021 (note 3).

The Company is implementing a lease management system to track and record the lease liabilities and ROU asset for all leases with a term of greater than 12 months. The Company is also in the process of completing additional process changes and updating internal controls to ensure the new reporting and disclosure requirements are met upon adoption.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*, which is intended to improve financial reporting by requiring earlier recognition of credit losses on certain financial assets. The standard replaces the current incurred loss impairment model that recognizes losses when a probable threshold is met with a requirement to recognize lifetime expected credit losses immediately when a financial asset is originated or purchased. Further, the FASB issued ASU 2019-04 and ASU 2019-05 to provide additional guidance on the credit losses standard. The standard is effective for fiscal years beginning after December 15, 2022, for smaller reporting companies, including interim periods within those annual periods, with early adoption permitted. The Company will adopt the new standard during the year ended December 31, 2021. The Company is currently evaluating the effect that this standard will have on its consolidated financial statements and related disclosures but currently does not expect the impact will be material.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848)*, which provides optional guidance to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. Specifically, the guidance permits an entity, when certain criteria are met, to consider amendments to contracts made to comply with reference rate reform to meet the definition of a modification under GAAP. It further allows hedge accounting to be maintained and a one-time transfer or sale of qualifying held-to-maturity securities. The expedients and exceptions provided by the amendments are permitted to be adopted any time through December 31, 2022 and do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022, except for certain optional expedients elected for certain hedging relationships existing as of December 31, 2022. The Company is currently evaluating the effect that this standard will have on its consolidated financial statements and related disclosures.

(i) Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

(2) Revenue Recognition and Accounts Receivable

Revenue Recognition

The Company generates revenues for services and related products that the Company provides to patients for home medical equipment, related supplies, and other items. The Company's revenues are recognized in the period in which services and related products are provided to customers and are recorded either at a point in time for the sale of supplies and disposables, or over the fixed monthly service period for equipment.

Revenues are recognized when control of the promised good or service is transferred to customers, in an amount that reflects the consideration to which the Company expects to receive from patients or under reimbursement arrangements with Medicare, Medicaid and third-party payors, in exchange for those goods and services.

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Notes to Consolidated Interim Financial Statements (Unaudited) (Continued)

The Company determines the transaction price based on contractually agreed-upon amounts or rates, adjusted for estimates of variable consideration, such as implicit price concessions. The Company utilizes the expected value method to determine the amount of variable consideration that should be included to arrive at the transaction price, using contractual agreements and historical reimbursement experience within each payor type. The Company applies constraint to the transaction price, such that net revenue is recorded only to the extent that it is probable that a significant reversal in the amount of the cumulative revenue recognized will not occur in the future. If actual amounts of consideration ultimately received differ from the Company's estimates, the Company adjusts these estimates, which would affect net revenue in the period such adjustments become known.

Sales revenue is recognized upon transfer of control of products or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products or services. Revenues for the sale of durable medical equipment and related supplies, including oxygen equipment, ventilators, wheelchairs, hospital beds and infusion pumps, are recognized when control of the promised good or service is transferred to customers, which is generally upon shipment for direct to consumer supplies and upon delivery to the home for durable medical equipment.

The Company provides certain equipment to patients which is reimbursed periodically in fixed monthly payments for as long as the patient is using the equipment and medical necessity continues (in certain cases, the fixed monthly payments are capped at a certain amount). The equipment provided to the patient is based upon medical necessity as documented by prescriptions and other documentation received from the patient's physician. The patient generally does not negotiate or have input with respect to the manufacturer or model of the equipment prescribed by their physician and delivered by the Company. Once initial delivery of this equipment is made to the patient for initial setup, a monthly billing process is established based on the initial setup service date. The Company recognizes the fixed monthly revenue ratably over the service period as earned, less estimated adjustments, and defers revenue for the portion of the monthly bill that is unearned. No separate revenue is earned from the initial setup process. Included in fixed monthly revenue are unbilled amounts for which the revenue recognition criteria had been met as of period-end but were not yet billed to the payor. The estimate of net unbilled fixed monthly revenue recognized is based on historical trends and estimates of future collectability.

The Company's billing system contains payor-specific price tables that reflect the fee schedule amounts in effect or contractually agreed upon by various government and commercial payors for each item of equipment or supply provided to a customer. Revenues are recorded based on the applicable fee schedule. The Company has established a contractual allowance to account for adjustments that result from differences between the payment amount received and the expected realizable amount. If the payment amount received differs from the net realizable amount, an adjustment is recorded to revenues in the period that these payment differences are determined. The Company reports revenues in its consolidated financial statements net of such adjustments.

The Company's business experiences some seasonality. Its patients are generally responsible for a greater percentage of the cost of their treatment or therapy during the early months of the calendar year due to co-insurance, co-payments and deductibles, and therefore may defer treatment and services of certain therapies until meeting their annual deductibles. In addition, changes to employer insurance coverage often go into effect at the beginning of each calendar year which may impact eligibility requirements and delay or defer treatment. These factors may lead to lower net revenue and cash flow in the early part of the year versus the latter half of the year. Additionally, the increased incidence of respiratory infections during the winter season may result in initiation of additional respiratory services such as oxygen therapy for certain patient populations. The Company's net revenue and quarterly operating results may fluctuate significantly in the future depending on these and other factors.

The Company recognizes revenue in the consolidated statements of operations and contract assets on the consolidated balance sheets only when services have been provided. Since the Company has performed its obligation under the contract, it has unconditional rights to the consideration recorded as contract assets and therefore classifies those billed and unbilled contract assets as accounts receivable.

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Notes to Consolidated Interim Financial Statements (Unaudited) (Continued)

Fixed monthly payments that the Company receives from customers in advance of providing services represent contract liabilities. Such payments primarily relate to patients who are billed monthly in advance and are recognized over the period as earned.

The Company disaggregates net revenue from contracts with customers by payor type and by core service lines. The Company believes that disaggregation of net revenue into these categories depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The payment terms and conditions within the Company's revenue-generating contracts vary by payor type and payor source.

The composition of net revenue by payor type for the three and six months ended June 30, 2021 and 2020 are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	**2020**	**2021**	**2020**
Insurance	$ 371,869	$ 148,165	$ 661,879	$ 262,616
Government	177,323	60,513	311,053	111,758
Patient pay	67,825	23,438	126,204	49,181
Net revenue	$ 617,017	$ 232,116	$ 1,099,136	$ 423,555

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Notes to Consolidated Interim Financial Statements (Unaudited) (Continued)

The composition of net revenue by core service lines for the three and six months ended June 30, 2021 and 2020 are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net sales revenue:				
Sleep	$ 163,331	$ 84,421	$ 292,013	$ 153,315
Diabetes	123,314	6,372	218,331	11,679
Supplies to the home	42,675	27,868	84,038	55,900
Respiratory	13,154	18,114	18,775	20,882
HME	30,360	12,727	54,516	24,306
Other	27,763	11,463	50,189	23,856
Total net sales revenue	$ 400,597	$ 160,965	$ 717,862	$ 289,938
Net revenue from fixed monthly equipment reimbursements:				
Sleep	$ 66,335	$ 22,644	$ 114,444	$ 45,313
Diabetes	3,216	—	6,069	—
Respiratory	111,528	30,856	194,982	55,863
HME	24,431	13,262	44,811	25,439
Other	10,910	4,389	20,968	7,002
Total net revenue from fixed monthly equipment reimbursements	$ 216,420	$ 71,151	$ 381,274	$ 133,617
Total net revenue:				
Sleep	$ 229,666	$ 107,065	$ 406,457	$ 198,628
Diabetes	126,530	6,372	224,400	11,679
Supplies to the home	42,675	27,868	84,038	55,900
Respiratory	124,682	48,970	213,757	76,745
HME	54,791	25,989	99,327	49,745
Other	38,673	15,852	71,157	30,858
Total net revenue	$ 617,017	$ 232,116	$ 1,099,136	$ 423,555

In response to the COVID-19 pandemic and the National Emergency Declaration, dated March 13, 2020, the Company increased its cash liquidity by, among other things, seeking recoupable advance payments of $45.8 million made available by CMS under the CARES Act legislation, which was received in April 2020. In addition, in connection with an acquisition completed in July 2020, the Company assumed a liability of $3.7 million relating to funds received by the acquired company prior to the date of acquisition for CMS recoupable advance payments. The recoupment of the advance payments by CMS has begun in April 2021 and is being applied to services provided and revenue recognized during the period in which the recoupment occurs, and will impact the Company's cash receipts for services provided until such time all amounts have been recouped. During the three months ended June 30, 2021, CMS has recouped a total of $15.9 million. At June 30, 2021, the Company has deferred a total of $33.6 million related to CMS recoupable advance payments, which is included in other current liabilities in the consolidated balance sheet as of June 30, 2021.

Accounts Receivable

Due to the continuing changes in the healthcare industry and third-party reimbursement environment, certain estimates are required to record accounts receivable at their net realizable values. Inherent in these estimates is the risk that they will have to be revised or updated as additional information becomes available. The complexity of third-party billing arrangements and laws and regulations governing Medicare and Medicaid may result in adjustments to amounts originally recorded.

The Company performs a periodic analysis to review the valuation of accounts receivable and collectability of outstanding balances. Management's evaluation takes into consideration such factors as historical cash collections experience, business and economic conditions, trends in healthcare coverage, other collection indicators and information about specific receivables. The Company's evaluation also considers the age and composition of the outstanding amounts in determining their estimated net realizable value.

Receivables are considered past due when not collected by established due dates. Specific patient balances are written off after collection efforts have been followed and the account has been determined to be uncollectible. Revisions in reserve estimates are recorded as an adjustment to net revenue in the period of revision.

Included in accounts receivable are earned but unbilled accounts receivables. Billing delays, ranging from several days to several weeks, can occur due to the Company's policy of compiling required payor specific documentation prior to billing for its services rendered. At June 30, 2021 and December 31, 2020, the Company recorded unbilled accounts receivables of $18.3 million and $20.2 million, respectively.

(3) Acquisitions

During the six months ended June 30, 2021 and 2020, the Company completed several acquisitions to strengthen its current market share in existing markets or to expand into new markets. Each of the Company's acquisitions was accounted for using the acquisition method pursuant to the requirements of FASB ASC Topic 805, *Business Combinations*, and are included in the Company's consolidated financial statements since the respective acquisition date. The goodwill generated from these acquisitions is attributable to expected growth and cost synergies and the expected contribution of each acquisition to the Company's overall strategy. The substantial majority of the goodwill recorded during the six months ended June 30, 2021 is not expected to be deductible for tax purposes. The estimated fair values of the net assets of acquired businesses as described below are subject to change resulting from such items as receipt of final valuations and working capital adjustments post-acquisition. As a result, the acquisition accounting for certain acquired businesses could change in subsequent periods resulting in adjustments to goodwill once finalized. Also, see subsection, "Pro forma information" of this Note 3 for pro forma information on net revenue and operating income.

Six Months Ended June 30, 2021

On February 1, 2021, the Company acquired 100% of the equity interests of AeroCare Holdings, Inc. (AeroCare). AeroCare is a leading national technology-enabled respiratory and home medical equipment distribution platform in the United States and offers a comprehensive suite of direct-to-patient equipment and services including CPAP and BiPAP machines, oxygen concentrators, home ventilators, and other durable medical equipment products. The total consideration consisted of (i) a cash payment of approximately $1.1 billion at closing, (ii) the issuance of 13,992,615 shares of the Company's Class A Common Stock at closing, (iii) the issuance of 130,474.73 shares of the Company's Series C Convertible Preferred Stock at closing, and (iv) the issuance of 3,959,892 options to purchase shares of the Company's Class A Common Stock in the future, which had a weighted-average exercise price of $6.24 per share and a weighted-average remaining exercise period of approximately 7 years from the date of closing. Refer to Note 10, *Stockholders' Equity – Preferred Stock*, for additional discussion of the Series C Convertible Preferred Stock issued in connection with the acquisition of AeroCare. The Company allocated the consideration paid to the estimated fair values of the net assets acquired on a provisional basis, including $27.7 million to cash, $75.9 million to accounts receivable, $27.6 million to inventory, $163.5 million to equipment and other fixed assets, $138.2 million to identifiable intangible assets (consisting of $70.0 million of contractual rental agreements and $68.2 million of tradenames), $2.1 billion to goodwill, $82.7 million to accounts payable and accrued expenses, $63.7 million to deferred tax liabilities, and

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Notes to Consolidated Interim Financial Statements (Unaudited) (Continued)

$20.9 million of net liabilities to other working capital accounts. In July 2021, the Company paid $4.1 million to the AeroCare sellers in connection with a post-closing net working capital adjustment, which was recorded as additional goodwill in July 2021.

On April 30, 2021, the Company acquired 100% of the equity interests of Spiro Health Services, LLC (Spiro). Spiro is a provider of home medical equipment and supplies. The total consideration consisted of a cash payment of $66.1 million at closing, the issuance of 244,641 shares of the Company's Class A Common Stock at closing, and a potential contingent consideration payment of up to $1.0 million, which was determined to be the fair value at the acquisition date and such amount was recorded as a contingent consideration liability in connection with the Company's preliminary acquisition accounting. Such amount is included in other current liabilities in the accompanying consolidated balance sheets at June 30, 2021 based on the expected payment date. The Company allocated the consideration paid to the estimated fair values of the net assets acquired on a provisional basis, including $2.1 million to cash, $7.3 million to accounts receivable, $4.9 million to inventory, $2.2 million to equipment and other fixed assets, $1.0 million to identifiable intangible assets (consisting of tradenames), $63.8 million to goodwill, $5.1 million to accounts payable and accrued expenses, $2.2 million to capital lease obligations, and $0.2 million of net assets to other working capital accounts.

On June 1, 2021, the Company acquired 100% of the equity interests of Healthy Living Medical Supply, LLC (Healthy Living). Healthy Living is a provider of continuous glucose monitors and insulin pumps. The total consideration consisted of a cash payment of $47.0 million at closing and the issuance of 196,779 shares of the Company's Class A Common Stock at closing. The Company allocated the consideration paid to the estimated fair values of the net assets acquired on a provisional basis, including $0.6 million to cash, $7.5 million to accounts receivable, $2.9 million to inventory, $1.5 million to equipment and other fixed assets, $1.3 million to identifiable intangible assets (consisting of tradenames), $41.7 million to goodwill, $3.6 million to accounts payable and accrued expenses, and $0.2 million of net assets to other working capital accounts.

In addition, during the six months ended June 30, 2021, the Company acquired 100% of the equity interests of two providers of home medical equipment and acquired certain assets of the durable medical equipment business of a provider of home medical equipment. The total consideration paid for these three acquisitions consisted of cash payments of $57.5 million at closing, a $0.9 million cash payment during the six months ended June 30, 2021 for a post-closing net working capital adjustment, and the issuance of 99,695 shares of the Company's Class A Common Stock at closing. The Company allocated the consideration paid for these three acquisitions to the estimated fair values of the net assets acquired on a provisional basis, including $1.5 million to cash, $6.4 million to accounts receivable, $3.8 million to inventory, $12.0 million to equipment and other fixed assets, $1.5 million to identifiable intangible assets (consisting of tradenames), $41.2 million to goodwill, $4.7 million to accounts payable and accrued expenses, and $0.2 million of net liabilities to other working capital accounts. One of the acquisitions also includes potential contingent payments of up to $4.0 million based on certain conditions after closing, which was determined to have a nominal acquisition date fair value, and thus no contingent consideration liability was recorded in connection with the Company's preliminary acquisition accounting for the acquisition.

In addition, during the six months ended June 30, 2021, the Company completed certain other acquisitions. In the aggregate the consideration paid consisted of cash payments of $4.9 million at closing and deferred payment liabilities of $1.0 million. The Company allocated the consideration paid to the estimated fair values of the net assets acquired on a provisional basis, including $0.4 million to accounts receivable, $0.2 million to inventory, $0.7 million to equipment and other fixed assets, $4.9 million to goodwill, $0.2 million to accounts payable and accrued expenses, and $0.1 million of net liabilities to other working capital accounts.

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Notes to Consolidated Interim Financial Statements (Unaudited) (Continued)

The following table summarizes the consideration paid for all acquisitions during the six months ended June 30, 2021 (in thousands):

Cash consideration	$	1,325,133
Equity consideration		1,235,693
Contingent consideration		1,000
Deferred payments		983
Total	$	2,562,809

The Company allocated the consideration paid to the net assets acquired based on their estimated acquisition date fair values. The Company is still evaluating the fair value of certain assets and liabilities for which provisional amounts were recorded and expects to finalize such valuations during the remainder of 2021. Based upon management's evaluation, which is preliminary and subject to completion of working capital and other adjustments, the consideration paid for all acquisitions during the six months ended June 30, 2021 was allocated as follows during such period (in thousands):

Cash	$	31,944
Accounts receivable		97,523
Inventory		39,525
Prepaid and other current assets		4,828
Equipment and other fixed assets		179,761
Goodwill		2,254,990
Identifiable intangible assets		142,000
Other assets		1,194
Deferred tax liabilities		(63,222)
Accounts payable and accrued expenses		(96,325)
Contract liabilities		(14,583)
Other current liabilities		(11,576)
Other long-term liabilities		(1,055)
Capital lease obligations		(2,195)
Net assets acquired	$	2,562,809

During the six months ended June 30, 2021, the Company received net cash receipts of $0.6 million relating to working capital adjustments associated with businesses that were acquired during 2020 which was recorded as a decrease to goodwill during the period.

Six Months Ended June 30, 2020

On January 2, 2020, the Company purchased 100% of the equity interests of the Patient Care Solutions business (PCS), which was a subsidiary of McKesson Corporation. PCS is a home medical equipment supplies business. The total consideration consisted of a cash payment of $15.0 million. During the six months ended June 30, 2020, the Company allocated the consideration paid to the estimated fair values of the net assets acquired on a provisional basis, including $16.3 million to accounts receivable, $0.5 million to equipment and other fixed assets, $1.4 million to goodwill, and $3.2 million of net liabilities to other working capital accounts.

On March 2, 2020, the Company purchased certain assets of the durable medical equipment business of Advanced Home Care, Inc. (Advanced). The total consideration consisted of a cash payment of $58.5 million at closing. During the six months ended June 30, 2020, the Company allocated the consideration paid to the estimated fair values of the net assets acquired on a provisional basis, including $18.4 million to equipment and other fixed assets, $39.6 million to goodwill, and $0.5 million of net assets to other working capital accounts. The acquisition of Advanced also includes a potential contingent payment of up to $9.0 million based on certain conditions after closing. As of June 30, 2020, the Company had not yet determined the fair value of such contingent payment, as such an estimated fair value was not included in the consideration paid as part of the Company's preliminary acquisition accounting during the six months ended June 30, 2020. Subsequent to June 30, 2020, the Company determined that the potential contingent payment had an acquisition date fair value of $5.0 million which was recorded as a contingent liability. The fair value of the estimated contingent liability of $5.0 million at June 30, 2021 is included in other current liabilities in the accompanying consolidated balance sheets based on the expected payment date.

In addition, during the six months ended June 30, 2020, the Company acquired 100% of the equity interests of a provider of home medical equipment. The total consideration consisted of a cash payment of $32.4 million at closing and the issuance of 386,874 shares of the Company's Class A Common Stock at closing. The Company allocated the consideration paid for this acquisition to the estimated fair values of the net assets acquired on a provisional basis, including $0.3 million to cash, $3.3 million to accounts receivable, $1.4 million to inventory, $5.9 million to equipment and other fixed assets, $33.7 million to goodwill, $2.9 million to accounts payable and accrued expenses, $1.6 million to capital lease obligations, and $1.4 million of net liabilities to other working capital accounts.

In addition, during the six months ended June 30, 2020, the Company completed certain other acquisitions. In the aggregate the consideration paid consisted of cash payments of $2.2 million at closing and deferred payment liabilities of less than $0.1 million. The Company allocated the consideration paid to the estimated fair values of the net assets acquired on a provisional basis, including $0.4 million to cash, $0.5 million to accounts receivable, $0.3 million to inventory, $0.4 million to equipment and other fixed assets, $1.4 million to goodwill, $0.7 million to accounts payable and accrued expenses, and $0.1 million of net liabilities to other working capital accounts.

The following table summarizes the consideration paid for all acquisitions during the six months ended June 30, 2020 (in thousands):

Cash consideration	$	108,199
Equity consideration		6,248
Deferred payments		33
Total	$	114,480

The Company allocated the consideration paid to the net assets acquired based on their estimated acquisition date fair values. Based upon management's evaluation, which was preliminary and subject to completion of working capital and other adjustments, the consideration paid for all acquisitions during the six months ended June 30, 2020 was allocated as follows during such period (in thousands):

Cash	$	736
Accounts receivable		20,118
Inventory		4,413
Prepaid and other current assets		1,334
Equipment and other fixed assets		25,264
Goodwill		76,060
Accounts payable and accrued expenses		(6,493)
Contract liabilities		(3,906)
Other liabilities		(1,419)
Capital lease obligations		(1,627)
Net assets acquired	$	114,480

The Company finalized the valuations of the fair values of the net assets acquired for these acquisitions during the remainder of 2020.

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Pro-Forma Information

The unaudited pro-forma financial information presented below has been prepared by adjusting the historical results of the Company to include the historical results of the acquisitions described above. The unaudited pro-forma financial information is presented for illustrative purposes only and may not be indicative of the results of operations that would have actually occurred. In addition, future results may vary significantly from the results reflected in the pro-forma information. The unaudited pro-forma financial information does not reflect the impact of future events that may occur after the acquisitions, such as the impact of cost savings or other synergies that may result from these acquisitions, and does not include interest expense associated with debt incurred to fund the acquisitions.

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net revenue	$ 631,568	$ 572,298	$ 1,224,287	$ 1,102,997
Operating income	$ 66,964	$ 55,719	$ 92,600	$ 96,957

Results of Businesses Acquired

The following table presents the amount of net revenue and operating income (loss) in the period of acquisition since the respective acquisition dates for the acquisitions described above that is included in the Company's consolidated statements of operations for the three and six months ended June 30, 2021 and 2020:

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net revenue	$ 248,209	$ 53,002	$ 390,856	$ 93,727
Operating income (loss)	$ 37,306	$ (2,061)	$ 57,689	$ (7,621)

(4) Equipment and Other Fixed Assets

Equipment and other fixed assets as of June 30, 2021 and December 31, 2020 are as follows (in thousands):

	June 30, 2021	December 31, 2020
Patient medical equipment	$ 379,683	$ 158,108
Delivery vehicles	21,666	8,211
Other	42,409	26,098
	443,758	192,417
Less accumulated depreciation	(134,687)	(81,949)
	$ 309,071	$ 110,468

(5) Goodwill and Identifiable Intangible Assets

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. The change in the carrying amount of goodwill for the six months ended June 30, 2021 was as follows (in thousands):

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Notes to Consolidated Interim Financial Statements (Unaudited) (Continued)

Balance at December 31, 2020	$ 998,810
Goodwill from acquisitions	2,254,990
Net cash receipts relating to prior acquisitions	(558)
Reduction	(22,042)
Balance at June 30, 2021	$ 3,231,200

Annually, and upon the identification of a triggering event, management is required to perform an evaluation of the recoverability of goodwill. Triggering events potentially warranting an interim goodwill impairment test include, among other factors, declines in historical or projected revenue, operating income or cash flows, and declines in the Company's stock price or market capitalization. While management cannot predict if or when future goodwill impairments may occur, a goodwill impairment could have a material adverse effect on the Company's operating income, net assets and the Company's cost of, or access to, capital. The Company did not record any goodwill impairment charges during the three and six months ended June 30, 2021 and 2020.

As discussed in Note 3, *Acquisitions*, during the six months ended June 30, 2021, the Company received net cash receipts of $0.6 million relating to working capital adjustments associated with businesses that were acquired during 2020 which was recorded as a reduction to goodwill during the period. The reduction in the table above relates to measurement period adjustments relating to businesses that were acquired by the Company during 2020, primarily for Solara Medical Supplies, LLC (Solara), which was acquired by the Company in the third quarter of 2020. Based on available information obtained by the Company during the six months ended June 30, 2021, the Company recorded certain measurement period adjustments to the acquisition accounting for Solara, resulting in an increase to accounts receivable of $28.9 million and an increase to accounts payable and accrued expenses of $6.3 million, with a corresponding decrease to goodwill of $22.6 million during the period.

Identifiable intangible assets that are separable and have determinable useful lives are valued separately and amortized over the period which reflects the pattern in which the economic benefits of the assets are expected to be consumed. Identifiable intangible assets consisted of the following at June 30, 2021 and December 31, 2020 (in thousands):

	June 30, 2021	
		Weighted-Average Remaining Life (Years)
Tradenames, net of accumulated amortization of $6,711	$ 98,889	9.2
Payor contracts, net of accumulated amortization of $7,716	74,284	9.1
Contractual rental agreements, net of accumulated amortization of $14,583	55,417	1.8
Developed technology, net of accumulated amortization of $1,260	5,040	4.0
Identifiable intangible assets, net	$ 233,630	

	December 31, 2020	
		Weighted-Average Remaining Life (Years)
Tradenames, net of accumulated amortization of $1,793	$ 32,007	8.8
Payor contracts, net of accumulated amortization of $3,616	78,384	9.6
Developed technology, net of accumulated amortization of $630	5,670	4.5
Identifiable intangible assets, net	$ 116,061	

Amortization expense related to identifiable intangible assets, which is included in depreciation and amortization, excluding patient equipment depreciation, in the accompanying statements of operations, was $13.9

million and $24.2 million for the three and six months ended June 30, 2021, respectively. There was no amortization expense related to identifiable intangible assets for the three and six months ended June 30, 2020.

Future amortization expense related to identifiable intangible assets is estimated to be as follows (in thousands):

Twelve months ending June 30,		
2022	$	55,876
2023		41,293
2024		20,876
2025		20,817
2026		18,720
Thereafter		76,048
Total	$	233,630

The Company recorded no impairment charges related to identifiable intangible assets during the three and six months ended June 30, 2021 and 2020.

(6) Fair Value of Assets and Liabilities

FASB ASC Topic 820, *Fair Value Measurements and Disclosures* (ASC 820), creates a single definition of fair value, establishes a framework for measuring fair value in U.S. GAAP and expands disclosures about fair value measurements. Assets and liabilities adjusted to fair value in the balance sheet are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs, as defined by ASC 820, are as follows:

Level input	**Input Definition**
Level 1	Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
Level 2	Inputs, other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with market data at the measurement date.
Level 3	Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the asset or liability at the measurement date.

The following table presents the valuation of the Company’s financial assets and liabilities as of June 30, 2021 and December 31, 2020 measured at fair value on a recurring basis. The fair value estimates presented herein are based

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on information available to management as of June 30, 2021 and December 31, 2020. These estimates are not necessarily indicative of the amounts the Company could ultimately realize.

(in thousands)	Level 1	Level 2	Level 3
June 30, 2021			
Assets			
Money market accounts	$ 58	$ —	$ —
Total assets measured at fair value	$ 58	$ —	$ —
Liabilities			
Acquisition-related contingent consideration-short term	$ —	$ —	$ 20,004
Acquisition-related contingent consideration-long term	—	—	1,568
Interest rate swap agreements-short term	—	5,938	—
Interest rate swap agreements-long term	—	6,240	—
Contingent consideration common shares liability-short term	—	—	25,758
Contingent consideration common shares liability-long term	—	—	20,675
Warrant liability	—	—	73,283
Total liabilities measured at fair value	$ —	$ 12,178	$ 141,288

(in thousands)	Level 1	Level 2	Level 3
December 31, 2020			
Assets			
Money market accounts	$ 5,602	$ —	$ —
Total assets measured at fair value	$ 5,602	$ —	$ —
Liabilities			
Acquisition-related contingent consideration-short term	$ —	$ —	$ 23,941
Acquisition-related contingent consideration-long term	—	—	9,599
Interest rate swap agreements-short term	—	5,941	—
Interest rate swap agreements-long term	—	10,220	—
Contingent consideration common shares liability-short term	—	—	36,846
Contingent consideration common shares liability-long term	—	—	33,631
Warrant liability	—	—	113,905
Total liabilities measured at fair value	$ —	$ 16,161	$ 217,922

Interest Rate Swaps

The Company recognizes its interest rate swaps as either assets or liabilities in the accompanying consolidated balance sheets at fair value. The valuation of these derivative instruments is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. The Company's interest rate swaps held as of June 30, 2021 and December 31, 2020 were classified as Level 2 of the fair value hierarchy. Refer to Note 7, *Derivative Instruments and Hedging Activities*, for additional information regarding the Company's derivative instruments.

Contingent Consideration

The Company estimates the fair value of acquisition-related contingent consideration liabilities by applying the income approach using a probability-weighted discounted cash flow model. This fair value measurement is based on

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significant inputs not observed in the market and thus represents a Level 3 measurement. Level 3 instruments are valued based on unobservable inputs that are supported by little or no market activity and reflect the Company's own assumptions in measuring fair value. Each period, the Company evaluates the fair value of acquisition-related contingent consideration obligations and records any changes in the fair value of such liabilities in other income in the Company's consolidated statements of operations. At June 30, 2021, contingent consideration liabilities of $20.0 million and $1.6 million were included in other current liabilities and other long-term liabilities, respectively, in the accompanying consolidated balance sheets. At December 31, 2020, contingent consideration liabilities of $23.9 million and $9.6 million were included in other current liabilities and other long-term liabilities, respectively, in the accompanying consolidated balance sheets.

A reconciliation of the Company's contingent consideration liabilities related to acquisitions for the six months ended June 30, 2021 and 2020 is as follows (in thousands):

Six Months Ended June 30, 2021	Beginning Balance	Additions	Payments	Change in Fair Value	Other activity	Ending Balance
Contingent consideration - Level 3 liabilities	$ 33,540	$ 1,000	$ (13,396)	$ 255	$ 173	$ 21,572

Six Months Ended June 30, 2020	Beginning Balance	Additions	Payments	Change in Fair Value	Other activity	Ending Balance
Contingent consideration - Level 3 liabilities	$ 14,725	$ —	$ (1,000)	$ (2,900)	$ —	$ 10,825

Contingent Consideration Common Shares Liability

The Company estimates the fair value of the contingent consideration common shares liability using a Monte-Carlo simulation analysis. A Monte-Carlo simulation is a tool used to project asset prices based on a widely accepted drift calculation, the volatility of the asset, incremental time-steps and a random component known as a Weiner process that introduces the dynamic behavior in the asset price. In this framework, asset prices follow a log-normal distribution as they fluctuate through time, which the simulation process captures. A specific model can be developed around the projected stock price to capture the effects of any market performance conditions on value. Price path specific conditions can be captured in this type of open form model. The Monte-Carlo process expresses potential future scenarios that when simulated thousands of times can be viewed statistically to ascertain fair value. The contingent consideration common shares contain market conditions to determine whether the shares are earned based on the Company's common stock price during specified measurement periods. Given the path-dependent nature of the requirement in which the shares are earned, a Monte-Carlo simulation was used to estimate the fair value of the liability. The Company's common stock price was simulated to each measurement period based on the above described methodology. In each iteration, the simulated stock price was compared to the conditions under which the shares are earned. In iterations where the stock price corresponded to shares being earned, the future value of the earned shares was discounted back to present value. The fair value of the liability was estimated based on the average of all iterations of the simulation. Refer to Note 10, *Stockholders' Equity*, for additional discussion of the contingent consideration common shares.

Warrant Liability

The warrant liability represents the estimated fair value of the Company's outstanding private warrants. The fair value of the private warrants was estimated using the Black-Scholes option pricing model. As an input to the Black-Scholes option pricing model, the volatility implied by trades in the public warrants was considered. In order to estimate this implied volatility, a Monte-Carlo simulation was employed. Refer to the discussion above for a description of the Monte-Carlo simulation analysis. Refer to Note 10, *Stockholders' Equity*, for additional discussion of the warrant liability.

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Notes to Consolidated Interim Financial Statements (Unaudited) (Continued)

Non-Financial Assets Measured at Fair Value on a Non-Recurring Basis

The following table presents the Company's hierarchy for non-financial assets measured at fair value on a non-recurring basis (in thousands):

	June 30, 2021	December 31, 2020
Assets:		
Goodwill (Level 3)	$ 3,231,200	$ 998,810
Identifiable intangible assets, net (Level 3)	$ 233,630	$ 116,061

The fair value allocation related to the Company's acquisitions are determined using a discounted cash flow approach, or a replacement cost approach, which are based on significant unobservable inputs (Level 3). The Company estimates the fair value using the income approach (which is a discounted cash flow technique) or the cost approach. These valuation methods required management to make various assumptions, including, but not limited to, future profitability, cash flows, replacement costs, and discount rates. The Company's estimates are based upon historical trends, management's knowledge and experience and overall economic factors, including projections of future earnings potential.

Developing discounted future cash flows in applying the income approach requires the Company to evaluate its intermediate to longer-term strategies, including, but not limited to, estimates of revenue growth, operating margins, capital requirements, inflation and working capital management. The development of appropriate rates to discount the estimated future cash flows requires the selection of risk premiums, which can materially impact the present value of future cash flows.

The Company estimated the fair value of acquired identifiable intangible assets using discounted cash flow techniques that included an estimate of future cash flows, consistent with overall cash flow projections used to determine the purchase price paid to acquire the business, discounted at a rate of return that reflects the relative risk of the cash flows. The Company estimated the fair value of certain acquired identifiable intangible assets based on the cost approach using estimated costs consistent with historical experience. The Company believes the estimates and assumptions used in the valuation methods are reasonable.

(7) Derivative Instruments and Hedging Activities

The Company records all derivatives on its consolidated balance sheet at fair value. As of June 30, 2021 and December 31, 2020, the Company had outstanding interest rate derivatives with third parties in which the Company pays a fixed interest rate and receives a rate equal to the one-month LIBOR. The notional amount associated with the swap agreements was $250 million as of June 30, 2021 and December 31, 2020 and have maturity dates at certain dates through March 2024. The Company has designated its swaps as effective cash flow hedges of interest rate risk. Accordingly, changes in the fair value of the interest rate swaps are recorded as a component of accumulated other comprehensive income (loss) within stockholders' equity and subsequently reclassified into interest expense in the same period during which the hedged transaction affects earnings.

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The table below presents the fair value of the Company's derivatives designated as hedging instruments as well as their classification in the consolidated balance sheets at June 30, 2021 and December 31, 2020 (in thousands):

		June 30, 2021	December 31, 2020
	Balance Sheet Location	**Asset (Liability)**	
Interest rate swap agreements	Other current liabilities	$ (5,938)	$ (5,941)
Interest rate swap agreements	Other long-term liabilities	(6,240)	(10,220)
Total		$ (12,178)	$ (16,161)

During the three months ended June 30, 2021, as a result of the effect of cash flow hedge accounting, the Company recognized a gain of $1.4 million in other comprehensive income (loss). In addition, during the three months ended June 30, 2021, $0.7 million was reclassified from other comprehensive income (loss) and recognized as a reduction to interest expense, net, in the accompanying consolidated statements of operations. During the six months ended June 30, 2021, as a result of the effect of cash flow hedge accounting, the Company recognized a gain of $4.0 million in other comprehensive income (loss). In addition, during the six months ended June 30, 2021, $1.4 million was reclassified from other comprehensive income (loss) and recognized as a reduction to interest expense, net, in the accompanying consolidated statements of operations. During the three months ended June 30, 2020, as a result of the effect of cash flow hedge accounting, the Company recognized a loss of $0.4 million in other comprehensive income (loss). In addition, during the three months ended June 30, 2020, $0.7 million was reclassified from other comprehensive income (loss) and recognized as a reduction to interest expense, net, in the accompanying consolidated statements of operations. During the six months ended June 30, 2020, as a result of the effect of cash flow hedge accounting, the Company recognized a loss of $11.1 million in other comprehensive income (loss). In addition, during the six months ended June 30, 2020, $1.4 million was reclassified from other comprehensive income (loss) and recognized as a reduction to interest expense, net, in the accompanying consolidated statements of operations.

(8) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses as of June 30, 2021 and December 31, 2020 consisted of the following (in thousands):

	June 30, 2021	December 31, 2020
Accounts payable	$ 260,580	$ 191,038
Employee-related accruals	42,854	26,705
Accrued interest	24,974	11,062
Other	22,306	25,407
Total	$ 350,714	$ 254,212

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(9) Debt

The following is a summary of long term-debt as of June 30, 2021 and December 31, 2020 (in thousands):

	June 30, 2021	December 31, 2020
Secured term loans	$ 800,000	$ 248,438
Revolving credit facility	175,000	55,000
Senior unsecured notes	850,000	350,000
Note payable	71,750	143,500
Other	—	333
Unamortized deferred financing fees	(23,674)	(12,557)
	1,873,076	784,714
Current portion	(96,750)	(8,146)
Long-term portion	$ 1,776,326	$ 776,568

On January 20, 2021, the Company refinanced its then existing debt borrowings and entered into a new credit agreement with its existing bank group, which was subsequently amended in April 2021 (the 2021 Credit Agreement). The 2021 Credit Agreement included borrowings of $800 million under a term loan (the 2021 Term Loan), and $450 million in commitments for revolving credit loans (the 2021 Revolver). The 2021 Revolver has a $55 million letter of credit sublimit. The 2021 Term Loan and the 2021 Revolver both have maturities in January 2026. Borrowings under the 2021 Term Loan were used in part to partially finance the cash portion of the purchase price for the acquisition of AeroCare, to repay existing amounts outstanding under revolving credit loans under the 2021 Credit Agreement which were borrowed prior to the April 2021 amendment, and to repay existing amounts outstanding under the 2020 Credit Agreement (see discussion below), and to pay related fees and expenses. Amounts borrowed under the 2021 Credit Agreement bear interest quarterly at variable rates based upon the sum of (a) the Adjusted LIBOR Rate (subject to a floor) equal to the LIBOR (as defined) for the applicable interest period multiplied by the statutory reserve rate, plus (b) an applicable margin (as defined) ranging from 1.50% to 3.25% per annum based on the Consolidated Senior Secured Leverage Ratio (as defined). The 2021 Revolver carries a commitment fee during the term of the 2021 Credit Agreement ranging from 0.25% to 0.50% per annum of the average daily undrawn portion of the 2021 Revolver based on the Consolidated Senior Secured Leverage Ratio. In connection with the 2021 Credit Agreement, the Company paid financing costs of $7.6 million during the six months ended June 20, 2021. Further, in connection with the transactions completed pursuant to the 2021 Credit Agreement, the Company wrote off unamortized deferred financing costs of $2.1 million, which is included in loss on extinguishment of debt in the accompanying consolidated statements of operations for the six months ended June 30, 2021. During the three months ended March 31, 2021, the Company wrote off $4.2 million of unamortized deferred financing costs in connection with the 2021 Credit Agreement, which was reflected in loss on extinguishment of debt in the Company's previously issued consolidated statement of operations in such period. During the three months ended June 30, 2021, the Company corrected an error that was identified relating to the accounting for the write off of unamortized deferred financing costs recorded during the three months ended March 31, 2021. As a result of this correction, the Company reversed $2.1 million of the write off that was recorded in the three months ended March 31, 2021, which was reflected as a reduction to the loss on extinguishment of debt recognized during the three months ended June 30, 2021. The impact of such correction was not considered material to the Company's unaudited consolidated financial statements for the three months ended March 31, 2021 and the three and six months ended June 30, 2021.

Under the 2021 Credit Agreement, the Company is subject to a number of restrictive covenants that, among other things, impose operating and financial restrictions on the Company. Financial covenants include a Consolidated Total Leverage Ratio and a Consolidated Interest Coverage Ratio, both as defined in the 2021 Credit Agreement. The 2021 Credit Agreement also contains certain customary events of default, including, among other things, failure to make payments when due thereunder, failure to observe or perform certain covenants, cross-defaults, bankruptcy and insolvency-related events, and non-compliance with healthcare laws. Any borrowing under the 2021 Credit Agreement may be repaid, in whole or in part, at any time and from time to time without premium or penalty, other than customary breakage costs, and any amounts repaid under the 2021 Revolver may be reborrowed. Mandatory prepayments are required under the 2021 Revolver when borrowings and letter of credit usage exceed the total commitments for revolving credit loans. Mandatory prepayments are also required in connection with the disposition of assets to the extent not reinvested, unpermitted debt transactions, and excess cash flow, as defined, if certain leverage tests are not met. The Company was in compliance with all debt covenants as of June 30, 2021.

In July 2020, the Company refinanced its then existing debt borrowings and entered into a new credit agreement with a new bank group (the 2020 Credit Agreement). The 2020 Credit Agreement consisted of a $250 million term loan (the 2020 Term Loan) and $200 million in commitments for revolving credit loans (the 2020 Revolver). The borrowings under the 2020 Term Loan bore interest quarterly at variable rates based upon the sum of (a) the Adjusted LIBOR Rate (subject to a floor) equal to the LIBOR (as defined in the 2020 Credit Agreement) for the applicable interest period, plus (b) an applicable margin ranging from 2.50% to 3.75% per annum based on the Consolidated Total Leverage Ratio (as defined in the 2020 Credit Agreement). The 2020 Revolver carried a commitment fee during the term of the 2020 Credit Agreement ranging from 0.25% to 0.50% per annum of the average daily undrawn portion of the 2020 Revolver based on the Consolidated Total Leverage Ratio.

In March 2019, the Company entered into several agreements, amendments and new credit facilities (herein after referred to as the March 2019 Recapitalization Transactions). The March 2019 Recapitalization Transactions included $425 million in new credit facilities, which consisted of a $300 million Initial Term Loan, $50 million Delayed Draw Term Loan, and $75 million Revolving Credit Facility, collectively referred to herein as the 2019 Credit Facility. Amounts borrowed under the 2019 Credit Facility bore interest quarterly at variable rates based upon the sum of (a) the LIBOR Rate for such interest period, plus (b) an applicable margin based upon the Company's Consolidated Total Leverage Ratio (as defined in the 2019 Credit Facility). In November 2019, the Company repaid $50 million under the Initial Term Loan. In July 2020, the Company amended the 2019 Credit Facility and borrowed $216.3 million; such proceeds were used to partially fund an acquisition. The Company used a portion of the net proceeds from the borrowings under the 2020 Term Loan and the issuance of the 6.125% Senior Notes (see discussion below) to fully repay the outstanding principal balances under the 2019 Credit Facility totaling $523.9 million, and to pay the related accrued interest, fees and expenses.

Secured Term Loans

The borrowings under the 2021 Term Loan require quarterly principal repayments of $5.0 million beginning June 30, 2021 through March 31, 2023, increasing to $10.0 million beginning June 30, 2023 through December 31, 2025, and the unpaid principal balance is due at maturity in January 2026. At June 30, 2021, there was $800 million outstanding under the 2021 Term Loan. The interest rate under the term loan was 2.13% at June 30, 2021.

Revolving Credit Facility

During the six months ended June 30, 2021, the Company borrowed $270 million under revolving credit loans pursuant to the 2021 Credit Agreement, of which $175 million was outstanding at June 30, 2021. Borrowings under the 2021 Revolver may be used for working capital and other general corporate purposes, including for capital expenditures and acquisitions permitted under the 2021 Credit Agreement. The interest rate under the Company's revolving credit loans was 2.13% at June 30, 2021. At June 30, 2021, after consideration of stand-by letters of credit outstanding of $14.9 million, the remaining maximum borrowings available pursuant to the Company's revolving credit loans were $260.1 million.

Senior Unsecured Notes

On January 4, 2021, the Company issued $500.0 million aggregate principal amount of 4.625% senior unsecured notes due 2029 (the 4.625% Senior Notes). The 4.625% Senior Notes will mature on August 1, 2029. Interest on the 4.625% Senior Notes is payable on February 1st and August 1st of each year, beginning on August 1, 2021. The 4.625% Senior Notes will be redeemable at the Company's option, in whole or in part, at any time on or after February 1, 2024, and the redemption price for the 4.625% Senior Notes if redeemed during the 12 months beginning (i) February 1, 2024 is 102.313%, (ii) February 1, 2025 is 101.156%, (iii) February 1, 2026 and thereafter is 100.000%, in each case together with accrued and unpaid interest. The Company may also redeem some or all of the 4.625% Senior Notes before February 1, 2024 at a redemption price of 100% of the principal amount of the 4.625% Senior Notes, plus a "make-whole" premium, together with accrued and unpaid interest. In addition, the Company may redeem up to 40% of the original aggregate principal amount of the 4.625% Senior Notes before February 1, 2024 with the proceeds from certain equity offerings at a redemption price equal to 104.625% of the principal amount of the 4.625% Senior Notes, together with accrued and unpaid interest. Furthermore, the Company may be required to make an offer to purchase the 4.625% Senior Notes upon the sale of certain assets or upon specific kinds of changes of control. Borrowings under the 4.625% Senior Notes were used to partially finance the cash portion of the purchase price for the acquisition of AeroCare, and to pay related fees and expenses. In connection with the issuance of the 4.625% Senior Notes, the Company paid financing costs of $10.4 million.

In July 2020, the Company issued $350.0 million aggregate principal amount of 6.125% senior unsecured notes due 2028 (the 6.125% Senior Notes). The 6.125% Senior Notes will mature on August 1, 2028. Interest on the 6.125% Senior Notes is payable on February 1st and August 1st of each year, beginning on February 1, 2021. The 6.125% Senior Notes will be redeemable at the Company's option, in whole or in part, at any time on or after August 1, 2023, and the redemption price for the 6.125% Senior Notes if redeemed during the 12 months beginning (i) August 1, 2023 is 103.063%, (ii) August 1, 2024 is 102.042%, (iii) August 1, 2025 is 101.021% and (iv) August 1, 2026 and thereafter is 100.000%, in each case together with accrued and unpaid interest. The Company may also redeem some or all of the 6.125% Senior Notes before August 1, 2023 at a redemption price of 100% of the principal amount of the 6.125% Senior Notes , plus a "make-whole" premium, together with accrued and unpaid interest. In addition, the Company may redeem up to 40% of the original aggregate principal amount of the 6.125% Senior Notes before August 1, 2023 with the proceeds from certain equity offerings at a redemption price equal to 106.125% of the principal amount of the 6.125% Senior Notes , together with accrued and unpaid interest. Furthermore, the Company may be required to make an offer to purchase the 6.125% Senior Notes upon the sale of certain assets or upon specific kinds of changes of control.

Note Payable

In connection with the March 2019 Recapitalization Transactions, the Company signed a Note and Unit Purchase Agreement with an investor. Pursuant to the agreement, the Company issued a promissory note with a principal amount of $100 million (the Promissory Note). In connection with the transactions completed as part of the Business Combination, the Promissory Note was replaced with a new amended and restated promissory note with a principal amount of $100 million, and the investor converted certain of its members' interests to a $43.5 million promissory note. The new $100 million promissory note, together with the $43.5 million promissory note, are collectively referred to herein as the New Promissory Note. In June 2021, the Company agreed with the holders of the New Promissory Note to repay $71.8 million of the outstanding principal amount under the New Promissory Note, and wrote off $1.4 million of unamortized deferred financing costs relating to such principal amount, which is included in loss on extinguishment of debt in the accompanying consolidated statements of operations during the three and six months ended June 30, 2021. In addition, in connection with the prepayment of such principal amount, the Company paid a debt prepayment penalty of $8.5 million, reflecting the previously disclosed 10% prepayment penalty plus an incremental amount negotiated as part of the June 2021 agreement, which is included in loss on extinguishment of debt in the accompanying consolidated statements of operations during the three and six months ended June 30, 2021. Further, the Company has agreed to repay the remaining principal balance of $71.8 million plus accrued interest by September 30, 2021. The Company will also pay a debt prepayment penalty of $7.2 million in connection with that prepayment. The Company expects to repay the remaining outstanding principal by September 30, 2021 using cash on hand and/or borrowings under the 2021 Revolver, and therefore such amount is included in current portion of long-term debt in the accompanying consolidated balance sheets as of June 30, 2021. The outstanding principal balance under the New Promissory Note currently bears interest at 12% and is required to be paid in cash. If the remaining outstanding principal is not repaid by October 31, 2021, the New Promissory Note will be amended to provide that the outstanding principal amount will bear interest at the greater of (i) 15% per annum or (ii) the twelve-month LIBOR plus 12% per annum and will have a maturity date of November 8, 2029.

In May 2020, the Company and the investor entered into a Put/Call Option and Consent Agreement (the Put/Call Agreement), pursuant to which certain put and call rights were granted to the parties with respect to shares of Class A Common Stock, shares of Class B Common Stock, and common units of AdaptHealth Holdings (each such common unit, together with one share of Class B Common Stock, a Consideration Unit) held by the investor at the time. Pursuant to the Put/Call Agreement, which was amended in October 2020, during the period from July 1, 2020 to December 31, 2020 (the Option Period), the investor could require the Company to purchase up to 1,898,967 shares of Class A Common Stock and/or Consideration Units held by the investor (such shares of Class A Common Stock and Consideration Units, collectively, Interests) at a price per share of Class A Common Stock or per Consideration Unit equal to the greater of (x) $14.50 and (y) 85% of the 30-day volume-weighted average price per share of the Company's Class A Common Stock on the date the exercise notice is delivered. During the Option Period, the Company could also require the investor to sell up to 1,898,967 of the Interests held by the investor to the Company at a price per share of Class A Common Stock or per Consideration Unit of $15.76. In addition, under the Put/Call Agreement, the investor waived certain consent rights under the New Promissory Note. In connection with the Put/Call Agreement, during the six months ended June 30, 2020, the Company recorded a decrease to additional paid-in capital of $29.9 million, representing the settlement amount of the related call option, and classified such amount as mezzanine equity at such date.

(10) Stockholders' Equity

On January 8, 2021, the Company issued 8,450,000 shares of Class A Common Stock at a price of $33.00 per share pursuant to an underwritten public offering (the 2021 Stock Offering) for gross proceeds of $278.9 million. In connection with this transaction, the Company received proceeds of $265.6 million which is net of the underwriting discount. A portion of the proceeds from the 2021 Stock Offering were used to partially finance the cash portion of the purchase price for the acquisition of AeroCare, and to pay related fees and expenses. In connection with the 2021 Stock Offering, the Company paid offering costs, inclusive of the underwriting discount, of $13.8 million.

Upon the Closing of the Business Combination, the former owners of AdaptHealth Holdings held approximately 49% of the economic interest in AdaptHealth Corp. and the former stockholders of DFB held the remaining approximate 51% of the economic interests in AdaptHealth Corp., both in the form of shares of the Company's Class A Common Stock. In addition, AdaptHealth Corp. owned approximately 56% of the combined company with the remaining 44% owned by the former owners of AdaptHealth Holdings in the form of common units representing limited liability company interests in AdaptHealth Holdings from and after the Closing of the Business Combination (New AdaptHealth Units).

Following the Closing of the Business Combination, the combined results of DFB and AdaptHealth Holdings are consolidated, and the holders of Class A Common Stock owned an approximate 56% direct controlling interest and the holders of New AdaptHealth Units owned an approximate 44% direct noncontrolling economic interest shown as noncontrolling interest in the consolidated financial statements of the combined entity. The direct noncontrolling economic interest in AdaptHealth Holdings held by the owners of AdaptHealth Holdings was in the form of New AdaptHealth Units (and a corresponding number of non-economic shares of Class B Common Stock) and were exchangeable on a one-to-one basis for shares of Class A Common Stock. Following the Closing of the Business Combination, all of the New AdaptHealth Units and a corresponding number of shares of Class B Common Stock were exchanged for shares of Class A Common Stock, of which the final 13,218,758 of the exchanges occurred on January 1, 2021. As a result, there are no New AdaptHealth Units and shares of Class B Common Stock outstanding, and therefore the prior holders of New AdaptHealth Units no longer own a direct noncontrolling economic interest in AdaptHealth Holdings. Accordingly, the Company recorded a decrease to the noncontrolling interest of $77.9 million during the six months ended June 30, 2021 in the accompanying consolidated statements of stockholders' equity (deficit).

Following the filing of the Charter with the Secretary of State of the State of Delaware on July 28, 2021, the Company's Class A Common Stock was renamed to Common Stock, and the Common Stock is the sole class of common stock of the Company.

Preferred Stock

In June 2020, the Company entered into an exchange agreement (the Exchange Agreement) with an investor pursuant to which the investor exchanged 15,810,547 shares of the Company's Class A Common Stock for 158,105.47 shares of Series B-1 Preferred Stock, par value $0.0001 per share. The Series B-1 Preferred Stock liquidation preference is limited to its par value of $0.0001 per share. The Series B-1 Preferred Stock will participate equally and ratably on an as-converted basis with the holders of Common Stock in all cash dividends paid on the Common Stock. The Series B-1 Preferred Stock is non-voting. The holder may convert each share of Series B-1 Preferred Stock into 100 shares of Common Stock (subject to certain anti-dilution adjustments) at its election, except to the extent that following such conversion, the number of shares of Common Stock held by such holder and its affiliates exceed 4.9% of the outstanding Common Stock of the Company. During the six months ended June 30, 2021, 39,500 shares of Series B-1 Preferred Stock were converted into 3,950,000 shares of Class A Common Stock.

As discussed in Note 3, *Acquisitions*, the Company issued 130,474.73 shares of Series C Convertible Preferred Stock in connection with the acquisition of AeroCare. The Series C Convertible Preferred Stock liquidation preference was limited to its par value of $0.0001 per share. The Series C Convertible Preferred Stock participated equally and ratably on an as-converted basis with the holders of Class A Common Stock in all potential cash dividends paid on the Class A Common Stock. The Series C Convertible Preferred Stock was non-voting. On March 3, 2021, the Company's stockholders approved, for purposes of complying with Nasdaq Listing Rule 5635, the issuance of shares of the Company's Class A Common Stock, representing equal to or greater than 20% of the outstanding common stock or voting power of the Company issuable upon conversion of the Series C Convertible Preferred Stock issued to the former equity holders of AeroCare, by removal of the conversion restriction that prohibits such conversion of Series C Convertible Preferred Stock. Following the receipt of the approval of the Company's stockholders, the holders were able to elect to convert, and the Company was able to elect to effect a mandatory conversion of, each share of Series C Convertible Preferred Stock into 100 shares of Class A Common Stock (subject to certain anti-dilution adjustments). The Company elected to effect a mandatory conversion of the Series C Convertible Preferred Stock, and the conversion of such shares of Series C Convertible Preferred Stock to 13,047,473 shares of Class A Common Stock occurred on March 18, 2021.

Warrants

At the Closing of the Business Combination, the Company had 12,666,666 warrants outstanding. Each warrant is exercisable into one share of Common Stock at a price of $11.50 per share. The exercise price and number of shares of Common Stock issuable upon exercise of the warrants may be adjusted in certain circumstances including in the event of a share dividend, or recapitalization, reorganization, merger or consolidation. However, the warrants will not be adjusted for the issuance of common stock at a price below its exercise price. As of March 31, 2021, 8,386,118 warrants were exercised. As of June 30, 2021, the Company had 4,280,548 warrants outstanding, which have an expiration date of November 20, 2024.

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Notes to Consolidated Interim Financial Statements (Unaudited) (Continued)

The estimated fair value of the warrants is recorded as a liability in the Company's consolidated balance sheet, with such fair value reclassified to stockholders' equity upon the exercise of such warrants. Prior to exercise, the change in the estimated fair value of such warrants each period is recognized as a non-cash charge or gain in the Company's consolidated statements of operations.

A reconciliation of the changes in the warrant liability during the six months ended June 30, 2021 and 2020 was as follows (in thousands):

Estimated fair value of warrant liability at December 31, 2020	$	113,905
Change in estimated fair value of the warrant liability		(40,622)
Estimated fair value of warrant liability at June 30, 2021	$	73,283

Estimated fair value of warrant liability at December 31, 2019	$	27,635
Change in estimated fair value of the warrant liability		35,446
Reclassification of warrant liability to equity for exercised warrants		(21,019)
Estimated fair value of warrant liability at June 30, 2020	$	42,062

Contingent Consideration Common Shares

Pursuant to the Merger Agreement, the former owners of AdaptHealth Holdings who received Class A Common Stock and Class B Common Stock in connection with the Business Combination are entitled to receive earn-out consideration to be paid in the form of Class A Common Stock, if the average price of the Company's Class A Common Stock for the month of December prior to each measurement date equals or exceeds certain hurdles set forth in the Merger Agreement (Contingent Consideration Common Shares). The former owners of AdaptHealth Holdings were entitled to receive 1,000,000 shares of Class A Common Stock on December 31, 2020 based on an average stock price hurdle of $15. The average stock price of the Company's Class A Common Stock was greater than $15 per share for the applicable measurement period as of the December 31, 2020 measurement date, which triggered the issuance of 1,000,000 shares of Class A Common Stock at such date. In addition, the former owners of AdaptHealth Holdings are entitled to receive up to an additional 1,000,000 shares of Common Stock on each of December 31, 2021 and 2022 (each a measurement date) and such average stock price hurdles are $18 and $22 at each measurement date, respectively. The Contingent Consideration Common Shares would be issued immediately in the event of a change of control as defined in the Merger Agreement. The estimated fair value of the Contingent Consideration Common Shares is recorded as a liability in the Company's consolidated balance sheet, with such fair value reclassified to stockholders' equity upon the issuance of any shares that are earned. Prior to issuance, the change in the estimated fair value of such shares each period is recognized as a non-cash charge or gain in the Company's consolidated statements of operations.

A reconciliation of the changes in the contingent consideration common shares liability during the six months ended June 30, 2021 and 2020 was as follows (in thousands):

Estimated fair value of contingent consideration common shares liability at December 31, 2020	$	70,477
Change in estimated fair value of the contingent consideration common shares liability		(24,044)
Estimated fair value of contingent consideration common shares liability at June 30, 2021	$	46,433

Estimated fair value of contingent consideration common shares liability at December 31, 2019	$	9,316
Change in estimated fair value of the contingent consideration common shares liability		16,325
Estimated fair value of contingent consideration common shares liability at June 30, 2020	$	25,641

The total estimated fair value of the contingent consideration common shares liability at June 30, 2021 is classified as a current liability ($25.7 million) and long-term liability ($20.7 million) in the Company's consolidated balance sheet as of such date based on the estimated issuance dates of such shares. The total estimated fair value of the contingent consideration common shares liability at December 31, 2020 is classified as a current liability ($36.9 million) and long-term liability ($33.6 million) in the Company's consolidated balance sheet as of such date based on the estimated issuance dates of such shares.

The decrease in the estimated fair value of the contingent consideration common shares liability of $24.0 million during the six months ended June 30, 2021 was recorded as a non-cash gain in the Company's consolidated statements of operations during such period. The increase in the estimated fair value of the contingent consideration common shares liability of $16.3 million during the six months ended June 30, 2020 was recorded as a non-cash charge in the Company's consolidated statements of operations during such period.

Equity-based Compensation

In connection with the Company's 2019 Stock Incentive Plan (the 2019 Plan), the Company provides equity-based compensation to attract and retain employees while also aligning employees' interest with the interests of its stockholders. The 2019 Plan permits the grant of various equity-based awards to selected employees and non-employee directors. At June 30, 2021, the 2019 Plan permits the grant of up to 8,000,000 shares of Common Stock, subject to certain adjustments and limitations. At June 30, 2021, 1,573,266 shares of the Company's Common Stock were available for issuance under the 2019 Plan. On July 27, 2021, at the annual meeting of stockholders of the Company, the stockholders of the Company approved an amendment and restatement of the 2019 Plan to, among other things, increase the number of shares of Common Stock of the Company reserved under the 2019 Plan by 2,000,000 shares, to permit the grant of up to 10,000,000 shares of Common Stock, subject to certain adjustments and limitations.

The following awards were granted in connection with the 2019 Plan during the six months ended June 30, 2021.

Stock Options

In January 2021, the Company granted 703,170 options to purchase shares of the Company's Class A Common Stock to certain senior executives of the Company. The options vest ratably over a three-year period from the date of grant based on only a service condition and have a contractual exercise period of five years from the date of grant. The total grant-date fair value of the options granted, using a Black-Scholes option pricing model, was $6.9 million. During the three months ended June 30, 2021, 234,390 of the options from this grant were forfeited as a result of the resignation of the Company's former Co-CEO (see discussion below). In addition, in connection with the resignation, the Company accelerated the vesting of 184,932 options that were granted to the Company's former Co-CEO in November 2019, and the remaining 648,401 unvested options from the November 2019 grant were forfeited. In connection with the accelerated vesting of the 184,932 options, the Company recorded $1.9 million of equity-based compensation expense, which is included in general and administrative expenses during the three and six months ended June 30, 2021 in the accompanying consolidated statements of operations.

As previously announced, on April 13, 2021, the Company placed its then Co-Chief Executive Officer, Luke McGee, on unpaid leave while a matter relating to his past private activity was pending. On June 14, 2021, the Company and Mr. McGee agreed that Mr. McGee would resign from his positions as Co-CEO of the Company and a Director of the Company effective as of June 11, 2021. In connection with Mr. McGee's resignation, the Company accelerated the vesting of certain unvested stock options as discussed above, and also accelerated the vesting of certain unvested shares of restricted stock as discussed below. Other than the accelerated vesting of the stock options and shares of restricted stock, and back pay paid to Mr. McGee relating to his unpaid base wages from April 13, 2021 to June 11, 2021, no other compensation was paid to Mr. McGee in connection with his resignation.

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Notes to Consolidated Interim Financial Statements (Unaudited) (Continued)

The weighted-average assumptions used to determine the grant-date fair value of the stock options granted during the six months ended June 30, 2021 were as follows:

Expected volatility	44.5 %
Risk-free interest rate	0.18 %
Expected term	4.0 years
Dividend yield	N/A

During the three months ended June 30, 2021, 200,000 options were exercised resulting in $2.3 million of cash proceeds received by the Company during such period.

The following table provides the activity regarding the Company's outstanding stock options during the six months ended June 30, 2021 that were granted in connection with the 2019 Plan (in thousands, except per share data):

	Number of Options	Weighted-Average Grant Date Fair Value per Share	Weighted-Average Exercise Price per Share	Weighted-Average Remaining Contractual Term
Outstanding, December 31, 2020	3,464	$ 2.18	$ 11.56	
Granted	703	$ 9.81	$ 48.72	
Exercised	(216)	$ 2.43	$ 11.85	
Forfeited	(914)	$ 6.34	$ 11.66	
Outstanding, June 30, 2021	3,037	$ 3.31	$ 17.25	7.8 Years

Restricted Stock

During the six months ended June 30, 2021, the Company granted 808,115 shares to various employees which vest ratably over the three or four-year periods following the grant dates, subject to the employees' continuous employment through the applicable vesting date. The grant-date fair value of these awards was $25.9 million. During the six months ended June 30, 2021, the Company granted 4,285 shares to non-employee consultants which vest over one year following the grant dates, subject to the consultants' continuous service through the applicable vesting date. The grant-date fair value of these awards was $0.1 million.

During the three months ended June 30, 2021, in connection with the resignation of the Company's former Co-CEO, the Company accelerated the vesting of 22,192 shares of restricted stock that were granted in November 2019, and the remaining 77,808 unvested shares from the November 2019 grant were forfeited. In connection with the accelerated vesting of the 22,192 shares, the Company recorded $0.5 million of equity-based compensation expense, which is included in general and administrative expenses during the three and six months ended June 30, 2021 in the accompanying consolidated statements of operations.

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Notes to Consolidated Interim Financial Statements (Unaudited) (Continued)

Activity related to the Company's non-vested restricted stock grants for the six months ended June 30, 2021 is presented below (in thousands, except per share data):

	Number of Shares of Restricted Stock	Weighted-Average Grant Date Fair Value per Share
Non-vested balance, December 31, 2020	2,248	$ 15.60
Granted	812	$ 32.10
Vested	(156)	$ 13.79
Forfeited	(568)	$ 16.49
Non-vested balance, June 30, 2021	2,336	$ 21.27

Incentive Units

AdaptHealth Holdings granted Incentive Units in June 2019 (the 2019 Incentive Units) and in April 2018 (the 2018 Incentive Units) to certain members of management. The Incentive Units were intended to constitute profits interests and were granted for purposes of enabling such individuals to participate in the long-term growth and financial success of the Company and were issued in exchange for services to be performed. With respect to the 2019 Incentive Units, 50% of the awards were scheduled to vest in equal annual installments on each of the first four anniversaries of the Vesting Commencement Date as defined in the agreements (May 20, 2019). The first 25% of this portion of the 2019 Incentive Units vested in May 2020, and in January 2021, the vesting of the remaining unvested units associated with this portion of the 2019 Incentive Units was accelerated. The Company recorded $1.5 million of equity-based compensation expense during the six months ended June 30, 2021 in connection with such acceleration. The remaining 50% had initial vesting terms based upon a performance condition. In connection with the Business Combination, the vesting condition for this portion of the 2019 Incentive Units was changed to vest quarterly during the one-year period subsequent to the Closing of the Business Combination, and as such all of the units associated with this portion of the 2019 Incentive Units were fully vested in November 2020. The grant date fair value of the 2019 Incentive Units and the 2018 Incentive Units, as calculated under an Option Pricing Method, was $4.5 million and $5.3 million, respectively. In conjunction with the March 2019 Recapitalization Transactions, the vesting of certain of the 2018 Incentive Units was accelerated. In conjunction with the Business Combination, the vesting of the remaining unvested 2018 Incentive Units was accelerated.

Other Activity

During the six months ended June 31, 2021, the Company granted 53,249 fully vested shares of Class A Common Stock to various employees of the Company, primarily newly hired employees. These shares had a grant-date fair value of $2.0 million, which was recognized as equity-based compensation expense during the six months ended June 30, 2021.

Equity-Based Compensation Expense

The Company recorded equity-based compensation expense of $7.4 million during the three months ended June 30, 2021, of which $5.7 million and $1.7 million is included in general and administrative expenses and cost of net revenue, respectively, in the accompanying consolidated statements of operations. The Company recorded equity-based compensation expense of $3.3 million during the three months ended June 30, 2020, of which $1.6 million and $1.7 million is included in general and administrative expenses and cost of net revenue, respectively, in the accompanying consolidated statements of operations. The Company recorded equity-based compensation expense of $16.0 million during the six months ended June 30, 2021, of which $11.1 million and $4.9 million is included in general and administrative expenses and cost of net revenue, respectively, in the accompanying consolidated statements of operations. The Company recorded equity-based compensation expense of $5.5 million during the six months ended June 30, 2020, of which $3.3 million and $2.2 million is included in general and administrative expenses and cost of net revenue, respectively, in the accompanying consolidated statements of operations. At June 30, 2021, there was $39.3 million of unrecognized compensation expense related to equity-based compensation awards, which is expected to be recognized over a weighted-average period of 2.9 years.

(11) Earnings Per Share

Earnings Per Share (EPS) is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period on a basic and diluted basis. The Company calculates diluted earnings per share using the more dilutive of the treasury stock method and the two-class method after giving effect to all potential dilutive common stock.

The Company's potentially dilutive securities include potential common shares related to outstanding warrants, contingent consideration common shares, unvested restricted stock, outstanding stock options and outstanding preferred stock. Refer to Note 10, *Stockholders' Equity*, for additional discussion of these potential dilutive securities.

Diluted EPS considers the impact of potentially dilutive securities except when the potential common shares have an antidilutive effect. The Company's outstanding preferred stock are considered participating securities, thus requiring the two-class method of computing EPS. Calculation of EPS under the two-class method excludes from the numerator any dividends paid or owed on participating securities and any undistributed earnings considered to be attributable to participating securities. The related participating securities are similarly excluded from the denominator.

Computations of basic and diluted net income (loss) per share were as follows (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Numerator				
Net income (loss) attributable to AdaptHealth Corp.	$ 79,107	$ 4,470	$ 75,141	$ (30,081)
Less: Earnings allocated to participating securities (1)	6,908	119	7,431	—
Net income (loss) for basic EPS	$ 72,199	$ 4,351	$ 67,710	$ (30,081)
Change in fair value of warrant liability (2)	(37,454)	(654)	(40,622)	—
Change in fair value of contingent consideration common shares liability (2)	(18,357)	(42)	(19,991)	—
Net income (loss) for diluted EPS	$ 16,388	$ 3,655	$ 7,097	$ (30,081)
Denominator (1) (2)				
Basic weighted-average common shares outstanding	129,664	44,508	120,438	43,242
Add: Warrants (2)	2,554	2,400	2,736	—
Add: Contingent Consideration Common Shares (2)	2,000	350	2,000	—
Add: Stock options	1,533	—	1,641	—
Add: Unvested restricted stock	831	576	905	—
Diluted weighted-average common shares outstanding	136,582	47,834	127,720	43,242
Basic net income (loss) per share	$ 0.56	$ 0.10	$ 0.56	$ (0.70)
Diluted net income (loss) per share	$ 0.12	$ 0.08	$ 0.06	$ (0.70)

(1) The Company's preferred stock are considered participating securities. Calculation of EPS under the two-class method excludes from the numerator any dividends paid or owed on participating securities and any undistributed earnings considered to be attributable to participating securities. The related participating

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Notes to Consolidated Interim Financial Statements (Unaudited) (Continued)

securities are similarly excluded from the denominator. There were participating securities outstanding for all periods presented. There was no amount allocated to the participating securities during the six months ended June 30, 2020 due to the net loss recorded in that period.

(2) For the three months ended June 30, 2021 and 2020, and the six months ended June 30, 2021, in accordance with the requirements of ASC Topic 260, *Earnings per Share*, the impact to earnings from the change in fair value of the Company's contingent consideration common shares liability and the Company's warrant liability are reversed from the numerator, and the corresponding securities are included in the denominator, for purposes of calculating diluted income per share as the effect of the numerator and denominator adjustments for these derivative instruments is dilutive as a result of the gains recorded for the changes in fair value of these instruments during those periods. For the six months ended June 30, 2020, the numerator and denominator for the diluted loss per share calculation is the same as used in the basic loss per share calculation and therefore exclude the effect of potential dilutive securities as their inclusion would have been anti-dilutive.

Due to the Company reporting a net loss attributable to common stockholders for the six months ended June 30, 2020, all potentially dilutive securities related to outstanding warrants, contingent consideration common shares, unvested restricted stock, and outstanding stock options were excluded from the computation of diluted loss per share as their inclusion would have been anti-dilutive.

The table below provides the weighted-average number of potential common shares associated with outstanding securities not included in the Company's calculation of diluted net income (loss) per share for the three and six months ended June 30, 2021 and 2020 because to do so would be antidilutive (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Preferred Stock	12,406	1,216	13,217	608
Warrants	—	—	—	1,960
Stock Options	—	1,080	—	883
Unvested restricted stock	—	—	—	548
Contingent Consideration Common Shares	—	—	—	350
Total	12,406	2,296	13,217	4,349

(12) Leases

Capital Leases

The Company has acquired patient medical equipment and supplies, and office equipment through multiple capital leases. The capital lease obligations represent the present value of minimum lease payments under the respective agreement, payable monthly at various interest rates. Interest expense related to capital leases was less than $0.1 million for each of the three and six months ended June 30, 2021 and 2020, respectively. As of June 30, 2021, future annual minimum payments required under lease obligations are as follows (in thousands):

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Twelve months ending June 30,		
2022	$	24,052
2023		269
2024		22
Total		24,343
Less amount representing interest		(122)
		24,221
Current portion		(23,919)
Long-term portion	$	302

At June 30, 2021 and December 31, 2020, equipment under capital leases consisted of patient equipment with a cost basis of approximately $40.4 million and $43.3 million, respectively, and accumulated depreciation of approximately $12.1 million and $13.0 million, respectively. Depreciation expense for equipment purchased under capital leases is primarily included in cost of net revenue in the accompanying consolidated statements of operations.

Operating Leases

The Company leases its office facilities and office equipment under noncancelable lease agreements which expire at various dates through March 2033. Some of these lease agreements include an option to renew at the end of the term. The Company also leases certain patient medical equipment with such leases set to expire at various dates through May 2022. The Company also leases certain office facilities on a month to month basis. In some instances, the Company is also required to pay its pro rata share of real estate taxes and utility costs in connection with the premises. Some of the leases contain fixed annual increases of minimum rent. Accordingly, the Company recognizes rent expense on a straight-line basis and records the difference between the recognized rent expense and the amount payable under the lease as deferred rent. The deferred rent recorded in accounts payable and accrued expenses on the accompanying consolidated balance sheets at June 30, 2021 and December 31, 2020 was $1.4 million and $1.4 million, respectively. The Company recorded rent expense of $9.1 million and $3.8 million for the three months ended June 30, 2021 and 2020, respectively. The Company recorded rent expense of $17.0 million and $7.3 million for the six months ended June 30, 2021 and 2020, respectively. These amounts are primarily included in cost of net revenue in the accompanying consolidated statements of operations.

The minimum annual lease commitments under noncancelable leases with initial or remaining terms in excess of one year as of June 30, 2021 are as follows (in thousands):

Twelve months ending June 30,		
2022	$	31,212
2023		25,466
2024		18,244
2025		11,274
2026		6,720
Thereafter		13,978
Total minimum payments required (a)	$	106,894

(a) Minimum payments have not been reduced by minimum sublease rentals of $3.2 million due in the future under noncancelable subleases.

(13) Income Taxes

On January 2, 2021, the Company completed a corporate restructuring to simplify its tax structure (the Tax Restructuring). In connection with the Tax Restructuring, on January 1, 2021, all remaining outstanding shares of Class

B Common Stock, together with a corresponding number of New AdaptHealth Units, were exchanged for shares of Class A Common Stock. After these exchanges, AdaptHealth Holdings filed an entity classification election with the Internal Revenue Service, electing to be treated as a taxable corporation for U.S. federal income tax purposes effective January 2, 2021.

As a result of the Business Combination and prior to the Tax Restructuring, the Company was subject to U.S. federal, state, and local income taxes with respect to its allocable share of any taxable income or loss of AdaptHealth Holdings. AdaptHealth Holdings was treated as a partnership for U.S. income tax purposes and generally did not pay income taxes in most jurisdictions. Instead, AdaptHealth Holdings' taxable income or loss was passed through to its members, including the Company. Additionally, the Company was subject to U.S. federal, state, and local income taxes on the taxable income or loss of the underlying C-corporations in the AdaptHealth group where taxes are paid at the entity level. As a result of the Tax Restructuring, the Company is subject to U.S. federal, state, and local income taxes on materially all of its earnings.

For the three months ended June 30, 2021 and 2020, the Company recorded income tax expense of $12.3 million and $1.8 million, respectively. For the six months ended June 30, 2021 and 2020, the Company recorded income tax expense of $10.6 million and $0.2 million, respectively.

As of June 30, 2021 and December 31, 2020, the Company had an unrecognized tax benefit of $1.9 million.

Tax Receivable Agreement

AdaptHealth Corp. is party to a Tax Receivable Agreement (TRA) with certain current and former members of AdaptHealth Holdings. The TRA provides for the payment by AdaptHealth Corp. of 85% of the tax savings, if any, that AdaptHealth Corp. realizes (or is deemed to realize in certain circumstances) as a result of (i) certain increases in tax basis resulting from exchanges of New AdaptHealth Units and shares of Class B Common Stock; (ii) certain tax attributes of the corresponding sellers existing prior to an exchange; (iii) imputed interest deemed to be paid by AdapthHealth Corp. as a result of payments it makes under the TRA; and (iv) certain increases in tax basis resulting from payments AdaptHealth Corp. makes under the TRA.

During the six months ended June 30, 2021, the Company increased its TRA liability through an aggregate $146.5 million reduction in additional paid-in capital resulting from additional exchanges of New AdaptHealth Units and shares of Class B Common Stock. Correspondingly, during the six months ended June 30, 2021, the Company increased its deferred tax asset by $163.3 million through an increase in additional paid-in-capital resulting from these exchanges and other increases of AdaptHealth Corp.'s ownership interest in AdaptHealth Holdings.

At June 30, 2021 and December 31, 2020, the Company had a liability recorded relating to the TRA of $300.1 million and $152.0 million, respectively, which is included in other long-term liabilities in the accompanying consolidated balance sheets.

(14) Commitments and Contingencies

In the normal course of business, the Company is subject to loss contingencies, such as legal proceedings and claims arising out of its business that cover a wide range of matters. In accordance with FASB ASC Topic 450, *Accounting for Contingencies*, the Company records accruals for such loss contingencies when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. Significant judgement is required to determine both probability and the estimated amount. The Company reviews at least quarterly and adjusts accordingly to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and updated information. At this time, the Company has no material accruals related to lawsuits, claims, investigations and proceedings. While there can be no assurance, based on the Company's evaluation of information currently available, the Company's management believes any liability that may ultimately result from resolution of such loss contingencies will not have a material adverse effect on the Company's financial conditions or results of operations. However, the Company's assessment may be affected by limited information. Accordingly, the Company's assessment may change in the future based upon availability of new information and further developments in the proceedings of such matters. The results of legal proceedings are inherently uncertain, and material adverse outcomes are possible.

In connection with the Company's acquisition of PPS HME Holdings LLC (PPS), in May 2018, the Company assumed a Corporate Integrity Agreement (CIA) at one of PPS' subsidiaries, Braden Partners L.P. d/b/a Pacific Pulmonary Services (BP). The CIA was entered into with the Office of Inspector General of the U.S. Department of Health and Human Services (OIG). The CIA has a five-year term which expires in April 2022. In connection with the acquisition and integration of PPS by AdaptHealth, the OIG confirmed that the requirements of the CIA imposed upon BP would only apply to the operations of BP and therefore no operations of any other AdaptHealth affiliate are subject to the requirements of the CIA following the acquisition. On January 17, 2021, the OIG notified PPS that its report for the period ended March 31, 2020 had been accepted and PPS had satisfied its obligations under the CIA as of such date.

The Company and certain of its officers were named as defendants in a lawsuit, as described below. The Company cannot reasonably predict the outcome of this legal proceeding, nor can it estimate the amount of loss or range of loss, if any, that may result. An adverse outcome in this proceeding could have a material adverse effect on the Company's results of operations, cash flows or financial condition. The results of legal proceedings are inherently uncertain, and material adverse outcomes are possible.

On July 29, 2021, Robert Charles Faille Jr., a purported shareholder of the Company, filed a purported class action complaint against the Company and certain of its officers in the United States District Court for the Eastern District of Pennsylvania (the Complaint). The Complaint purports to be asserted on behalf of a class of persons who purchased the Company's stock between November 11, 2019 and July 16, 2021. The Complaint generally alleges that the Company and certain of its officers violated federal securities laws by making allegedly false and misleading statements and/or failing to disclose material information regarding the Company's organic growth trajectory. The Complaint seeks unspecified damages. The Company intends to vigorously defend against the allegations contained in the Complaint, but there can be no assurance that the defense will be successful.

(15) Related Party Transaction

The Company and one of its executive officers and shareholders own an equity interest in a vendor of the Company that provides automated order intake software. The individual's equity ownership is less than 1%. The expense related to this vendor was \$1.2 million and \$0.6 million for the three months ended June 30, 2021 and 2020, respectively. The expense related to this vendor was \$2.2 million and \$1.1 million for the six months ended June 30, 2021 and 2020, respectively. The Company accounts for this investment under the cost method of accounting based on its level of equity ownership.

(16) Subsequent Events

Subsequent to June 30, 2021, the Company acquired several home medical equipment businesses. The total consideration included cash payments of \$124.4 million at closing, and the issuance of a total of 976,819 shares of the Company's Class A Common Stock at closing. Due to the timing of these acquisitions, as of the date the consolidated interim financial statements were available to be issued, the Company was in the process of determining the allocation of the fair value of the consideration paid to the fair value of the net assets acquired and a preliminary allocation has not yet been determined.

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

The following discussion should be read in conjunction with AdaptHealth Corp.'s ("AdaptHealth" or the "Company") consolidated interim financial statements and the accompanying notes included in this report. All amounts presented are in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), except as noted. In addition to historical information, this discussion contains forward-looking statements that involve risks, uncertainties and assumptions that could cause actual results to differ materially from management's expectations. Factors that could cause such differences include, but are not limited to, those discussed in "*Risk Factors*" in Part II, Item 1A of this report on Form 10-Q.

AdaptHealth Corp. Overview

AdaptHealth is a national leader in providing patient-centered, healthcare-at-home solutions including home medical equipment, medical supplies, and related services. The Company focuses primarily on providing (i) sleep therapy equipment, supplies and related services (including CPAP and bi PAP services) to individuals suffering from obstructive sleep apnea ("OSA"), (ii) medical devices and supplies to patients for the treatment of diabetes (including continuous glucose monitors and insulin pumps), (iii) home medical equipment ("HME") to patients discharged from acute care and other facilities, (iv) oxygen and related chronic therapy services in the home, and (v) other HME medical devices and supplies on behalf of chronically ill patients with wound care, urological, incontinence, ostomy and nutritional supply needs. The Company services beneficiaries of Medicare, Medicaid and commercial insurance payors. As of June 30, 2021, AdaptHealth serviced approximately 3.3 million patients annually in all 50 states through its network of 678 locations in 47 states. The Company's principal executive offices are located at 220 West Germantown Pike, Suite 250, Plymouth Meeting, Pennsylvania 19462.

Impact of the COVID-19 Pandemic

The COVID-19 pandemic impacted AdaptHealth's business, as well as its patients, communities, and employees. AdaptHealth's priorities during the COVID-19 pandemic remain protecting the health and safety of its employees (including patient-facing employees providing respiratory and other services), maximizing the availability of its services and products to support patient health needs, and the operational and financial stability of its business.

In response to the COVID-19 pandemic and the National Emergency Declaration, dated March 13, 2020, in the first quarter of 2020, AdaptHealth activated certain business interruption protocols, including acquisition and distribution of personal protective equipment (PPE) to its patient-facing employees, accelerated capital expenditures of certain products and relocation of significant portions of its workforce to "work-from-home" status. Federal, state, and local authorities have taken several actions designed to assist healthcare providers in providing care to COVID-19 and other patients and to mitigate the adverse economic impact of the COVID-19 pandemic. Legislative actions taken by the federal government include the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which was signed into law on March 27, 2020. Through the CARES Act, the federal government has authorized payments to be distributed to healthcare providers through the Public Health and Social Services Emergency Fund ("Provider Relief Fund" or "PRF"). Additionally, the CARES Act revised the Medicare accelerated and advance payment program in an attempt to disburse payments to healthcare providers more quickly to mitigate the financial impact on healthcare providers. AdaptHealth increased its cash liquidity by, among other things, seeking recoupable advance payments of $45.8 million made available by CMS under the CARES Act legislation, which was received in April 2020. In addition, in connection with an acquisition completed in July 2020, AdaptHealth assumed a liability of $3.7 million relating to funds received by the acquired company prior to the date of acquisition for CMS recoupable advance payments. The recoupment of the advance payments by CMS has begun in April 2021 and is being applied to services provided and revenue recognized during the period in which the recoupment occurs, and will impact the Company's cash receipts for services provided until such time all amounts have been recouped. During the three months ended June 30, 2021, CMS has recouped a total of $15.9 million. At June 30, 2021, the Company has deferred a total of $33.6 million related to CMS recoupable advance payments, which is included in other current liabilities in the consolidated balance sheet as of June 30, 2021. In addition, in April 2020, AdaptHealth received distributions of the CARES Act PRF of $17.2 million which are targeted to offset lost revenue and expenditures incurred in connection with the COVID-19 pandemic. The PRF payments are subject to certain restrictions and are subject to recoupment if not used for designated purposes. As a condition to receiving distributions, providers must agree to certain terms and conditions, including, among other things, that the funds are being used for lost revenues and unreimbursed COVID-19 related expenses as defined by the U.S. Department of Health and Human Services ("HHS"). All recipients of PRF payments are required to comply with the reporting requirements described in the terms and conditions and as determined by HHS. AdaptHealth recognizes grant payments as income when there is reasonable assurance that it has complied with the conditions associated with the grant. During the year ended December 31, 2020, AdaptHealth recognized grant income of $14.3 million related to the PRF payments received. As of June 30, 2021, AdaptHealth has deferred $2.9 million of the PRF payments received in April 2020. In addition, in connection with certain acquisitions completed prior to June 30, 2021, AdaptHealth assumed liabilities of $7.7 million relating to CARES Act provider relief fund payments received by the acquired companies prior to the dates of acquisition. At June 30, 2021, AdaptHealth has deferred a total of $10.6 million related to CARES Act provider relief funds, which is included in other current liabilities in the consolidated balance sheet as of June 30, 2021. HHS has indicated that the CARES Act PRF are subject to ongoing reporting and changes to the terms and conditions, and there have been several updates to such reporting requirements and terms and conditions since they were issued by HHS. Such updates have related to changes to the guidance regarding utilization of the funds granted from the PRF and updates to the reporting requirements of such funds, among other updates. As a result of any future updated guidance from HHS, AdaptHealth could be required to reverse the recognition of the grant income recorded and return a portion of the funds recognized, which could be material to AdaptHealth. AdaptHealth is continuing to monitor the reporting requirements issued by HHS. To the extent that reporting requirements and terms and conditions are modified in the future, it may affect AdaptHealth's ability to comply and may require the return of funds. Furthermore, HHS has indicated that it will be closely monitoring and, along with the Office of Inspector General (United States) (OIG), auditing providers to ensure that recipients comply with the terms and conditions of relief programs and to prevent fraud and abuse. All providers will be subject to civil and criminal penalties for any deliberate omissions, misrepresentations or falsifications of any information given to HHS. Also, as permitted under the CARES Act, AdaptHealth has elected to defer certain portions of employer-paid FICA taxes otherwise payable from March 27, 2020 to January 1, 2021, which will be paid in two equal installments on December 31, 2021 and December 31, 2022. AdaptHealth has deferred a total of $8.6 million pursuant to this provision, of which $4.3 million is included in other current liabilities and $4.3 million is included in other long-term liabilities in the consolidated balance sheet as of June 30, 2021.

While the impact of the COVID-19 pandemic, the National Emergency Declaration and the various state and local government imposed stay-at-home restrictions did not have a material impact on AdaptHealth's consolidated operating results for the three months ended March 31, 2020, AdaptHealth began to experience declines in net revenues in certain services associated with elective medical procedures (such as commencement of new CPAP services and medical equipment and orthopedic supply related to facility discharges) in the three months ended June 30, 2020, and such declines may continue during the duration of the COVID-19 pandemic. In response to these declines, as well as certain over staffing related to recent acquisitions, AdaptHealth conducted a workforce assessment and implemented a reduction in force in April 2020 resulting in the elimination of approximately 6% of its workforce at that time. In connection with the workforce reductions, AdaptHealth incurred a one-time charge for severance and related expenses of approximately $1.6 million during the second quarter of 2020.

Offsetting these declines in net revenue, AdaptHealth has experienced an increase in net revenue related to increased demand for certain respiratory products (such as oxygen), increased sales in its resupply businesses (primarily as a result of the increased ability to contact patients at home as a result of state and local government imposed stay-at-home orders) and the one-time sale of certain respiratory equipment (primarily ventilators, bi-level PAP devices and oxygen concentrators) to hospitals and local health agencies. Additionally, suspension of Medicare sequestration through December 31, 2021 (resulting in an approximate 2% increase in Medicare payments to all providers), and regulatory guidance from CMS expanding telemedicine and reducing documentation requirements during the emergency period, have resulted in increased net revenues for certain products and services.

The full extent of the impact of the COVID-19 pandemic on AdaptHealth's business, results of operations, and financial condition is highly uncertain and will depend on future developments and numerous evolving factors that it may not be able to accurately predict, and could be material to AdaptHealth's consolidated financial statements in future reporting periods. For additional information on risk factors that could impact AdaptHealth's results, please refer to "Risk Factors" in Part II, Item 1A of this report on Form 10-Q.

Key Components of Operating Results

Net Revenue. Net revenue is recorded for services that AdaptHealth provides to patients for home healthcare equipment, medical supplies to the home and related services. AdaptHealth's primary service lines are (i) sleep therapy equipment, supplies and related services (including CPAP and bi PAP services) to individuals suffering from OSA, (ii) medical devices and supplies to patients for the treatment of diabetes (including continuous glucose monitors and insulin pumps), (iii) home medical equipment to patients discharged from acute care and other facilities, (iv) oxygen and related chronic therapy services in the home, and (v) other HME medical devices and supplies on behalf of chronically ill patients with wound care, urological, incontinence, ostomy and nutritional supply needs. Revenues are recorded either (x) at a point in time for the sale of supplies and disposables, or (y) over the service period for equipment rental (including, but not limited to, CPAP machines, hospital beds, wheelchairs and other equipment), at amounts estimated to be received from patients or under reimbursement arrangements with Medicare, Medicaid and other third-party payors, including private insurers.

Cost of Net Revenue. Cost of net revenue primarily includes the cost of non-capitalized medical equipment and supplies, distribution expenses, labor costs, facilities rental costs, third-party revenue cycle management costs and depreciation for capitalized patient equipment. Distribution expenses represent the cost incurred to coordinate and deliver products and services to the patients. Included in distribution expenses are leasing, maintenance, licensing and fuel costs for the vehicle fleet; salaries, benefits and other costs related to drivers and dispatch personnel; and amounts paid to couriers.

General and Administrative Expenses. General and administrative expenses consist of corporate support costs including information technology, human resources, finance, contracting, legal, compliance leadership, equity-based compensation, transaction expenses and other administrative costs.

Depreciation and Amortization, Excluding Patient Equipment Depreciation. Depreciation expense includes depreciation charges for capital assets other than patient equipment (which is included as part of the cost of net revenue). Amortization expense includes amortization of identifiable intangible assets.

Factors Affecting AdaptHealth's Operating Results

AdaptHealth's operating results and financial performance are influenced by certain unique events during the periods discussed herein, including the following:

Acquisitions

AdaptHealth accounts for its acquisitions in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 805, *Business Combinations*, and the operations of the acquired entities are included in the historical results of AdaptHealth for the periods following the closing of the acquisition. The most significant of these acquisitions impacting the comparability of AdaptHealth's operating results in the three and six months ended June 30, 2021 compared to the three and six months ended June 30, 2020 were as follows:

- Healthline Medical Equipment, LLC ("Healthline") acquired in February 2020,
- Advanced Home Care, Inc. ("Advanced") acquired in March 2020,
- Solara Medical Supplies, LLC ("Solara") acquired in July 2020,
- ActivStyle, Inc. ("ActivStyle") acquired in July 2020,
- Family Medical Supply, Inc. ("Family") acquired in August 2020,
- Pinnacle Medical Solutions, Inc. ("Pinnacle") acquired in October 2020,
- Diabetes Management and Supplies, LLC ("DMS") acquired in December 2020,
- AeroCare Holdings, Inc. ("AeroCare") acquired in February 2021,
- Verio Healthcare, Inc. ("Verio") acquired in February 2021,
- Allina Health System ("Allina") acquired in February 2021,
- Provider Plus, Inc. ("Provider Plus") acquired in March 2021,

- Spiro Health Services, LLC ("Spiro") acquired in April 2021, and
- Healthy Living Medical Supply, LLC ("Healthy Living") acquired in June 2021.

Refer to Note 3, *Acquisitions*, included in our consolidated interim financial statements for the three and six months ended June 30, 2021 included in this report for additional information regarding AdaptHealth's acquisitions.

Debt and Recapitalization

In January 2021, AdaptHealth refinanced its debt borrowings and entered into a new credit agreement with its existing bank group, which was subsequently amended in April 2021 (the 2021 Credit Agreement). The 2021 Credit Agreement consists of a $800 million term loan (the 2021 Term Loan) and $450 million in commitments for revolving credit loans with a $55 million letter of credit sublimit (the 2021 Revolver), both with maturities in January 2026. The borrowings under the 2021 Term Loan requires quarterly principal repayments of $5.0 million beginning June 30, 2021 through March 31, 2023, increasing to $10.0 million beginning June 30, 2023 through December 31, 2025, and the unpaid principal balance is due at maturity in January 2026. Borrowings under the 2021 Revolver may be used for working capital and other general corporate purposes, including for capital expenditures and acquisitions permitted under the 2021 Credit Agreement. Amounts borrowed under the 2021 Credit Agreement bear interest quarterly at variable rates based upon the sum of (a) the Adjusted LIBOR Rate (subject to a floor) equal to the LIBOR (as defined) for the applicable interest period multiplied by the statutory reserve rate, plus (b) an applicable margin (as defined) ranging from 1.50% to 3.25% per annum based on the Consolidated Senior Secured Leverage Ratio (as defined). The 2021 Revolver carries a commitment fee during the term of the 2021 Credit Agreement ranging from 0.25% to 0.50% per annum of the average daily undrawn portion of the 2021 Revolver based on the Consolidated Senior Secured Leverage Ratio.

In January 2021, AdaptHealth issued $500.0 million aggregate principal amount of 4.625% senior unsecured notes due 2029 (the 4.625% Senior Notes). The 4.625% Senior Notes will mature on August 1, 2029. Interest on the 4.625% Senior Notes is payable on February 1st and August 1st of each year, beginning on August 1, 2021.

In July 2020, AdaptHealth issued $350.0 million aggregate principal amount of 6.125% senior unsecured notes due 2028 (the "6.125% Senior Notes"). The 6.125% Senior Notes will mature on August 1, 2028. Interest on the 6.125% Senior Notes is payable on February 1st and August 1st of each year, beginning on February 1, 2021.

In July 2020, AdaptHealth refinanced its then current debt borrowings and entered into a new credit agreement with a new bank group (the "2020 Credit Agreement"). The 2020 Credit Agreement consisted of a $250 million term loan (the "2020 Term Loan") and $200 million in commitments for revolving credit loans, both with maturities in July 2025. The amount borrowed under the 2020 Term Loan bore interest quarterly at variable rates based upon the sum of (a) the Adjusted LIBOR Rate (subject to a floor) equal to the LIBOR (as defined in the 2020 Credit Agreement) for the applicable interest period, plus (b) an applicable margin ranging from 2.50% to 3.75% per annum based on the Consolidated Total Leverage Ratio (as defined in the 2020 Credit Agreement). Outstanding amounts borrowed under the 2020 Credit Agreement were repaid in full in connection with the January 2021 refinancing transaction discussed above.

In March 2019, AdaptHealth restructured its then existing debt borrowings which consisted of $425 million in credit facilities, including a $300 million initial term loan, $50 million delayed draw term loan, and $75 million revolving credit facility. In November 2019, the Company repaid $50 million under the initial term loan. Outstanding amounts borrowed under such credit facility were repaid in full in connection with the July 2020 refinancing transaction discussed above.

In March 2019, AdaptHealth signed a Note and Unit Purchase Agreement with an investor. Pursuant to the agreement, AdaptHealth issued a promissory note with a principal amount of $100 million (the Promissory Note). In connection with the transactions completed as part of the Business Combination, the Promissory Note was replaced with a new amended and restated promissory note with a principal amount of $100 million, and the investor converted certain of its members' interests to a $43.5 million promissory note. The new $100 million promissory note, together with the $43.5 million promissory note, are collectively referred to herein as the New Promissory Note. In June 2021, AdaptHealth agreed with the holders of the New Promissory Note to repay $71.8 million of the outstanding principal amount under the New Promissory Note, and wrote off $1.4 million of unamortized deferred financing costs relating to such principal amount, which is included in loss on extinguishment of debt in the accompanying consolidated statements of operations during the three and six months ended June 30, 2021. In addition, in connection with the prepayment of such principal amount, AdaptHealth paid a debt prepayment penalty of $8.5 million, reflecting the previously disclosed 10% prepayment penalty plus an incremental amount negotiated as part of the June 2021 agreement, which is included in loss on extinguishment of debt in the accompanying consolidated statements of operations during the three and six months ended June 30, 2021. The outstanding principal balance under the New Promissory Note currently bears interest at 12% and is required to be paid in cash.

Seasonality

AdaptHealth's business experiences some seasonality. Its patients are generally responsible for a greater percentage of the cost of their treatment or therapy during the early months of the year due to co-insurance, co-payments and deductibles, and therefore may defer treatment and services of certain therapies until meeting their annual deductibles. In addition, changes to employer insurance coverage often go into effect at the beginning of each calendar year which may impact eligibility requirements and delay or defer treatment. Also, net revenue generated by the Company's diabetes product line is typically higher in the fourth quarter compared to the earlier part of the year due to the timing of when patients meet their annual deductibles and their associated reordering patterns. These factors may lead to lower net revenue and cash flow in the early part of the year versus the latter half of the year. Additionally, the increased incidence of respiratory infections during the winter season may result in initiation of additional respiratory services such as oxygen therapy for certain patient populations. AdaptHealth's quarterly operating results may fluctuate significantly in the future depending on these and other factors.

Key Business Metrics

AdaptHealth focuses on net revenue, EBITDA, Adjusted EBITDA and Adjusted EBITDA less Patient Equipment Capex as it reviews its performance. Total net revenue is comprised of net sales revenue and net revenue from fixed monthly equipment reimbursements less implicit price concessions. Net sales revenue consists of revenue recognized at a point in time for the sale of supplies and disposables. Net revenue from fixed monthly equipment reimbursements consists of revenue recognized over the service period for equipment (including, but not limited to, CPAP machines, hospital beds, wheelchairs and other equipment).

Net Revenue (in thousands)	Three Months Ended June 30, 2021 Dollars	Revenue Percentage	June 30, 2020 Dollars	Revenue Percentage
	(Unaudited)			
Net sales revenue - Point in time				
Sleep	$ 163,331	26.5 %	$ 84,421	36.4 %
Diabetes	123,314	20.0 %	6,372	2.7 %
Supplies to the home	42,675	6.9 %	27,868	12.0 %
Respiratory	13,154	2.1 %	18,114	7.8 %
HME	30,360	4.9 %	12,727	5.5 %
Other	27,763	4.5 %	11,463	4.9 %
Total Net sales revenue	$ 400,597	64.9 %	$ 160,965	69.3 %
Net revenue from fixed monthly equipment reimbursements				
Sleep	$ 66,335	10.8 %	$ 22,644	9.8 %
Diabetes	3,216	0.5 %	—	— %
Respiratory	111,528	18.1 %	30,856	13.3 %
HME	24,431	4.0 %	13,262	5.7 %
Other	10,910	1.7 %	4,389	1.9 %
Total Net revenue from fixed monthly equipment reimbursements	$ 216,420	35.1 %	$ 71,151	30.7 %
Total net revenue				
Sleep	$ 229,666	37.3 %	$ 107,065	46.2 %
Diabetes	126,530	20.5 %	6,372	2.7 %
Supplies to the home	42,675	6.9 %	27,868	12.0 %
Respiratory	124,682	20.2 %	48,970	21.1 %
HME	54,791	8.9 %	25,989	11.2 %
Other	38,673	6.2	15,852	6.8 %
Total net revenue	$ 617,017	100.0 %	$ 232,116	100.0 %

Net Revenue (in thousands)	Six Months Ended June 30, 2021 Dollars	Six Months Ended June 30, 2021 Revenue Percentage	Six Months Ended June 30, 2020 Dollars	Six Months Ended June 30, 2020 Revenue Percentage
	(Unaudited)			
Net sales revenue - Point in time				
Sleep	$ 292,013	26.6 %	$ 153,315	36.2 %
Diabetes	218,331	19.9 %	11,679	2.8 %
Supplies to the home	84,038	7.6 %	55,900	13.2 %
Respiratory	18,775	1.7 %	20,882	4.9 %
HME	54,516	5.0 %	24,306	5.7 %
Other	50,189	4.6 %	23,856	5.6 %
Total Net sales revenue	$ 717,862	65.4 %	$ 289,938	68.4 %
Net revenue from fixed monthly equipment reimbursements				
Sleep	$ 114,444	10.4 %	$ 45,313	10.7 %
Diabetes	6,069	0.6 %	—	— %
Respiratory	194,982	17.7 %	55,863	13.2 %
HME	44,811	4.1 %	25,439	6.0 %
Other	20,968	1.8 %	7,002	1.7 %
Total Net revenue from fixed monthly equipment reimbursements	$ 381,274	34.6 %	$ 133,617	31.6 %
Total net revenue				
Sleep	$ 406,457	37.0 %	$ 198,628	46.9 %
Diabetes	224,400	20.5 %	11,679	2.8 %
Supplies to the home	84,038	7.6 %	55,900	13.2 %
Respiratory	213,757	19.4 %	76,745	18.1 %
HME	99,327	9.1 %	49,745	11.7 %
Other	71,157	6.4	30,858	7.3 %
Total net revenue	$ 1,099,136	100.0 %	$ 423,555	100.0 %

Results of Operations

Comparison of Three Months Ended June 30, 2021 and Three Months Ended June 30, 2020.

The following table summarizes AdaptHealth’s consolidated results of operations for the three months ended June 30, 2021 and 2020:

(in thousands, except percentages)	Three Months Ended June 30, 2021 Dollars	2021 Revenue Percentage	2020 Dollars	2020 Revenue Percentage	Increase/(Decrease) Dollars	Increase/(Decrease) Percentage
			(unaudited)			
Net revenue	**$ 617,017**	**100.0 %**	**$ 232,116**	**100.0 %**	**$ 384,901**	**165.8 %**
Costs and expenses:						
Cost of net revenue	490,720	79.5 %	198,418	85.5 %	292,302	147.3 %
General and administrative expenses	42,946	7.0 %	17,092	7.4 %	25,854	151.3 %
Depreciation and amortization, excluding patient equipment depreciation	17,944	2.9 %	1,036	0.4 %	16,908	NM %
Total costs and expenses	**551,610**	**89.4 %**	**216,546**	**93.3 %**	**335,064**	**154.7 %**
Operating income	**65,407**	**10.6 %**	**15,570**	**6.7 %**	**49,837**	**320.1 %**
Interest expense, net	23,147	3.8 %	7,482	3.2 %	15,665	209.4 %
Loss on extinguishment of debt	7,736	1.3 %	—	— %	7,736	NM %
Change in fair value of contingent consideration common shares liability	(22,079)	(3.6)%	(42)	— %	(22,037)	NM %
Change in fair value of warrant liability	(37,454)	(6.1)%	(654)	(0.3)%	(36,800)	NM %
Other income, net	1,669	0.3 %	(900)	(0.4)%	2,569	NM %
Income (loss) before income taxes	**92,388**	**14.9 %**	**9,684**	**4.2 %**	**82,704**	**854.0 %**
Income tax expense	12,330	2.0 %	1,826	0.8 %	10,504	NM %
Net income (loss)	**80,058**	**12.9 %**	**7,858**	**3.4 %**	**72,200**	**918.8 %**
Income attributable to noncontrolling interests	951	0.2 %	3,388	1.5 %	(2,437)	(71.9)%
Net income attributable to AdaptHealth Corp.	**$ 79,107**	**12.7 %**	**$ 4,470**	**1.9 %**	**$ 74,637**	**1,669.7 %**

Net Revenue. Net revenue for the three months ended June 30, 2021 was $617.0 million compared to $232.1 million for the three months ended June 30, 2020, an increase of $384.9 million or 165.8%. Net revenue for the 2021 and 2020 periods included $8.6 million and $28.4 million, respectively, from referral partners and healthcare facilities in support of their urgent needs as the coronavirus pandemic has led to an increased demand for respiratory equipment including ventilators and oxygen concentrators. Excluding this revenue, net revenue was $608.4 million and $203.7 million for the three months ended June 30, 2021 and 2020, respectively, an increase of $404.7 million. The increase in net revenue was driven primarily by acquisitions completed after April 1, 2020, which increased net revenue by $405.3 million. This increase in net revenue was partially offset by planned declines in revenue from the Company's Patient Care Solutions (PCS) supplies business (which was acquired in January 2020) in connection with the Company's turnaround efforts of that business executed subsequent to the acquisition. As previously disclosed by the Company, these turnaround efforts at PCS reduced net revenues for the three months ended June 30, 2021 as a result of the Company's exit from poor performing payor contracts and products, and resulted in improved profitability for PCS. Net revenue generated by PCS for the three months ended June 30, 2021 and 2020 was $27.2 million and $33.0 million, respectively.

For the three months ended June 30, 2021, net sales revenue (recognized at a point in time) comprised 65% of total net revenue, compared to 69% of total net revenue for the three months ended June 30, 2020. For the three months ended June 30, 2021, net revenue from fixed monthly equipment reimbursements comprised 35% of total net revenue, compared to 31% of total net revenue for the three months ended June 30, 2020.

Cost of Net Revenue.

The following table summarizes cost of net revenue for the three months ended June 30, 2021 and 2020:

(in thousands, except percentages)	Three Months Ended June 30, 2021 Dollars	2021 Revenue Percentage	2020 Dollars	2020 Revenue Percentage	Increase/(Decrease) Dollars	Increase/(Decrease) Percentage
			(unaudited)			
Costs of net revenue:						
Cost of products and supplies	$ 235,550	38.2 %	$ 94,103	40.5 %	$ 141,447	150.3 %
Salaries, labor and benefits	147,606	23.9 %	58,465	25.2 %	89,141	152.5 %
Patient equipment depreciation	45,864	7.4 %	17,338	7.5 %	28,526	164.5 %
Rent and occupancy	11,938	1.9 %	5,119	2.2 %	6,819	133.2 %
Other operating expenses	48,072	7.8 %	20,069	8.7 %	28,003	139.5 %
Equity-based compensation	1,696	0.3 %	1,652	0.7 %	44	2.7 %
Severance	(6)	— %	1,672	0.7 %	(1,678)	(100.4)%
Total cost of net revenue	**$ 490,720**	**79.5 %**	**$ 198,418**	**85.5 %**	**$ 292,302**	**147.3 %**

Cost of net revenue for the three months ended June 30, 2021 was $490.7 million compared to $198.4 million for the three months ended June 30, 2020, an increase of $292.3 million or 147.3%, which is primarily related to acquisition growth. Costs of products and supplies increased by $141.4 million primarily as a result of acquisition growth, primarily from the acquisition of AeroCare, and increased net sales revenue. Salaries, labor and benefits increased by $89.1 million, primarily related to acquisition growth and increased headcount, primarily from the acquisition of AeroCare. The increase in rent and occupancy and other operating expenses is related to acquisition growth.

Cost of net revenue was 79.5% of net revenue for the three months ended June 30, 2021 compared to 85.5% for the three months ended June 30, 2020. The cost of products and supplies was 38.2% of net revenue in the 2021 period compared to 40.5% in the 2020 period, while salaries, labor and benefits was 23.9% of net revenue in the 2021 period compared to 25.2% in the 2020 period, and patient equipment depreciation was 7.4% of net revenue in the 2021 period compared to 7.5% in the 2020 period. These percentages are consistent as a result of the consistent mix of net revenue between sales and fixed monthly equipment reimbursements between the periods.

General and Administrative Expenses. General and administrative expenses for the three months ended June 30, 2021 were $42.9 million compared to $17.1 million for the three months ended June 30, 2020, an increase of $25.8 million or 151.3%. This increase is primarily due to (1) increased transaction costs related to acquisition growth, (2) higher professional fees including legal, accounting and consulting, including costs for Sarbanes Oxley compliance, (3) higher labor costs associated with increased headcount, (4) higher equity-based compensation expense as a result of the accelerated vesting of certain awards, including $2.4 million in connection with the acceleration of vesting of certain stock options and restricted stock in connection with the separation of the Company's former Co-CEO, and (5) higher information technology related expenses. General and administrative expenses as a percentage of net revenue was 7.0% in the 2021 period, compared to 7.4% in the 2020 period. General and administrative expenses in the 2021 period included $8.0 million in transaction costs, $5.8 million in equity-based compensation expense, and $0.6 million in severance expense. General and administrative expenses in the 2020 period included $3.3 million in transaction costs, $1.6 million in equity-based compensation expense, and $0.2 million in severance expense. Excluding the impact of these charges, general and administrative expenses as a percentage of net revenue was 4.6% and 5.1% in the 2021 period and the 2020 period, respectively.

Depreciation and amortization, excluding patient equipment depreciation. Depreciation and amortization, excluding patient equipment depreciation, for the three months ended June 30, 2021 was $17.9 million compared to $1.0 million for the three months ended June 30, 2020, an increase of $16.9 million. The increase was primarily related to amortization expense of $13.9 million related to identifiable intangible assets recognized during the 2021 period. There was no amortization expense of identifiable intangible assets recognized during the 2020 period.

Interest Expense. Interest expense for the three months ended June 30, 2021 was $23.1 million compared to $7.5 million for the three months ended June 30, 2020. Interest expense related to long-term debt was higher in the 2021 period compared to the 2020 period as a result of higher long-term debt borrowings outstanding during that period. Such borrowings were largely used to fund acquisitions.

Loss on Extinguishment of Debt. Loss on extinguishment of debt for the three months ended June 30, 2021 was a result of the write-off of unamortized deferred financing costs related to AdaptHealth refinancing its credit facility in January 2021 and amending such agreement in April 2021, and also includes the write-off of unamortized deferred financing costs and debt prepayment penalties in connection with the early repayment of a portion of AdaptHealth's note payable. In addition, during the second quarter of 2021, the Company corrected an error that was identified relating to the accounting for the write off of unamortized deferred financing costs recorded during the three months ended March 31, 2021. As a result of this correction, the Company reversed $2.1 million of the write off that was recorded in the three months ended March 31, 2021, which was reflected as a reduction to the loss on extinguishment of debt recognized during the three months ended June 30, 2021. The impact of such correction was not considered material to the Company's unaudited consolidated financial statements for the three months ended March 31, 2021 and the three months ended June 30, 2021. There were no such transactions in the three months ended June 30, 2020.

Change in Fair Value of Contingent Consideration Common Shares Liability. In connection with the Business Combination, certain former owners of AdaptHealth Holdings are entitled to contingent consideration common shares, as discussed in Note 10, *Stockholders' Equity – Contingent Consideration Common Shares,* to the accompanying interim consolidated financial statements. These shares are liability-classified, and the change in fair value of the contingent consideration common shares liability represents a non-cash gain for the change in the estimated fair value of such liability during the period.

Change in Fair Value of Warrant Liability. AdaptHealth has outstanding warrants to purchase shares of Common Stock, as discussed in Note 10, *Stockholders' Equity – Warrants,* to the accompanying interim consolidated financial statements. These warrants are liability-classified, and the change in fair value of the warrant liability represents a non-cash gain for the change in the estimated fair value of such liability during the period.

Other Income, net. Other income, net for the three months ended June 30, 2021 consisted of $0.3 million of equity income related to equity method investments, offset by $0.9 million of expenses associated with legal settlements for employee and other matters, $1.0 million of expenses associated with lease terminations, and a $0.1 million charge for the increase in the fair value of a contingent consideration liability related to an acquisition. Other income, net for the three months ended June 30, 2020 consisted of a $0.9 million reduction in the fair value of a contingent consideration liability related to an acquisition.

Income Tax Benefit/Expense. Income tax expense for the three months ended June 30, 2021 was $12.3 million compared to income tax expense of $1.8 million for the three months ended June 30, 2020. The expense recorded in the 2021 period compared to the 2020 period was primarily related to increased pre-tax income and AdaptHealth Holding's change in U.S. federal income tax classification as a result of the Tax Restructuring, as discussed in note 13 to the accompanying interim consolidated financial statements.

Comparison of Six Months Ended June 30, 2021 and Six Months Ended June 30, 2020.

The following table summarizes AdaptHealth's consolidated results of operations for the six months ended June 30, 2021 and 2020:

(in thousands, except percentages)	Six Months Ended June 30, 2021 Dollars	2021 Revenue Percentage	2020 Dollars (unaudited)	2020 Revenue Percentage	Increase/(Decrease) Dollars	Increase/(Decrease) Percentage
Net revenue	**$ 1,099,136**	**100.0 %**	**$ 423,555**	**100.0 %**	**$ 675,581**	**159.5 %**
Costs and expenses:						
Cost of net revenue	887,418	80.7 %	366,048	86.4 %	521,370	142.4 %
General and administrative expenses	99,578	9.1 %	31,439	7.4 %	68,139	216.7 %
Depreciation and amortization, excluding patient equipment depreciation	31,324	2.8 %	2,278	0.5 %	29,046	NM %
Total costs and expenses	**1,018,320**	**92.6 %**	**399,765**	**94.3 %**	**618,555**	**154.7 %**
Operating income	**80,816**	**7.4 %**	**23,790**	**5.7 %**	**57,026**	**239.7 %**
Interest expense, net	45,332	4.1 %	15,420	3.6 %	29,912	194.0 %
Loss on extinguishment of debt	11,949	1.1 %	—	— %	11,949	NM %
Change in fair value of contingent consideration common shares liability	(24,044)	(2.2)%	16,325	3.9 %	(40,369)	NM %
Change in fair value of warrant liability	(40,622)	(3.7)%	35,446	8.4 %	(76,068)	NM %
Other income, net	1,150	0.1 %	(1,991)	(0.5)%	3,141	NM %
Income (loss) before income taxes	**87,051**	**8.0 %**	**(41,410)**	**(9.7)%**	**128,461**	**(310.2)%**
Income tax expense	10,635	1.0 %	185	— %	10,450	NM %
Net income (loss)	**76,416**	**7.0 %**	**(41,595)**	**(9.7)%**	**118,011**	**(283.7)%**
Income (loss) attributable to noncontrolling interests	1,275	0.1 %	(11,514)	(2.7)%	12,789	(111.1)%
Net income (loss) attributable to AdaptHealth Corp.	**$ 75,141**	**6.9 %**	**$ (30,081)**	**(7.0)%**	**$ 105,222**	**(349.8)%**

Net Revenue. Net revenue for the six months ended June 30, 2021 was $1,099.1 million compared to $423.6 million for the six months ended June 30, 2020, an increase of $675.5 million or 159.5%. Net revenue for the 2021 and 2020 periods included $9.9 million and $29.6 million, respectively, from referral partners and healthcare facilities in support of their urgent needs as the coronavirus pandemic has led to an increased demand for respiratory equipment including ventilators and oxygen concentrators. Excluding this revenue, net revenue was $1,089.2 million and $394.0 million for the six months ended June 30, 2021 and 2020, respectively, an increase of $695.2 million. The increase in net revenue was driven primarily by acquisitions completed after January 1, 2020, which increased net revenue by $711.2 million. This increase in net revenue was partially offset by planned declines in revenue from the Company's Patient Care Solutions (PCS) supplies business (which was acquired in January 2020) in connection with the Company's turnaround efforts of that business executed subsequent to the acquisition. As previously disclosed by the Company, these turnaround efforts at PCS reduced net revenues for the six months ended June 30, 2021 as a result of the Company's exit from poor performing payor contracts and products, and resulted in improved profitability for PCS. Net revenue generated by PCS for the six months ended June 30, 2021 and 2020 was $55.9 million and $66.9 million, respectively.

For the six months ended June 30, 2021, net sales revenue (recognized at a point in time) comprised 65% of total net revenue, compared to 68% of total net revenue for the six months ended June 30, 2020. For the six months ended June 30, 2021, net revenue from fixed monthly equipment reimbursements comprised 35% of total net revenue, compared to 32% of total net revenue for the six months ended June 30, 2020.

Cost of Net Revenue.

The following table summarizes cost of net revenue for the six months ended June 30, 2021 and 2020:

(in thousands, except percentages)	Six Months Ended June 30, 2021 Dollars	2021 Revenue Percentage	2020 Dollars	2020 Revenue Percentage	Increase/(Decrease) Dollars	Increase/(Decrease) Percentage
			(unaudited)			
Costs of net revenue:						
Cost of products and supplies	$ 420,568	38.3 %	$ 166,106	39.2 %	$ 254,462	153.2 %
Salaries, labor and benefits	266,305	24.2 %	113,116	26.7 %	153,189	135.4 %
Patient equipment depreciation	79,703	7.3 %	32,836	7.8 %	46,867	142.7 %
Rent and occupancy	22,449	2.0 %	9,719	2.3 %	12,730	131.0 %
Other operating expenses	93,064	8.5 %	40,031	9.5 %	53,033	132.5 %
Equity-based compensation	4,932	0.4 %	2,203	0.5 %	2,729	123.9 %
Severance	397	— %	2,037	0.4 %	(1,640)	(80.5)%
Total cost of net revenue	**$ 887,418**	**80.7 %**	**$ 366,048**	**86.4 %**	**$ 521,370**	**142.4 %**

Cost of net revenue for the six months ended June 30, 2021 was $887.4 million compared to $366.0 million for the six months ended June 30, 2020, an increase of $521.4 million or 142.4%, which is primarily related to acquisition growth. Costs of products and supplies increased by $254.5 million primarily as a result of acquisition growth, primarily from the acquisition of AeroCare, and increased net sales revenue. Salaries, labor and benefits increased by $153.2 million, primarily related to acquisition growth and increased headcount, primarily from the acquisition of AeroCare. The increase in rent and occupancy and other operating expenses is related to acquisition growth.

Cost of net revenue was 80.7% of net revenue for the six months ended June 30, 2021 compared to 86.4% for the six months ended June 30, 2020. The cost of products and supplies was 38.3% of net revenue in the 2021 period compared to 39.2% in the 2020 period, while salaries, labor and benefits was 24.2% of net revenue in the 2021 period compared to 26.7% in the 2020 period, and patient equipment depreciation was 7.3 of net revenue in the 2021 period compared to 7.8% in the 2020 period. These percentages are consistent as a result of the consistent mix of net revenue between sales and fixed monthly equipment reimbursements between the periods.

General and Administrative Expenses. General and administrative expenses for the six months ended June 30, 2021 were $99.6 million compared to $31.4 million for the six months ended June 30, 2020, an increase of 68.2 million or 216.7%. This increase is primarily due to (1) increased transaction costs related to acquisition growth, primarily for from the acquisition of AeroCare, (2) higher professional fees including legal, accounting and consulting, including costs for Sarbanes Oxley compliance, (3) higher labor costs associated with increased headcount, (4) higher equity-based compensation expense as a result of the accelerated vesting of certain awards, including $2.4 million in connection with the acceleration of vesting of certain stock options and restricted stock in connection with the separation of the Company's former Co-CEO, and (5) higher information technology related expenses. General and administrative expenses as a percentage of net revenue was 9.1% in the 2021 period, compared to 7.4% in the 2020 period. General and administrative expenses in the 2021 period included $39.3 million in transaction costs, $11.1 million in equity-based compensation expense, and $1.1 million in severance expense. General and administrative expenses in the 2020 period included $5.5 million in transaction costs, $3.3 million in equity-based compensation expense, and $0.3 million in severance expense. Excluding the impact of these charges, general and administrative expenses as a percentage of net revenue was 4.4% and 5.3% in the 2021 period and the 2020 period, respectively.

Depreciation and amortization, excluding patient equipment depreciation. Depreciation and amortization, excluding patient equipment depreciation, for the six months ended June 30, 2021 was $31.3 million compared to $2.3 million for the six months ended June 30, 2020, an increase of $29.0 million. The increase was primarily related to amortization expense of $24.2 million related to identifiable intangible assets recognized during the 2021 period. There was no amortization expense of identifiable intangible assets recognized during the 2020 period.

Interest Expense. Interest expense for the six months ended June 30, 2021 was $45.3 million compared to $15.4 million for the six months ended June 30, 2020. Interest expense related to long-term debt was higher in the 2021 period compared to the 2020 period as a result of higher long-term debt borrowings outstanding during that period. Such borrowings were largely used to fund acquisitions.

Loss on Extinguishment of Debt. Loss on extinguishment of debt for the six months ended June 30, 2021 was a result of the write-off of unamortized deferred financing costs related to AdaptHealth refinancing its credit facility in January 2021 and amending such agreement in April 2021, and also includes the write-off of unamortized deferred financing costs and debt prepayment penalties in connection with the early repayment of a portion of AdaptHealth's note payable. There were no such transactions in the six months ended June 30, 2020.

Change in Fair Value of Contingent Consideration Common Shares Liability. In connection with the Business Combination, certain former owners of AdaptHealth Holdings are entitled to contingent consideration common shares, as discussed in Note 10, *Stockholders' Equity – Contingent Consideration Common Shares,* to the accompanying interim consolidated financial statements. These shares are liability-classified, and the change in fair value of the contingent consideration common shares liability represents a non-cash gain in the 2021 period and a non-cash charge in the 2020 period for the change in the estimated fair value of such liability during the respective periods.

Change in Fair Value of Warrant Liability. AdaptHealth has outstanding warrants to purchase shares of Common Stock, as discussed in Note 10, *Stockholders' Equity – Warrants,* to the accompanying interim consolidated financial statements. These warrants are liability-classified, and the change in fair value of the warrant liability represents a non-cash gain in the 2021 period and a non-cash charge in the 2020 period for the change in the estimated fair value of such liability during the respective periods.

Other Income, net. Other income, net for the six months ended June 30, 2021 consisted of $0.5 million of equity income related to equity method investments, and a gain of $0.5 million for the receipt of earnout proceeds in connection with an investment that was sold in 2020, offset by $0.9 million of expenses associated with legal settlements for employee and other matters, $1.0 million of expenses associated with lease terminations, and a $0.3 million charge for the increase in the fair value of a contingent consideration liability related to an acquisition. Other income, net for the six months ended June 30, 2020 consisted of a $2.9 million reduction in the fair value of a contingent consideration liability related to an acquisition, a gain of $0.6 million related to the sale of an investment, offset by a $1.5 million expense related to a transition services agreement executed in connection with an acquisition completed in 2020.

Income Tax Benefit/Expense. Income tax expense for the six months ended June 30, 2021 was $10.6 million compared to income tax expense of $0.2 million for the six months ended June 30, 2020. The increase in income tax expense was primarily related to increased pre-tax income and AdaptHealth Holding's change in U.S. federal income tax classification as a result of the Tax Restructuring, as discussed in note 13 to the accompanying interim consolidated financial statements.

EBITDA, Adjusted EBITDA and Adjusted EBITDA less Patient Equipment Capex

AdaptHealth uses EBITDA, Adjusted EBITDA and Adjusted EBITDA less Patient Equipment Capex, which are financial measures that are not prepared in accordance with generally accepted accounting principles in the United States, or U.S. GAAP, to analyze its financial results and believes that they are useful to investors, as a supplement to U.S. GAAP measures. In addition, AdaptHealth's ability to incur additional indebtedness and make investments under its existing credit agreement is governed, in part, by its ability to satisfy tests based on a variation of Adjusted EBITDA.

AdaptHealth defines EBITDA as net income (loss) attributable to AdaptHealth Corp., plus net income (loss) attributable to noncontrolling interests, interest expense (income), income tax expense (benefit), and depreciation and amortization.

AdaptHealth defines Adjusted EBITDA as EBITDA (as defined above), plus loss on extinguishment of debt, equity-based compensation expense, transaction costs, severance, change in fair value of the contingent consideration common shares liability, change in fair value of the warrant liability, and non-recurring items of expense (income).

AdaptHealth defines Adjusted EBITDA less Patient Equipment Capex as Adjusted EBITDA (as defined above) less patient equipment acquired during the period without regard to whether the equipment was purchased or financed through lease transactions.

AdaptHealth believes Adjusted EBITDA less Patient Equipment Capex is useful to investors in evaluating AdaptHealth's financial performance. AdaptHealth's business requires significant investment in equipment purchases to maintain its patient equipment inventory. Some equipment title transfers to patients' ownership after a prescribed number of fixed monthly payments. Equipment that does not transfer wears out or oftentimes is not recovered after a patient's use of the equipment terminates. AdaptHealth uses this metric as the profitability measure in its incentive compensation plans that have a profitability component and to evaluate acquisition opportunities, where it is most often used for purposes of contingent consideration arrangements. For purposes of this metric, patient equipment capital expenditure is measured as the value of the patient equipment received during the accounting period without regard to whether the equipment is purchased or financed through lease transactions.

EBITDA, Adjusted EBITDA and Adjusted EBITDA less Patient Equipment Capex should not be considered as measures of financial performance under U.S. GAAP, and the items excluded from EBITDA, Adjusted EBITDA and Adjusted EBITDA less Patient Equipment Capex are significant components in understanding and assessing financial performance. Accordingly, these key business metrics have limitations as an analytical tool. They should not be considered as an alternative to net income or any other performance measures derived in accordance with U.S. GAAP or as an alternative to cash flows from operating activities as a measure of AdaptHealth's liquidity.

The following unaudited table presents the reconciliation of net loss attributable to AdaptHealth, to EBITDA, Adjusted EBITDA and Adjusted EBITDA less Patient Equipment Capex for the three and six months ended June 30, 2021 and 2020:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
(in thousands)	**2021**	**2020**	**2021**	**2020**
		(Unaudited)		
Net income (loss) attributable to AdaptHealth Corp.	$ 79,107	$ 4,470	$ 75,141	$ (30,081)
Income (loss) attributable to noncontrolling interests	951	3,388	1,275	(11,514)
Interest expense, net	23,147	7,482	45,332	15,420
Income tax expense	12,330	1,826	10,635	185
Depreciation and amortization, including patient equipment depreciation	63,793	18,374	110,999	35,114
EBITDA	**179,328**	**35,540**	**243,382**	**9,124**
Loss on extinguishment of debt (a)	7,736	—	11,949	—
Equity-based compensation expense (b)	7,447	3,244	16,029	5,467
Transaction costs (c)	8,100	3,541	39,954	6,399
Severance (d)	594	1,905	1,533	2,324
Change in fair value of contingent consideration common shares liability (e)	(22,079)	(42)	(24,044)	16,325
Change in fair value of warrant liability (f)	(37,454)	(654)	(40,622)	35,446
Other non-recurring expense (income) (g)	3,719	(900)	3,385	(1,991)
Adjusted EBITDA	**147,391**	**42,634**	**251,566**	**73,094**
Less: Patient equipment capex (h)	(48,525)	(12,068)	(90,783)	(25,035)
Adjusted EBITDA less Patient Equipment Capex	**$ 98,866**	**$ 30,566**	**$ 160,783**	**$ 48,059**

(a) Represents write offs of deferred financing costs related to refinancing of debt and pre-payment penalties for early debt payoff.

(b) Represents equity-based compensation expense for awards granted to employees and non-employee directors. The higher expense in the 2021 period is due to overall increased equity compensation grant activity in that period, as well as expense resulting from accelerated vesting of certain awards in that period, including accelerated vesting of certain awards in connection with the separation of the Company's former Co-CEO.

(c) Represents transaction costs related to acquisitions.

(d) Represents severance costs related to acquisition integration and internal AdaptHealth restructuring and workforce reduction activities.

(e) Represents a non-cash charge or gain for the change in the estimated fair value of contingent consideration common shares issuable as part of the Business Combination. Refer to Note 10, Stock*holders' Equity – Contingent Consideration Common Shares*, included in the accompanying notes to the consolidated interim financial statements for the three and six months ended June 30, 2021 for additional discussion of such non-cash charge or gain.

(f) Represents a non-cash charge or gain for the change in the estimated fair value of AdaptHealth's warrants. Refer to Note 10, *Stockholders' Equity – Warrants*, included in the accompanying notes to the consolidated interim financial statements for the three and six months ended June 30, 2021 for additional discussion of such non-cash charge or gain.

(g) The 2021 year-to-date period includes $1.5 million of expenses related to legal and other costs associated with the separation of the Company's former Co-CEO, $0.9 million of expenses associated with legal settlements for employee and other matters, $1.0 million of expenses associated with lease terminations, a $0.3 million charge for the increase in the fair value of a contingent consideration liability related to an acquisition, and $0.2 million of other non-recurring charges, offset by a gain of $0.5 million for the receipt of earnout proceeds in connection with the sale of an investment. The 2020 year-to-date period includes $2.9 million of reductions in the fair value of contingent consideration liabilities related to acquisitions, a $0.6 million gain related to the sale of an investment, offset by a $1.5 million expense related to a transition services agreement executed in connection with an acquisition completed in 2020.

(h) Represents the value of the patient equipment obtained during the respective period without regard to whether the equipment is purchased or financed through lease transactions.

Liquidity and Capital Resources

AdaptHealth's principal sources of liquidity are its operating cash flows, borrowings under its credit agreements and other debt arrangements, and proceeds from equity issuances. AdaptHealth has used these funds to meet its capital requirements, which primarily consist of salaries, labor, benefits and other employee-related costs, product and supply costs, third-party customer service, billing and collections and logistics costs, capital expenditures including patient equipment, acquisitions and debt service. AdaptHealth's future capital expenditure requirements will depend on many factors, including its patient volume and revenue growth rates.

AdaptHealth's capital expenditures are made in advance of patients beginning service. Certain operating costs are incurred at the beginning of the equipment service period and during initial patient set up.

AdaptHealth believes that its expected operating cash flows, together with its existing cash, cash equivalents, and amounts available under its existing credit agreement, will continue to be sufficient to fund its operations and growth strategies for at least the next twelve months.

As of June 30, 2021, AdaptHealth had approximately $178.2 million of cash and cash equivalents. To supplement its cash liquidity, in April 2020, AdaptHealth received recoupable advance payments of $45.8 million which were made available by CMS under the CARES Act. In addition, in connection with an acquisition completed in July 2020, AdaptHealth assumed a liability of $3.7 million relating to funds received by the acquired company prior to the date of acquisition for CMS recoupable advance payments. The recoupment of the advance payments by CMS has begun in April 2021 and is being applied to services provided and revenue recognized during the period in which the recoupment occurs, and will impact the Company's cash receipts for services provided until such time all amounts have been recouped. During the three months ended June 30, 2021, CMS has recouped a total of $15.9 million. At June 30, 2021, the Company has deferred a total of $33.6 million related to CMS recoupable advance payments, which is included in other current liabilities in the consolidated balance sheet as of June 30, 2021. In addition, in April 2020, AdaptHealth received distributions of the CARES Act provider relief funds of $17.2 million which are targeted to offset lost revenue and expenditures incurred in connection with the COVID-19 pandemic. The provider relief funds are subject to certain restrictions and are subject to recoupment if not used for designated purposes. As a condition to receiving distributions, providers must agree to certain terms and conditions, including, among other things, that the funds are being used for lost revenues and unreimbursed COVID-19 related expenses as defined by HHS. During the year ended December 31, 2020, AdaptHealth recognized grant income of $14.3 million related to the provider relief fund payments received. As of June 30, 2021, AdaptHealth has deferred $2.9 million of the PRF payments received in April 2020. In addition, in connection with certain acquisitions completed prior to June 30, 2021, AdaptHealth assumed liabilities of $7.7 million relating to CARES Act provider relief fund payments received by the acquired companies prior to the dates of acquisition. At June 30, 2021, AdaptHealth has deferred a total of $10.6 million related to CARES Act provider relief funds, which is included in other current liabilities in the consolidated balance sheet as of June 30, 2021. HHS has indicated that the CARES Act PRF are subject to ongoing reporting and changes to the terms and conditions, and there have been several updates to such reporting requirements and terms and conditions since they were issued by HHS. Such updates have related to changes to the guidance regarding utilization of the funds granted from the PRF and updates to the reporting requirements of such funds, among other updates. As a result of any future updated guidance from HHS, AdaptHealth could be required to reverse the recognition of the grant income recorded and return a portion of the funds recognized, which could be material to AdaptHealth. AdaptHealth is continuing to monitor the reporting requirements issued by HHS. To the extent that reporting requirements and terms and conditions are modified in the future, it may affect AdaptHealth's ability to comply and may require the return of funds. Furthermore, HHS has indicated that it will be closely monitoring and, along with the Office of Inspector General (United States) (OIG), auditing providers to ensure that recipients comply with the terms and conditions of relief programs and to prevent fraud and abuse. All providers will be subject to civil and criminal penalties for any deliberate omissions, misrepresentations or falsifications of any information given to HHS. Also, as permitted under the CARES Act, AdaptHealth has elected to defer certain portions of employer-paid FICA taxes otherwise payable from March 27, 2020 to January 1, 2021, which will be paid in two equal installments on December 31, 2021 and December 31, 2022. AdaptHealth has deferred a total of $8.6 million pursuant to this provision, of which $4.3 million is included in other current liabilities and $4.3 million is included in other long-term liabilities in the consolidated balance sheet as of June 30, 2021.

At June 30, 2021, AdaptHealth had $975.0 million outstanding under its existing credit facility. In January 2021, AdaptHealth refinanced its debt borrowings and entered into a new credit agreement, which was subsequently amended in April 2021 (the "2021 Credit Agreement"). The 2021 Credit Agreement consists of a $800 million term loan (the "2021 Term Loan") and $450 million in commitments for revolving credit loans with a $55 million letter of credit sublimit (the "2021 Revolver"), both with maturities in January 2026. The borrowing under the 2021 Term Loan requires quarterly principal repayments of $5.0 million beginning June 30, 2021 through March 31, 2023, increasing to $10.0 million beginning June 30, 2023 through December 31, 2025, and the unpaid principal balance is due at maturity in January 2026. Borrowings under the 2021 Revolver may be used for working capital and other general corporate purposes, including for capital expenditures and acquisitions permitted under the 2021 Credit Agreement. As of the date of this filing, $215.0 million was outstanding under the 2021 Revolver. Amounts borrowed under the 2021 Credit Agreement bear interest quarterly at variable rates based upon the sum of (a) the Adjusted LIBOR Rate (subject to a floor) equal to the LIBOR (as defined) for the applicable interest period multiplied by the statutory reserve rate, plus (b) an applicable margin (as defined) ranging from 1.50% to 3.25% per annum based on the Consolidated Senior Secured Leverage Ratio (as defined). The 2021 Revolver carries a commitment fee during the term of the 2021 Credit Agreement ranging from 0.25% to 0.50% per annum of the actual daily undrawn portion of the 2021 Revolver based on the Consolidated Senior Secured Leverage Ratio.

Under the 2021 Credit Agreement, AdaptHealth is subject to a number of restrictive covenants that, among other things, impose operating and financial restrictions on AdaptHealth. Financial covenants include a Consolidated Total Leverage Ratio and a Consolidated Interest Coverage Ratio, both as defined in the 2021 Credit Agreement. The 2021 Credit Agreement also contains certain customary events of default, including, among other things, failure to make payments when due thereunder, failure to observe or perform certain covenants, cross-defaults, bankruptcy and insolvency-related events, and non-compliance with healthcare laws. Any borrowing under the 2021 Credit Agreement may be repaid, in whole or in part, at any time and from time to time without premium or penalty, other than customary breakage costs, and any amounts repaid under the 2021 Revolver may be reborrowed. Mandatory prepayments are required under the 2021 Revolver when borrowings and letter of credit usage exceed the total commitments for revolving credit loans. Mandatory prepayments are also required in connection with the disposition of assets to the extent not reinvested, unpermitted debt transactions, and excess cash flow, as defined, if certain leverage tests are not met. AdaptHealth was in compliance with all debt covenants as of June 30, 2021.

In January 2021, AdaptHealth LLC issued $500.0 million aggregate principal amount of 4.625% senior unsecured notes due 2029 (the ”4.625% Senior Notes”). The 4.625% Senior Notes will mature on August 1, 2029. Interest on the 4.625% Senior Notes is payable on February 1st and August 1st of each year, beginning on August 1, 2021. The 4.625% Senior Notes will be redeemable at AdaptHealth’s option, in whole or in part, at any time on or after February 1, 2024, and the redemption price for the 4.625% Senior Notes if redeemed during the 12 months beginning (i) February 1, 2024 is 102.313%, (ii) February 1, 2025 is 101.156%, and (iii) February 1, 2026 and thereafter is 100.000%, in each case together with accrued and unpaid interest. AdaptHealth LLC may also redeem some or all of the 4.625% Senior Notes before February 1, 2024 at a redemption price of 100% of the principal amount of the 4.625% Senior Notes, plus a "make-whole” premium, together with accrued and unpaid interest. In addition, AdaptHealth LLC may redeem up to 40% of the original aggregate principal amount of the 4.625% Senior Notes before February 1, 2024 with the proceeds from certain equity offerings at a redemption price equal to 104.625% of the principal amount of the 4.625% Senior Notes, together with accrued and unpaid interest. Furthermore, AdaptHealth LLC may be required to make an offer to purchase the 4.625% Senior Notes upon the sale of certain assets or upon specific kinds of changes of control.

In July 2020, AdaptHealth LLC issued $350.0 million aggregate principal amount of 6.125% senior unsecured notes due 2028 (the ”6.125% Senior Notes”). The 6.125% Senior Notes will mature on August 1, 2028. Interest on the 6.125% Senior Notes is payable on February 1st and August 1st of each year, beginning on February 1, 2021. The 6.125% Senior Notes will be redeemable at AdaptHealth LLC’s option, in whole or in part, at any time on or after August 1, 2023, and the redemption price for the 6.125% Senior Notes if redeemed during the 12 months beginning (i) August 1, 2023 is 103.063%, (ii) August 1, 2024 is 102.042%, (iii) August 1, 2025 is 101.021% and (iv) August 1, 2026 and thereafter is 100.000%, in each case together with accrued and unpaid interest. AdaptHealth LLC may also redeem some or all of the 6.125% Senior Notes before August 1, 2023 at a redemption price of 100% of the principal amount of the 6.125% Senior Notes, plus a "make-whole” premium, together with accrued and unpaid interest. In addition, AdaptHealth LLC may redeem up to 40% of the original aggregate principal amount of the 6.125% Senior Notes before August 1, 2023 with the proceeds from certain equity offerings at a redemption price equal to 106.125% of the principal amount of the 6.125% Senior Notes , together with accrued and unpaid interest. Furthermore, AdaptHealth LLC may be required to make an offer to purchase the 6.125% Senior Notes upon the sale of certain assets or upon specific kinds of changes of control.

In March 2019, AdaptHealth signed a Note and Unit Purchase Agreement with an investor. Pursuant to the agreement, AdaptHealth issued a promissory note with a principal amount of $100 million (the Promissory Note). In connection with the transactions completed as part of the Business Combination, the Promissory Note was replaced with a new amended and restated promissory note with a principal amount of $100 million, and the investor converted certain of its members’ interests to a $43.5 million promissory note. The new $100 million promissory note, together with the $43.5 million promissory note, are collectively referred to herein as the New Promissory Note. In June 2021, AdaptHealth agreed with the holders of the New Promissory Note to repay $71.8 million of the outstanding principal amount under the New Promissory Note. Further, the Company has agreed to repay the remaining principal balance of $71.8 million plus accrued interest by September 30, 2021. The Company will also pay a debt prepayment penalty of $7.2 million in connection with that prepayment. The Company expects to repay the remaining outstanding principal by September 30, 2021 using cash on hand and borrowings under the 2021 Revolver, and therefore such amount is included in current portion of long-term debt in the accompanying consolidated balance sheets as of June 30, 2021. The outstanding principal balance under the New Promissory Note currently bears interest at 12% and is required to be paid in cash. The Company agreed that if the remaining outstanding principal is not repaid by October 31, 2021, the New Promissory Note will be amended to provide that the outstanding principal amount will bear interest at the greater of (i) 15% per annum or (ii) the twelve-month LIBOR plus 12% per annum and will have a maturity date of November 8, 2029.

As of June 30, 2021 and December 31, 2020, AdaptHealth had a working capital deficit of $15.0 million and $55.8 million, respectively. A significant portion of AdaptHealth's assets consists of accounts receivable from third-party payors that are responsible for payment for the equipment and the services that AdaptHealth provides.

Cash Flow. The following table presents selected data from AdaptHealth's consolidated statements of cash flows for the six months ended June 30, 2021 and 2020:

	Six Months Ended June 30,	
(in thousands)	**2021**	**2020**
	(unaudited)	
Net cash provided by operating activities	$ 147,624	$ 111,008
Net cash used in investing activities	(1,372,027)	(117,332)
Net cash provided by financing activities	1,302,630	40,033
Net increase in cash and cash equivalents	78,227	33,709
Cash and cash equivalents at beginning of period	99,962	76,878
Cash and cash equivalents at end of period	$ 178,189	$ 110,587

Net cash provided by operating activities for the six months ended June 30, 2021 was $147.6 million compared to $111.0 million for the six months ended June 30, 2020, an increase of $36.6 million. The increase was the result of (1) a $118.0 million improvement in net income, (2) a net decrease of $12.6 million in non-cash charges, primarily from a non-cash charge or gain relating to the change in the estimated fair value of contingent consideration common shares, a non-cash charge or gain relating to the change in the estimated fair value of the warrant liability, amortization, equity-based compensation expense, write-off of deferred financing costs, loss on extinguishment of debt, and changes in fair value of contingent consideration, (3) an $8.2 million change in deferred income taxes, (4) a net $15.0 million decrease in cash resulting from the change in operating assets and liabilities, primarily from the change in accounts receivable, inventory and accounts payable and accrued expenses (excluding the impact of cash received in the 2020 period in connection with the CARES Act discussed below), (5) the payment of $1.0 million in the 2020 period relating to contingent consideration for an acquisition, which was offset by (6) the receipt of $45.8 million of recoupable advanced payments from CMS and the receipt of $17.2 million of provider relief funds in connection with the CARES Act in the 2020 period.

Net cash used in investing activities for the six months ended June 30, 2021 was $1,372.0 million compared to $117.3 million for the six months ended June 30, 2020. The use of funds in the six months ended June 30, 2021 consisted of $1,292.6 million for business acquisitions, primarily from the AeroCare acquisition, and $79.4 million for equipment and other fixed asset purchases. The use of funds in the six months ended June 30, 2020 consisted of $107.4 million for business acquisitions, primarily from the Advanced and Healthline acquisitions, $10.9 million for equipment and other fixed asset purchases, payments of $1.0 million for investments in cost method investments, offset by $2.0 million of cash proceeds from the sale of an investment.

Net cash provided by financing activities for the six months ended June 30, 2021 was $1,302.6 million compared to net cash provided by financing activities of $40.0 million for the six months ended June 30, 2020. Net cash provided by financing activities for the six months ended June 30, 2021 consisted of proceeds of $1,070.0 million from borrowings on long-term debt and lines of credit, proceeds of $500.0 million from the issuance of senior unsecured notes, proceeds of $278.9 million from the issuance of shares of Common Stock in connection with a public underwritten offering, proceeds of $2.3 million from the exercise of options, and proceeds of $0.3 million in connection with the employee stock purchase plan, offset by total repayments of $490.3 million on long-term debt and capital lease obligations, payments of $13.8 million for equity issuance costs, payments of $18.1 million for debt issuance costs, payments of $13.4 million for contingent consideration related to acquisitions, payments of $2.9 million for deferred purchase price in connection with acquisitions, payments of $8.5 million for debt prepayment penalties, payments of 1.1 million for distributions to noncontrolling interests, and payments of $0.8 million relating to tax withholdings associated with equity-based compensation activity. Net cash provided by financing activities for the six months ended June 30, 2020 consisted of proceeds of $70.0 million from borrowings on long-term debt and lines of credit, and proceeds of $11.8 million from the exercise of warrants, offset by total repayments of $41.0 million on long-term debt and capital lease obligations and a payment of $0.8 million for distributions to non-controlling interests.

Critical Accounting Policies and Significant Estimates

The discussion and analysis of the Company's financial condition and results of operations is based upon the Company's consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of the Company's consolidated financial statements requires its management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses and related disclosures of contingent assets and liabilities. The Company's management bases its estimates, assumptions and judgments on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Different assumptions and judgments would change the estimates used in the preparation of the Company's consolidated financial statements which, in turn, could change the results from those reported. In addition, actual results may differ from these estimates and such differences could be material to the Company's financial position and results of operations.

Critical accounting policies and significant estimates are those that the Company's management considers the most important to the portrayal of the Company's financial condition and results of operations because they require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. The Company's critical accounting policies and significant estimates in relation to its consolidated financial statements include those related to revenue recognition, accounts receivable, business combinations, and valuation of goodwill and long-lived assets. There have been no material changes in the Company's critical accounting policies as compared to the critical accounting policies described in the Company's Annual Report on Form 10-K/A for the year ended December 31, 2020.

Recent Accounting Pronouncements

Recently issued accounting pronouncements that may be relevant to the Company's operations but have not yet been adopted are outlined in Note 1 (h), *Recently Issued Accounting Pronouncements*, to its consolidated interim financial statements included elsewhere in this report.

Off-Balance Sheet Arrangements

As of June 30, 2021, the Company did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K.

Commitments and Contingencies

In the normal course of business, the Company is subject to loss contingencies, such as legal proceedings and claims arising out of its business that cover a wide range of matters. In accordance with the Financial Accounting Standards Board Accounting Standards Codification Topic 450, *Accounting for Contingencies*, the Company records accruals for such loss contingencies when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. While there can be no assurance, based on the Company's evaluation of information currently available, the Company's management believes any liability that may ultimately result from resolution of such loss contingencies will not have a material adverse effect on the Company's financial conditions or results of operations. However, the Company's assessment may be affected by limited information. Accordingly, the Company's assessment may change in the future based upon availability of new information and further developments in the proceedings of such matters. The results of legal proceedings are inherently uncertain, and material adverse outcomes are possible.

Other contingencies arising in the normal course of business relate to acquisitions and the related contingent purchase prices and deferred payments.

On July 29, 2021, Robert Charles Faille Jr., a purported shareholder of the Company, filed a purported class action complaint against the Company and certain of its officers in the United States District Court for the Eastern District of Pennsylvania (the Complaint). The Complaint purports to be asserted on behalf of a class of persons who purchased the Company's stock between November 11, 2019 and July 16, 2021. The Complaint generally alleges that the Company and certain of its officers violated federal securities laws by making allegedly false and misleading statements and/or failing to disclose material information regarding the Company’s organic growth trajectory. The Complaint seeks unspecified damages. The Company intends to vigorously defend against the allegations contained in the Complaint, but there can be no assurance that the defense will be successful.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

This item is not applicable to smaller reporting companies.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the fiscal quarter ended June 30, 2021. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, during the period covered by this Quarterly Report, our disclosure controls and procedures were not effective due to two previously disclosed material weaknesses in internal control over financial reporting. As previously disclosed in Part II, Item 9A of our Annual Report on Form 10-K/A for the fiscal year ended December 31, 2020 (our "2020 Annual Report”), management identified two material weaknesses in internal control over financial reporting that existed at December 31, 2020, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The material weaknesses related to (1) the timeliness of our review controls over non-routine transactions (the "Non-routine Transaction Material Weakness”), and (2) the accounts payable process, specifically relating to the maintenance and approvals of vendors and the invoice approval process (the "Accounts Payable Material Weakness”). The Company has not identified any fraud or loss relating to such material weakness. Additionally, as it relates to the Non-routine Transaction Material Weakness, we further identified that, specifically we lacked a sufficient number of professionals with an appropriate level of accounting knowledge, training, and experience to appropriately analyze, record and disclose accounting matters timely and accurately.

Notwithstanding the identified material weaknesses, management, including our principal executive officer and principal financial officer, believes the condensed consolidated financial information included in this Quarterly Report on Form 10-Q fairly represent in all material respects our financial condition, results of operations and cash flows at and for the periods presented in accordance with U.S. GAAP.

Disclosure controls and procedures are designed to ensure that information required to be disclosed by us in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

Material Weakness Remediation

With respect to the Non-routine Transaction Material Weakness, management continues to be actively engaged to take steps to remediate such material weakness, including (1) implementing processes to improve overall efficiency and accuracy of accounting, including implementing Phase 1 of an enterprise resource planning (ERP) system, and (2) hiring and continuing to actively seek to hire dedicated and experienced technical resources (including the hiring of a Vice President and Controller, Vice President of Tax, and a Treasurer, and engaging a third-party consultant to assist management) to strengthen its corporate oversight over financial reporting and controls associated with non-routine and complex accounting matters. Additionally, in the second quarter of 2021, we have engaged a third party consultant to provide certain internal audit services for the Company. While we have made significant progress, this material weakness cannot be considered remediated until the enhanced controls have operated effectively for a sufficient period of time.

With respect to the Accounts Payable Material Weakness, management continues to be actively engaged to take steps to remediate such material weakness, including (1) hiring management level employees with experience in accounts payable functions, (2) implementing new controls with respect to vendor masterfile data review and approval, (3) creating and communicating new and enhanced policies related to accounts payable processing including formalizing a delegation of authority, and (4) engaging a third-party consulting firm to assist with the implementation of an enterprise accounts payable system and to assist with the Company's invoice processing and payment functions. While we have made significant progress, this material weakness cannot be considered remediated until the enhanced controls have operated effectively for a sufficient period of time.

Changes in Internal Control over Financial Reporting

Except with respect to the changes in connection with the implementation of the initiatives to remediate the material weaknesses noted above, there were no changes in the Company's internal control over financial reporting that occurred during the fiscal quarter ended June 30, 2021 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. We have not experienced any material impact to our internal controls over financial reporting despite the fact that many of our employees are working remotely due to the COVID-19 pandemic. We are continually monitoring and assessing the COVID-19 situation on our internal controls to minimize the impact on their design and operating effectiveness.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

AdaptHealth is involved in investigations, claims, lawsuits and other proceedings arising in the ordinary course of its business. These matters involve patient complaints, personnel and employment issues, regulatory matters, personal injury, contract and other proceedings arising in the ordinary course of business, which have not resulted in any material losses to date. Although AdaptHealth does not expect the outcome of these proceedings will have a material adverse effect on its financial condition or results of operations, such matters are inherently unpredictable. Therefore, AdaptHealth could incur judgments or enter into settlements or claims that could materially impact its financial condition or results of operations.

For example, on July 25, 2017, AdaptHealth Holdings was served with a subpoena by the U.S. Attorney's Office for the United States District Court for the Eastern District of Pennsylvania ("EDPA") pursuant to 18 U.S.C. §3486 to produce certain audit records and internal communications regarding ventilator billing. The investigation focused on billing practices regarding one payor that contracted for bundled payments for certain ventilators. AdaptHealth Holdings has cooperated with investigators and, through agreement with the EDPA, has submitted all information requested in AdaptHealth's possession. An independent third party was retained by AdaptHealth Holdings that identified overpayments and underpayments for ventilator billings related to the payor, and a remittance was sent to reconcile that account. On October 3, 2019 AdaptHealth received a follow-up civil investigative demand from the EDPA regarding a document previously produced to the EDPA and patients included in the review by the independent third party. AdaptHealth has responded to the EDPA and supplemented its production as requested with any relevant documents in the AdaptHealth's possession. During subsequent communications, the EDPA indicated to the Company that the investigation remained ongoing. The EDPA also requested additional information regarding certain patient services and claims refunds processed by AdaptHealth in 2017. The Company produced this information in coordination with the EDPA. The EDPA has also raised questions regarding other aspects of ventilator billing. While AdaptHealth cannot provide any assurance as to whether the EDPA will seek additional information or pursue this matter further, it does not believe that the investigation will have a material adverse effect on the Company.

Additionally, in March 2019, prior to its acquisition by AdaptHealth, AeroCare was served with a civil investigative demand ("CID") issued by the United States Attorney for the Western District of Kentucky ("WDKY"). The CID seeks to investigate allegations that AeroCare improperly billed, or caused others to improperly bill, for oxygen tank contents that were not delivered to beneficiaries. The WDKY has requested documents related to such oxygen tank content billing as well as other categories of information. AeroCare has cooperated with the WDKY and has produced documents and provided explanations of its billing practices. In September 2020, the WDKY indicated the investigation includes alleged violations of the federal False Claims Act and as well as alleged violations of state Medicaid false claims acts in ten states. AeroCare has cooperated fully with the investigation and has indicated to the WDKY that concerns raised do not accurately identify Medicare coverage criteria and that state Medicaid coverage requirements generally do not provide for separate reimbursement for portable gaseous oxygen contents in the circumstances at issue. While AdaptHealth cannot provide any assurance as to whether the WDKY will seek additional information or pursue this matter further, it does not believe that the investigation will have a material adverse effect on AdaptHealth.

On July 29, 2021, Robert Charles Faille Jr., a purported shareholder of AdaptHealth, filed a purported class action complaint against AdaptHealth and certain of its officers in the United States District Court for the Eastern District of Pennsylvania (the "Complaint"). The Complaint purports to be asserted on behalf of a class of persons who purchased AdaptHealth stock between November 11, 2019 and July 16, 2021. The Complaint generally alleges that AdaptHealth and certain of its officers violated federal securities laws by making allegedly false and misleading statements and/or failing to disclose material information regarding the Company's organic growth trajectory. The Complaint seeks unspecified damages. AdaptHealth intends to vigorously defend against the allegations contained in the Complaint, but there can be no assurance that the defense will be successful.

Item 1A. Risk Factors

Factors that could cause our actual results to differ materially from those in this report are any of the risks disclosed in our Annual Report on Form 10-K/A for the year ended December 31, 2020 filed with the SEC on April 30, 2021. Any of those factors could result in a significant or material adverse effect on our results of operations or financial condition. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations.

The following risk factors are provided to update the risk factors previously disclosed under the heading "Risk Factors" in the Company's Annual Report on Form 10-K/A for the year ended December 31, 2020.

Risks Related to Our Business and Industry

The recent coronavirus (COVID-19) pandemic and the global attempt to contain it may harm our business, results of operations and ability to execute on our business plan.

The global spread of the coronavirus (COVID-19) and the various attempts to contain it have created significant volatility, uncertainty and economic disruption. In response to government mandates, health care advisories and otherwise responding to employee, customer and supplier concerns, we have altered certain aspects of our operations. Our workforce has had to spend a significant amount of time working from home, which has not significantly impacted their productivity. While many of our operations can be performed remotely, there is no guarantee that we remain as effective while working remotely because our team is dispersed, many employees have had additional personal needs to attend to (such as looking after children as a result of school closures or family who become sick), and employees have or may become sick themselves and be unable to work. Our suppliers and vendors have similarly had their operations altered. To the extent the resulting economic disruption continues, we could see some vendors go out of business, resulting in supply constraints and increased costs or delays in meeting the needs of our patients.

The full extent to which the COVID-19 pandemic and the various responses to it continue to impact our business, operations and financial results will continue to depend on numerous other evolving factors that we may not be able to accurately predict, including:

- the duration and scope of the pandemic, including disproportionate impacts on the Company's patient population, the effectiveness and timing of COVID-19 vaccines, vaccination campaigns and containment actions, or any perceived limitations of or setbacks in these efforts;
- governmental, business and individuals' actions that have been and continue to be taken in response to the pandemic;
- the availability and cost to access the capital markets;

- our ability to pursue, diligence, finance and integrate acquisitions,
- our ability to comply with financial and operating covenants in our debt and operating lease agreements;
- potential for goodwill impairment charges;
- our ability to comply with the reporting and other requirements necessary to retain the CARES Act provider relief funds we received;
- the effect on our patients, physician and facility referral sources and demand for and ability to pay for medical services;
- disruptions or restrictions on our employees' ability to travel and to work, including as a result of their health and wellbeing;
- availability of third-party providers to whom we outsource portions of our internal business functions, including billing and administrative functions relating to revenue cycle management; and
- increased cybersecurity risks as a result of remote working conditions.

During the COVID-19 crisis, we may not be able to provide the same level of service and products that our patients, physicians and facility referral sources are used to, which could negatively impact their perception of our products or services. Furthermore, given increased government expenditures associated with their COVID-19 response, we could see increased government obligations which could negatively impact our results of operations.

We continue to actively monitor the issues raised by the COVID-19 pandemic and may take further actions that alter our business operations, as may be required by federal, state, or local authorities, or that we determine are in the best interests of our employees, customers, and stockholders. It is not clear what the potential effects any such further alterations or modifications may have on our business, including the effects on our customers, suppliers or vendors, or on our financial results.

The potential effects of COVID-19 could also heighten the risks disclosed in many of our risk factors that are included in Part I, Item 1A, Risk Factors, in our 2020 Annual Report, including as a result of, but not limited to, the factors described above. Because the COVID-19 situation is unprecedented and continuously evolving, the other potential impacts to our risk factors that are further described in our 2020 Annual Report are uncertain. See Item 1A, Risk Factors, in our 2020 Annual Report.

AdaptHealth's reliance on relatively few suppliers for the majority of its patient service equipment and supplies could adversely affect AdaptHealth's ability to operate.

AdaptHealth currently relies on a relatively small number of suppliers to provide it with the majority of its patient service equipment and supplies. Significant price increases, or disruptions in the ability to obtain such equipment and supplies from existing suppliers, may force AdaptHealth to use alternative suppliers. Additionally, any new excise taxes imposed on manufacturers of certain medical equipment could be passed on to customers, such as AdaptHealth. Such manufacturers may be forced to make other changes to their products or manufacturing processes that are unacceptable to AdaptHealth, resulting in a need to change suppliers. Any change in suppliers AdaptHealth uses could cause delays in the delivery of such products and possible losses in revenue, which could adversely affect AdaptHealth's results of operations. In addition, alternative suppliers may not be available, or may not provide their products and services at similar or favorable prices. If AdaptHealth cannot obtain the patient service equipment and supplies it currently uses, or alternatives at similar or favorable prices, AdaptHealth's ability to provide such products may be severely impacted, which could have an adverse effect on its business, financial condition, results of operations, cash flow, capital resources and liquidity. During 2020, the COVID-19 pandemic impacted manufacturing in all of the regions where AdaptHealth's suppliers manufacture their products. While the global closures and limitations on movement related to COVID-19 were temporary, and while such closures, limitations and related impacts have not materially disrupted AdaptHealth's supply chain to date, such supply chain disruption remains possible and the financial impact of any such disruption cannot be estimated at this time. Should such closures and limitations on movement be reinstated or continue for an extended period of time, the impact on our supply chain could materially and adversely affect our business and results of operations.

On June 14, 2021 the Company received notice from Philips Respironics that certain ventilator, BiPAP, and CPAP devices would be included in a company voluntary recall due to potential health risks to patients. The polyester-based polyurethane (PE-PUR) sound abatement foam, which is used to reduce sound and vibration in these affected devices, may break down and potentially enter the device's air pathway and may off-gas certain chemicals. If this occurs, black debris from the foam or certain chemicals released into the device's air pathway may be inhaled or swallowed by the person using the device. Patients using these devices have been instructed to talk with their health care provider and doctor regarding use on a suitable treatment for their condition.

Since June 14, 2021, the Company has worked with affected patients to register their device on the Philips Respironics' recall website.

The Company cannot predict the potential legal, regulatory, and financial risks that may arise out of the recall. It is possible that some patients will discontinue use of their device, which could affect the Company's ability to continue billing for service. The Company has been named in and may be subject to future litigation related to the recall, including but not limited to claims related to personal injury for devices affected by the recall. The Company cannot predict what additional actions will be required of the Company by the FDA or other state or federal agencies related to the recall.

Currently, it is not possible to purchase these ventilators, Bi-PAP, or CPAP devices from Philips Respironics, which could lead to shortages in the supply chain, and which could affect the Company's ability to service all patient demand for these devices. It is unclear how long the potential shortages could last, but if the inability to purchase these products continues for an extended period of time, the impact could materially and adversely affect the Company's business and results of operations.

AdaptHealth is affected by continuing efforts by private third-party payors to control their costs. If AdaptHealth agrees to lower its reimbursement rates due to pricing pressures from private third-party payors, AdaptHealth's financial condition and results of operations would likely deteriorate.

AdaptHealth derived approximately 60% and 60% of its net revenue for the three and six months ended June 30, 2021, respectively, from third-party private payors. AdaptHealth derived approximately 62% of its net revenue for the year ended December 31, 2020 from third-party private payors. Such payors continually seek to control the cost of providing healthcare services through direct contracts with healthcare providers, increased oversight and greater enrollment of patients in managed care programs and preferred provider organizations. These private payors are increasingly demanding discounted fee structures, including setting reimbursement rates based on Medicare fee schedules or requiring healthcare providers or suppliers to assume a greater degree of financial risk related to patient care. Reimbursement rates under private payor programs may not remain at current levels and may not be sufficient to cover the costs of caring for patients enrolled in such programs, and AdaptHealth may experience a deterioration in pricing flexibility, changes in payor mix and growth in operating expenses in excess of increases in payments by private third-party payors. AdaptHealth may be compelled to lower its prices due to increased pricing pressures, which could adversely impact AdaptHealth's financial condition and results of operations.

Changes in governmental or private payor supply replenishment schedules could adversely affect AdaptHealth.

AdaptHealth generated approximately 26% and 27% of its net revenue for the three and six months ended June 30, 2021, respectively, through the sale of masks, tubing and other ancillary products related to patients utilizing CPAP devices. AdaptHealth generated approximately 29% of its net revenue for the year ended December 31, 2020 through the sale of masks, tubing and other ancillary products related to patients utilizing CPAP devices. Medicare, Medicaid and private payors limit the number of times per year that patients may purchase such supplies. To the extent that any governmental or private payor revises their resupply guidelines to reduce the number of times such supplies can be purchased, such reductions could adversely impact AdaptHealth's revenue, financial condition and results of operations.

AdaptHealth generates a significant portion of its revenue from the provision of sleep therapy equipment and supplies to patients, and AdaptHealth's success is therefore highly dependent its ability to furnish these items.

Approximately 37% and 37% of AdaptHealth's net revenue for the three and six months ended June 30, 2021, respectively, was generated from the provision of sleep therapy equipment and supplies to patients. Approximately 39% of AdaptHealth's net revenue for the year ended December 31, 2020 was generated from the provision of sleep therapy equipment and supplies to patients. AdaptHealth's ability to execute its growth strategy therefore depends upon the adoption by patients, physicians and sleep centers, among others, of AdaptHealth's sleep therapy equipment and supplies to treat their patients suffering from OSA. There can be no assurance that AdaptHealth will continue to maintain broad acceptance among physicians and patients. Any failure by AdaptHealth to satisfy physician or patient demand or to maintain meaningful market acceptance will harm its business and future prospects.

AdaptHealth may be adversely affected by consolidation among health insurers and other industry participants.

In recent years, a number of health insurers have merged or increased efforts to consolidate with other non-governmental payors. Insurers are also increasingly pursuing alignment initiatives with healthcare providers. Consolidation within the health insurance industry may result in insurers having increased negotiating leverage and competitive advantages, such as greater access to performance and pricing data. AdaptHealth's ability to negotiate prices and favorable terms with health insurers in certain markets could be affected negatively as a result of this consolidation. In addition, the shift toward value-based payment models could be accelerated if larger insurers, including those engaging in consolidation activities, find these models to be financially beneficial. There can be no assurance that AdaptHealth will be able to negotiate favorable terms with payors and otherwise respond effectively to the impact of increased consolidation in the payor industry or vertical integration efforts.

AdaptHealth's payor contracts are subject to renegotiation or termination, which could result in a decrease in AdaptHealth's revenue or profits.

The majority of AdaptHealth's payor contracts are subject to unilateral termination by either party on between 30 and 90 days' prior written notice. Such contracts are routinely amended (sometimes by unilateral action by payors regarding payment policy), renegotiated, subjected to a bidding process with AdaptHealth's competitors, or terminated altogether. Sometimes in the renegotiation process, certain lines of business may not be renewed or a payor may enlarge its provider network or otherwise change the way it conducts its business in a way that adversely impacts AdaptHealth's revenue. In other cases, a payor may reduce its provider network in exchange for lower payment rates. AdaptHealth's revenue from a payor may also be adversely affected if the payor alters its utilization management expectations and/or administrative procedures for payments and audits, changes its order of preference among the providers to which it refers business or imposes a third-party administrator, network manager or other intermediary. Any reduction in AdaptHealth's projected home respiratory therapy/home medical equipment revenues as a result of these or other factors could lead to a reduction in AdaptHealth's revenues. There can be no assurance that AdaptHealth's payor contracts will not be terminated or altered in ways that are unfavorable to AdaptHealth as a result of renegotiation or such administrative changes. Payors may decide to refer business to their owned provider subsidiaries, such as specialty pharmaceuticals and/or HME networks owned by such payors or by third-party management companies. These activities could materially reduce AdaptHealth's revenue from these payors.

Changes made by payors to the way they cover products supplied by AdaptHealth could have an adverse impact on AdaptHealth's revenue and operations.

Payors that provide coverage for products supplied by AdaptHealth can make changes to their plans and benefit designs that can have an impact on AdaptHealth's revenue and operations. Some payors have shifted coverage for continuous glucose monitors ("CGM") from the medical benefit to the pharmacy benefit for their insureds. The impact of changing the benefit can include changes to the types of providers that can provide CGM, increased competition from pharmacies, changes to covered amounts, and changes to patient deductibles. Additionally, including CGM under the pharmacy benefit could allow pharmacy benefit managers to attempt to restrict how beneficiaries obtain CGM, including attempts to shift to specifically contracted providers with reduced reimbursement to the supplier or pharmacy.

AdaptHealth cannot predict whether such modifications to plan design or benefits will have an adverse impact on its revenue and operations.

If AdaptHealth fails to manage the complex and lengthy reimbursement process, its revenue, financial condition and results of operations could suffer.

Because AdaptHealth depends upon reimbursement from Medicare, Medicaid and third-party payors for a significant majority of its revenues, AdaptHealth's revenue, financial condition and results of operations may be affected by the reimbursement process, which in the healthcare industry is complex and can involve lengthy delays between the time that services are rendered and the time that the reimbursement amounts are settled. Depending on the payor, AdaptHealth may be required to obtain certain payor-specific documentation from physicians and other healthcare providers before submitting claims for reimbursement. Certain payors have filing deadlines and will not pay claims submitted after such deadlines. AdaptHealth cannot ensure that it will be able to effectively manage the reimbursement process and collect payments for its equipment and services promptly.

Failure by AdaptHealth to maintain controls and processes over billing and collections or the deterioration of the financial condition of AdaptHealth's payors or disputes with third parties could have a significant negative impact on its financial condition and results of operations.

The collection of accounts receivable requires constant focus and involvement by management and ongoing enhancements to information systems and billing center operating procedures. There can be no assurance that AdaptHealth will be able to improve upon or maintain its current levels of collectability and days sales outstanding in future periods. Further, some of AdaptHealth's payors and/or patients may experience financial difficulties, or may otherwise not pay accounts receivable when due, resulting in increased write-offs. If AdaptHealth is unable to properly bill and collect its accounts receivable, its financial condition and results of operations will be adversely affected. In addition, from time to time AdaptHealth is involved in disputes with various parties, including its payors and their intermediaries regarding their performance of various contractual or regulatory obligations. These disputes sometimes lead to legal and other proceedings and cause AdaptHealth to incur costs or experience delays in collections, increases in its accounts receivable or loss of revenue. In addition, in the event such disputes are not resolved in AdaptHealth's favor or cause AdaptHealth to terminate its relationships with such parties, there may be an adverse impact on its financial condition and results of operations.

If AdaptHealth is unable to maintain or develop relationships with patient referral sources, its growth and profitability could be adversely affected.

AdaptHealth's success depends in large part on referrals from acute care hospitals, sleep laboratories, pulmonologist and endocrinologist offices, skilled nursing facilities, hospice operators and other patient referral sources in the communities served by AdaptHealth. By law, referral sources cannot be contractually obligated to refer patients to any specific provider. In addition, AdaptHealth's relationships with referral sources are subject to federal and state healthcare laws such as the federal Anti-Kickback Statute and the Stark Law to the extent these services provide a financial benefit to or relieve a financial burden for a potential referral source, or are subsequently found not to be for fair market value. See "Risk Factors — Risks Related to Our Business and Industry". AdaptHealth is subject, directly or indirectly, to United States federal and state healthcare fraud and abuse and false claims laws and regulations. Prosecutions under such laws have increased in recent years and AdaptHealth may become subject to such litigation. If AdaptHealth is unable to or has not fully complied with such laws, it could face substantial penalties. However, there can be no assurance that other market participants will not attempt to steer patients to competing post-acute providers or otherwise limit AdaptHealth's access to potential referrals. The establishment of joint ventures or networks between referral sources, such as acute care hospitals, and other post-acute providers may hinder patient referrals to AdaptHealth. AdaptHealth's growth and profitability depend on its ability to establish and maintain close working relationships with patient referral sources and to increase awareness and acceptance of the benefits of inpatient rehabilitation, home health, and hospice care by its referral sources and their patients. There can be no assurance that AdaptHealth will be able to maintain its existing referral source relationships or that it will be able to develop and maintain new relationships in existing or new markets. AdaptHealth's loss of, or failure to maintain, existing relationships or its failure to develop new relationships could adversely affect its ability to grow its business and operate profitably.

AdaptHealth's business depends on its information systems, including software licensed from third parties, and any failure or significant disruptions of these systems, security breaches or loss of data could materially affect our business, results of operations and financial condition.

AdaptHealth's business depends on the proper functioning and availability of its computer systems and networks. AdaptHealth relies on an external service provider to provide continual maintenance, upgrading and enhancement of AdaptHealth's primary information systems used for its operational needs. AdaptHealth licenses third-party software that supports intake, personnel scheduling and other human resources functions, office clinical and centralized billing and receivables management in an integrated database, enabling AdaptHealth to standardize the care delivered across its network of locations and monitor its performance and consumer outcomes. AdaptHealth also uses a third-party software provider for its order processing and inventory management platform. To the extent that its third-party providers fail to support, maintain and upgrade such software or systems, or if AdaptHealth loses its licenses with third-party providers, the efficiency of AdaptHealth's operations could be disrupted or reduced.

The risk of a security breach or disruption, particularly through cyber-attacks or cyber intrusion, including by computer hackers, foreign governments and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. In addition, the prevalent use of mobile devices that access confidential information increases the risk of data security breaches, which could lead to the loss of confidential information or other intellectual property. As a result of the COVID-19 pandemic, AdaptHealth faces increased cybersecurity risks due to its reliance on internet technology and the number of its employees who are working remotely, which may create additional opportunities for cybercriminals to exploit vulnerabilities. AdaptHealth can provide no assurance that its current information technology systems, or those of the third parties upon which it relies, are fully protected against cybersecurity threats. It is possible that AdaptHealth or its third-party vendors may experience cybersecurity and other breach incidents that remain undetected for an extended period. Even when a security breach is detected, the full extent of the breach may not be determined immediately. If AdaptHealth experiences a reduction in the performance, reliability, or availability of its information systems, its operations and ability to process transactions and produce timely and accurate reports could be adversely affected. If AdaptHealth experiences difficulties with the transition and integration of information systems or is unable to implement, maintain, or expand its systems properly, AdaptHealth could suffer from, among other things, operational disruptions, delays, cessation of service, regulatory problems, increases in administrative expenses and other harm to its business and competitive position.

There can be no assurance that AdaptHealth's and its third-party software providers' safety and security measures and disaster recovery plan will prevent damage, interruption or breach of its information systems and operations. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may be difficult to detect, AdaptHealth may be unable to anticipate these techniques or implement adequate preventive measures. In addition, hardware, software or applications AdaptHealth develops or procures from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise the security of its information systems. Unauthorized parties may attempt to gain access to AdaptHealth's systems or facilities, or those of third parties with whom AdaptHealth does business, through fraud or other forms of deceiving its employees or contractors. On occasion, AdaptHealth has acquired additional information systems through its business acquisitions. AdaptHealth has upgraded and expanded its information system capabilities and has committed significant resources to maintain, protect, enhance existing systems and develop new systems to keep pace with continuing changes in technology, evolving industry and regulatory standards, and changing customer preferences. In addition, costs and potential problems and interruptions associated with the implementation of new or upgraded systems and technology or with maintenance or adequate support of existing systems also could disrupt or reduce the efficiency of AdaptHealth's operations. A cyber security attack or other incident that bypasses AdaptHealth's information systems security could cause a security breach which may lead to a material disruption to its information systems infrastructure or business and may involve a significant loss of business or patient health information. If a cyber-security attack or other unauthorized attempt to access AdaptHealth's systems or facilities were to be successful, it could result in the theft, destruction, loss, misappropriation or release of confidential information or intellectual property, and could cause operational or business delays that may materially impact AdaptHealth's ability to provide various healthcare services.

Any successful cyber security attack or other unauthorized attempt to access AdaptHealth's or its acquisition targets' systems or facilities also could result in negative publicity which could damage its reputation or brand with its patients, referral sources, payors or other third parties and could subject AdaptHealth to substantial penalties under HIPAA and other federal and state data protection laws, in addition to private litigation with those affected. Failure to maintain the security and functionality of AdaptHealth's information systems and related software, or a failure to defend a cyber-security attack or other attempt to gain unauthorized access to AdaptHealth's or its acquisition targets' systems, facilities or patient health information, could expose AdaptHealth to a number of adverse consequences, the vast majority of which are not insurable, including but not limited to disruptions in AdaptHealth's operations, regulatory and other civil and criminal penalties, fines, investigations and enforcement actions (including, but not limited to, those arising from the SEC, Federal Trade Commission, the Office of Inspector General or state attorneys general), private litigation with those affected by the data breach, loss of customers, disputes with payors and increased operating expense, which could adversely impact AdaptHealth's financial condition and results of operations.

For example, on June 28, 2019, Solara, which was acquired by AdaptHealth in July 2020, determined that an unauthorized third-party gained access to a limited number of employee Microsoft Office accounts beginning in April 2019, as a result of a phishing email campaign. Solara undertook a comprehensive review of the accounts to identify what personal information was stored within the accounts and to whom that information related. In connection with the incident, Solara notified potentially affected individuals and reported this incident to law enforcement and relevant state and federal regulators. Investigations by applicable regulators are ongoing, and Solara is defending a class action regarding the incident in federal court. At this time, we cannot predict the outcome of any such investigation or litigation, although responding to these matters or any unfavorable outcome in connection therewith could have an adverse impact on AdaptHealth's financial condition and results of operations following consummation of the acquisition of Solara.

AdaptHealth experiences competition from numerous other home respiratory and mobility equipment providers, and this competition could adversely affect its revenues and its business.

The home respiratory and mobility equipment markets are highly competitive and include a large number of providers, some of which are national providers, but most of which are either regional or local providers, including hospital systems, physician specialists and sleep labs. The primary competitive factors are quality considerations such as responsiveness, access to payor contracts, the technical ability of the professional staff and the ability to provide comprehensive services. These markets are very fragmented. Some of AdaptHealth's competitors may now or in the future have greater financial or marketing resources than AdaptHealth. In addition, in certain markets, competitors may have more effective sales and marketing activities. AdaptHealth's largest national home respiratory/home medical equipment provider competitors include Apria Healthcare Group Inc., Lincare Holdings Inc. and Rotech Healthcare Inc. The rest of the homecare market in the United States consists of regional providers and product-specific providers, as well as numerous local organizations. Hospitals and health systems are routinely looking to provide coverage and better control of post-acute healthcare services, including homecare services of the types AdaptHealth provides. These trends may continue as new payment models evolve, including bundled payment models, shared savings programs, value-based purchasing and other payment systems.

New entrants to the home respiratory/home medical equipment markets could have a material adverse effect on AdaptHealth's business, results of operations and financial condition. A number of manufacturers of home respiratory equipment currently provide equipment directly to patients on a limited basis. Such manufacturers have the ability to provide their equipment at prices below those charged by AdaptHealth, and there can be no assurance that such direct-to-patient sales efforts will not increase in the future or that such manufacturers will not seek reimbursement contracts directly with AdaptHealth's third-party payors, who could seek to provide equipment directly to patients from the manufacturer. In addition, pharmacy benefit managers, including CVS Health Corporation and the OptumRx business of UnitedHealth Group Incorporated, could enter the HME market and compete with AdaptHealth. Large technology companies, such as Amazon.com, Inc. and Alphabet Inc., have disrupted other supply businesses and have publicly stated an interest in entering the healthcare market. In the event such companies enter the HME market, AdaptHealth may experience a loss of referrals or revenue.

Changes in medical equipment technology and development of new treatments may cause AdaptHealth's current equipment or services to become obsolete.

AdaptHealth evaluates changes in home medical equipment technology and treatments on an ongoing basis for purposes of determining the feasibility of replacing or supplementing items currently included in the patient service equipment inventory and services that AdaptHealth offers patients. AdaptHealth's selection of medical equipment and services is formulated on the basis of a variety of factors, including overall quality, functional reliability, availability of supply, payor reimbursement policies, product features, labor costs associated with the technology, acquisition, repair and ownership costs and overall patient and referral source demand, as well as patient therapeutic and lifestyle benefits. Manufacturers continue to invest in research and development to introduce new products to the marketplace. It is possible that major changes in available technology, payor benefit or coverage policies related to those changes or the preferences of patients and referral sources may cause AdaptHealth's current product offerings to become less competitive or obsolete, and it will be necessary to adapt to those changes. Unanticipated changes could cause AdaptHealth to incur increased capital expenditures and accelerated equipment write-offs, and could force AdaptHealth to alter its sales, operations and marketing strategies.

AdaptHealth's operations involve the transport of compressed and liquid oxygen, which carries an inherent risk of rupture or other accidents with the potential to cause substantial loss.

AdaptHealth's operations are subject to the many hazards inherent in the transportation of medical gas products and compressed and liquid oxygen, including ruptures, leaks and fires. These risks could result in substantial losses due to personal injury or loss of life, severe damage to and destruction of property and equipment and pollution or other environmental damage and may result in curtailment or suspension of AdaptHealth's related operations. If a significant accident or event occurs, it could adversely affect AdaptHealth's business, financial position and results of operations. Additionally, corrective action plans, fines or other sanctions may be levied by government regulators who oversee transportation of hazardous materials such as compressed or liquid oxygen.

AdaptHealth provides a significant number of patients with oxygen-based therapy, and from time to time, AdaptHealth has operated medical gas facilities in several states subject to federal and state regulatory requirements. AdaptHealth's medical gas facilities and operations are subject to extensive regulation by the Food and Drug Administration ("FDA") and other federal and state authorities. The FDA regulates medical gases, including medical oxygen, pursuant to its authority under the federal Food, Drug and Cosmetic Act. Among other requirements, the FDA's current Good Manufacturing Practice ("cGMP") regulations impose certain quality control, documentation and recordkeeping requirements on the receipt, processing and distribution of medical gas. Further, in each such state, its medical gas facilities would be subject to regulation under state health and safety laws, which vary from state to state. The FDA and state authorities conduct periodic, unannounced inspections at medical gas facilities to assess compliance with the cGMP and other regulations, and AdaptHealth expends significant time, money and resources in an effort to achieve substantial compliance with the cGMP regulations and other federal and state law requirements at each of its medical gas facilities. AdaptHealth also complies with the FDA's requirement for medical gas providers to register their sites with the agency. There can be no assurance, however, that these efforts will be successful and that AdaptHealth's medical gas facilities will maintain compliance with federal and state law regulations. Failure by AdaptHealth to maintain regulatory compliance at its medical gas facilities could result in enforcement action, including warning letters, fines, product recalls or seizures, temporary or permanent injunctions, or suspensions in operations at one or more locations, and civil or criminal penalties which would materially harm its business, financial condition, results of operations, cash flow, capital resources and liquidity.

Our ability to successfully operate our business is largely dependent upon the efforts of certain key personnel of AdaptHealth, including senior management. The loss of such key personnel could negatively impact our operations and financial results.

AdaptHealth is highly dependent on the performance and continued efforts of its senior management team. AdaptHealth's future success is dependent on its ability to continue to attract and retain qualified executive officers and senior management. Any inability to manage AdaptHealth's operations effectively could adversely impact its financial condition and results of operations.

Our ability to successfully operate our business is also dependent upon the efforts of certain other key personnel of AdaptHealth. It is possible that AdaptHealth will lose some key personnel, the loss of which could negatively impact our operations and profitability.

As previously announced, on April 13, 2021, the Company announced that it had learned that authorities in Denmark had formally charged its then Co-CEO, Luke McGee, with alleged tax fraud arising from certain past private activity. On April 13, 2021, the Company placed Mr. McGee on unpaid leave from his roles as Co-CEO and a Director of the Company.

On April 20, 2021, the Company's board of directors unanimously approved the formation of a Special Committee of Board members, composed of Terence Connors and Dale Wolf, to conduct a full investigation of Mr. McGee's alleged personal conduct. In addition, the Company's board of directors also approved the retention of an independent law firm to assist the Special Committee in facilitating the investigation. Mr. McGee had no role in, and was entirely recused from, the investigation. On June 11, 2021, the independent law firm reported to the Special Committee that the investigation was substantially complete and that they could state with a high degree of confidence that the Company had no involvement in, or connection to, Mr. McGee's alleged conduct. On June 14, 2021, the Company and Mr. McGee agreed that Mr. McGee would resign from his positions as Co-CEO of the Company and a Director of the Company effective as of June 11, 2021, and on June 14, 2021, the Company's board of directors appointed Stephen Griggs as the Chief Executive Officer of the Company.

AdaptHealth's strategic growth plan, which involves the acquisition of other companies, may not succeed.

AdaptHealth's strategic plan calls for significant growth in its business over the next several years through an increase in its density in select markets where it is established as well as the expansion of its geographic footprint into new markets. This growth would place significant demands on AdaptHealth's management team, systems, internal controls and financial and professional resources. As a result, AdaptHealth could be required to incur expenses for hiring additional qualified personnel, retaining professionals to assist in developing the appropriate control systems and expanding AdaptHealth's information technology infrastructure. If AdaptHealth is unable to effectively manage growth, its financial results could be adversely impacted.

AdaptHealth's strategic plan also contemplates continued growth from future acquisitions of home medical equipment providers. AdaptHealth may face increased competition for attractive acquisition candidates, which may limit the number of acquisition opportunities available to AdaptHealth or lead to the payment of higher prices for its acquisitions. Without successful acquisitions, AdaptHealth's future growth rate could decline. In addition, AdaptHealth cannot guarantee that any future acquisitions, if consummated, will result in further growth.

AdaptHealth's strategic plan contemplates successful integration of acquired home medical equipment providers with AdaptHealth's existing business, including reduction in operating expenses with respect to the acquired companies. Integrating an acquisition could be expensive and time-consuming and could disrupt AdaptHealth's ongoing business, negatively affect cash flow and distract management and other key personnel from day-to-day operations. AdaptHealth may not be able to combine successfully the operations of recently acquired companies with its operations, and, even if such integration is accomplished, AdaptHealth may never realize the potential benefits of such acquisition.

The integration of acquisitions requires significant attention from management, may impose substantial demands on AdaptHealth's operations or other projects and may impose challenges on us including, but not limited to, consistencies in business standards, procedures, policies and business cultures. There can be no assurance that any future acquisitions, if consummated, will result in further growth.

Specific integration risks relating to the acquisition of other companies by AdaptHealth may include:

- difficulties related to combining previously separate businesses into a single unit, including patient transitions, product and service offerings, distribution and operational capabilities and business cultures;

- availability of financing to the extent needed to fund acquisitions;

- customer loss and other general business disruption;
- managing the integration process while completing other independent acquisitions or dispositions;
- diversion of management's attention from day-to-day operations;
- assumption of liabilities of an acquired business, including unforeseen or contingent liabilities or liabilities in excess of the amounts estimated;
- failure to realize anticipated benefits and synergies, such as cost savings and revenue enhancements;
- potentially substantial costs and expenses associated with acquisitions and dispositions;
- failure to retain and motivate key employees;
- coordinating research and development activities to enhance the introduction of new products and services;
- difficulties in establishing and applying AdaptHealth's internal control over financial reporting and disclosure controls and procedures to an acquired business;
- obtaining necessary regulatory licenses and payor-specific approvals, which may impact the timing of when AdaptHealth is to bill and collect for services rendered;
- AdaptHealth's ability to transition patients in a timely manner may impact AdaptHealth's ability to collect amounts for services rendered;
- AdaptHealth's estimates for revenue accruals during the integration of acquisitions may require adjustments in future periods as the transition of patient information is finalized; and
- delays in obtaining new government and commercial payor identification numbers for acquired branches, resulting in a slowdown and/or loss of associated revenue.

In addition, AdaptHealth faces competition for acquisition candidates, which may limit the number of acquisition opportunities available to AdaptHealth or lead to the payment of higher prices for its acquisitions. There can be no assurance that AdaptHealth will be able to identify suitable acquisition opportunities in the future or that any such opportunities, if identified, will be consummated on favorable terms, if at all. Without successful acquisitions, AdaptHealth's future growth rate could decline.

While AdaptHealth conducts due diligence in connection with any acquisition opportunity, there may be risks or liabilities that such due diligence efforts fail to discover that are not disclosed to AdaptHealth or that AdaptHealth inadequately assesses. The failure to timely identify any material liabilities associated with any acquisitions could adversely impact AdaptHealth's financial condition and results of operations.

Political and economic conditions, including significant global or regional developments such as economic and political events, international conflicts, natural disasters and public health crises that are out of AdaptHealth's control, could adversely affect its revenue, financial condition and results of operations.

AdaptHealth's business can be affected by a number of factors that are beyond its control, such as general geopolitical, economic and business conditions, financial services market conditions, and general political and economic developments, including slower economic growth, disruptions in financial markets, economic downturns in the form of either contained or widespread recessionary conditions, inflation, elevated unemployment levels, sluggish or uneven economic recovery, government actions impacting trade agreements including the imposition of trade restrictions such as tariffs and retaliatory counter measures, government deficit reduction, tax legislation increasing the federal corporate income tax rates, natural and other disasters and public health crises affecting the operations of AdaptHealth or its customers or suppliers. The COVID-19 pandemic has exacerbated many of these conditions. Any Medicare, Medicaid or third-party payor reimbursement reductions as a result of such factors could adversely impact AdaptHealth's business, financial condition, results of operations, cash flow, capital resources and liquidity. Turmoil in the financial markets, including in the capital and credit markets, and any uncertainty over its breadth, depth and duration may put pressure on the global economy and could have a negative effect on AdaptHealth's business. Further, historical worldwide financial and credit turmoil could reduce the availability of liquidity and credit to fund the continuation and expansion of business operations worldwide. The shortage of liquidity and credit combined with substantial losses in worldwide equity markets could cause an economic recession in the United States or worldwide. If financial markets in the United States, Europe and Asia experience extreme disruption, including, among other things, extreme volatility in security prices, severely diminished liquidity and credit availability, rating downgrades of certain investments and declining valuations of others, governments may take unprecedented actions intended to address extreme market conditions that may include severely restricted credit and declines in real estate values. If conditions in the global economy, U.S. economy or other key vertical or geographic markets are weak or uncertain, AdaptHealth could experience material adverse impacts on its revenue, financial condition and results of operations.

AdaptHealth currently outsources, and from time to time in the future may outsource, a portion of its internal business functions to third-party providers. Outsourcing these functions has significant risks, and AdaptHealth's failure to manage these risks successfully could materially adversely affect its business, results of operations, and financial condition.

AdaptHealth currently, and from time to time in the future, may outsource portions of its internal business functions, including billing and administrative functions relating to revenue cycle management, to third-party providers in India, the Philippines and Central America. These third-party providers may not comply on a timely basis with all of AdaptHealth's requirements, or may not provide AdaptHealth with an acceptable level of service. In addition, AdaptHealth's reliance on third-party providers could have significant negative consequences, including significant disruptions in its operations and significantly increased costs to undertake its operations, either of which could damage AdaptHealth's relationships with its customers. In addition, AdaptHealth's outsourced functions may be negatively impacted by any number of factors, including political unrest; public health crises; including the COVID-19 pandemic, social unrest; terrorism; war; vandalism; currency fluctuations; changes to the law of India, the Philippines, the United States or any of the states or other jurisdictions in which AdaptHealth does business or outsources operations; or increases in the cost of labor and supplies in India, the Philippines or Central America or any other jurisdiction in which AdaptHealth outsources any portion of its internal business functions. AdaptHealth's outsourced operations may also be affected by trade restrictions, such as tariffs or other trade controls. As a result of its outsourcing activities, it may also be more difficult for AdaptHealth to recruit and retain qualified employees for its business needs at any time. AdaptHealth's failure to successfully outsource certain of its business functions could materially adversely affect its business, results of operations, and financial condition.

We may experience difficulties in integrating the operations of AeroCare into our business and in realizing the expected benefits of the AeroCare Acquisition.

The success of the AeroCare acquisition will depend in part on our ability to realize the anticipated business opportunities from combining the operations of AeroCare with our business in an efficient and effective manner. The integration process could take longer than anticipated and could result in the loss of key employees, the disruption of each company's ongoing businesses, tax costs or inefficiencies, or inconsistencies in standards, controls, information technology systems, procedures and policies, any of which could adversely affect our ability to maintain relationships with customers, employees or other third parties, or our ability to achieve the anticipated benefits of the AeroCare acquisition, and could harm our financial performance. If we are unable to successfully or timely integrate the operations of AeroCare with our business, we may incur unanticipated liabilities and be unable to realize the revenue growth, synergies and other anticipated benefits resulting from the AeroCare acquisition, and our business, results of operations and financial condition could be materially and adversely affected.

We incurred significant costs in connection with the AeroCare acquisition. We may incur additional costs in the integration of AeroCare's business, and may not achieve cost synergies and other benefits sufficient to offset the incremental costs of the AeroCare acquisition.

Risks Related to Regulation

AdaptHealth's revenue could be impacted by federal and state changes to reimbursement and other Medicaid and Medicare policies.

AdaptHealth derived approximately 29% and 28% of its net revenue for the three and six months ended June 30, 2021, respectively, from Medicare and various state-based Medicaid programs. AdaptHealth derived approximately 32% of its net revenue for the year ended December 31, 2020 from Medicare and various state-based Medicaid programs. These programs are subject to statutory and regulatory changes affecting overall spending, base rates or basis of payment, retroactive rate adjustments, annual caps that limit the amount that can be paid (including deductible and coinsurance amounts) for rehabilitation therapy services rendered to Medicare beneficiaries, administrative or executive orders and government funding restrictions, all of which may materially adversely affect the rates and frequency at which these programs reimburse AdaptHealth. For example, the Medicaid Integrity Program is increasing the scrutiny placed on Medicaid payments and could result in recoupments of alleged overpayments. Healthcare providers, suppliers, and payors are facing increasing pressure to reduce healthcare costs, and recent budget proposals and legislation at both the federal and state levels have called for cuts in Medicare and Medicaid reimbursement rates. Enactment and implementation of measures to reduce or delay reimbursement or overall Medicare or Medicaid spending could result in substantial reductions in AdaptHealth's revenue and profitability. Payors may disallow AdaptHealth's requests for reimbursement based on determinations that certain costs are not reimbursable or reasonable because either adequate or additional documentation was not provided or because certain services were not covered or considered medically necessary. Revenue from third-party payors can be retroactively adjusted after a new examination during the claims settlement process or as a result of post-payment audits. AdaptHealth may also be subject to pre-payment review of certain service lines or equipment segments as a result of negative audit findings or other third-party payor determinations, which can result in significant delays in claims processing and could materially impact its revenue.

As a result of the Public Health Emergency Declaration, National Emergency Declaration, and pursuant to the provisions of the CARES Act, among other things, CMS has issued regulatory guidance indicating enforcement discretion and flexibility regarding the provisions of items and services by Durable Medical Equipment, Prosthetics, Orthotics, & Supplies ("DMEPOS") suppliers like AdaptHealth. These provisions have been announced through blanket waivers under Section 1135 of the Social Security Act, two Interim Final Rules with Requests for Comment on April 6, 2020 and May 8, 2020, respectively, and through numerous forms of subregulatory guidance. These provisions include modifications of various requirements under CMS regulations and Medicare and Medicaid program rules that aim to expand the capacity of healthcare providers and suppliers to deliver healthcare services while minimizing the risk of viral exposure. However, many of the provisions regarding documentation, coverage and flexibilities remain subject to further guidance and interpretation by CMS and Medicare Administrative Contractors ("MACs"), among others. Due to the speed with which this guidance was issued, neither CMS nor the MACs have fully addressed the impact of this guidance on medical review of claims or audits. CMS and MACs continue to update guidance regarding coverage criteria, documentation requirements, and in-person encounter requirements for Durable Medical Equipment ("DME") through their websites and other media. CMS's changes include the exercise of enforcement discretion with respect to the clinical conditions and face-to-face encounter requirements required under certain national and local coverage determinations applicable to certain items and supplies AdaptHealth offers. However, because these waivers and flexibilities may not fully describe the precise scope of the waiver or enforcement discretion, CMS, MACs and other Medicare or Medicaid auditors may challenge documentation for individual claims in pre-payment or post-payment audits. Further, the CMS or MACs may continue to modify or clarify this guidance during the COVID-19 pandemic in a way that affects AdaptHealth's operations or cash flows. Because the guidance issued changes frequently, AdaptHealth may be required to modify its compliance process and operations to remain in compliance with such guidance.

The CARES Act also provides for a temporary suspension of reduced rates for items and services provided by AdaptHealth. Under existing regulations, CMS applies a blended payment rate for DME furnished in rural or noncontiguous non-competitive bidding areas. Pursuant to provisions of the CARES Act, through the end of the public health emergency that blended rate will be based on 50% of the adjusted fee schedule amount (adjusted based on competitively bid prices) and 50% of the unadjusted DMEPOS fee schedule amount. Under prior law, DME furnished in non-rural or contiguous areas would not have been eligible for this blended rate, and instead many DMEPOS suppliers would likely have experienced reduced payments reflecting competitively bid prices. The CARES Act introduces a new blended rate for DME furnished in non-rural or contiguous non-competitive bidding areas that is based on 75% of the adjusted fee schedule amount and 25% of the unadjusted fee schedule amount. For non-rural or contiguous non-competitive bidding areas, the blended rate will revert to 100% of the Medicare fee schedule at the end of the public health emergency. On October 27, 2020, CMS proposed extending the transitional blended rate through April 1, 2021 or the end of the public health emergency, whichever is later. On July 19, 2021, HHS extended the public health emergency for 90 days, effective July 20, 2021 through October 18, 2021.

Additionally, on April 26, 2021, CMS announced the continuation of effectiveness of a Medicare May 2018 interim final rule and the extension of a timeline for publication of a final rule that would have addressed a transition period for phasing in adjusted 50/50 blended fee schedule rates for rural and non-contiguous areas. CMS announced the new timeline and noted that it was unable to finalize the May 2018 interim final rule and that it would respond to comments made on the May 2018 interim final rule in the final rule. This announcement ensures that the Medicare provisions adopted in the May 2018 interim final rule continue in effect and extends the timeline for publication of the final rule until May 11, 2022 to allow CMS to respond to comments received and finalize the rule.

The October 27, 2020 CMS proposed rules also proposed different payment models for the period after the end of the public health emergency, which has been extended through October 18, 2021. The proposed rule provides for different blended rates based on a patient's location. CMS indicated it is considering extending the transitional adjustments to the fee schedule for product categories that were not awarded in the DMEPOS Competitive Bidding Program. In the October 27 proposed rule, CMS has also proposed adding coverage under the DME benefit for adjunctive or non - therapeutic CGMs (i.e. CGMs used by Medicare beneficiaries who must verify their glucose levels with a blood glucose monitor). While AdaptHealth cannot predict what Medicare payment rates or coverage determinations will be in effect in future years, changes to payment rates or benefit coverages may materially impact its financial condition and results of operations.

The CARES Act temporarily suspends the 2% payment adjustment currently applied to all Medicare fee-for-service claims due to sequestration. The suspension was extended through December 31, 2021 in Public Law 117-7, an act to prevent across-the-board direct spending cuts, and for other purposes. However, CMS and MACs may issue guidance or interpret the law in a manner that limits the scope of these provisions, which may adversely affect AdaptHealth. Additionally, the impact of the temporary suspension of sequestration for Medicare Advantage may depend on specific AdaptHealth individual contracts with Medicare Advantage Organizations.

AdaptHealth's business may be adversely impacted by healthcare reform efforts, including repeal of or significant modifications to the ACA.

In recent years, the U.S. Congress and certain state legislatures have considered and passed a number of laws that are intended to result in significant changes to the healthcare industry. For example, there have been numerous political and legal efforts to expand, repeal, replace or modify the Patient Protection and Affordable Care Act, as amended ("ACA"), since the law's enactment, some of which have been successful, in part, in modifying the law, as well as court challenges to the constitutionality of the law. The U.S. Supreme Court rejected the latest such case on June 17, 2021, when the Court held that the plaintiffs lacked standing to challenge the ACA's requirement to obtain minimum essential health insurance coverage or the individual mandate and dismissed the case without specifically ruling on the constitutionality of the ACA. Federal regulatory agencies continue to modify ACA regulations and guidance related to the ACA, often as a result of presidential directives. The ultimate outcome of efforts to expand the ACA, substantially amend its provisions, or change funding for the ACA is unknown. Though we cannot predict what, if any, reform proposals will be adopted, healthcare reform and legislation may have a material adverse effect on our business, financial condition and results of operations. Any future efforts to challenge, repeal or replace the ACA or implement alternative reform measures may result in reduced funding for state Medicaid programs, lower numbers of insured individuals, reduced coverage for insured individuals, and could impact providers and other healthcare industry participants and cause AdaptHealth's revenues to decrease to the extent such legislation reduces Medicaid and/or Medicare reimbursement rates.

If CMS requires prior authorization or implements changes in documentation necessary for AdaptHealth's products, AdaptHealth's revenue, financial condition and results of operations could be negatively impacted.

CMS has established and maintains a Master List of Items Frequently Subject to Unnecessary Utilization of certain DMEPOS items identified as being subject to unnecessary utilization. This list identifies items that CMS has determined could potentially be subject to prior authorization as a condition of Medicare payment. Since 2012, CMS has also maintained a list of categories of DMEPOS items that require face-to-face encounters with practitioners and written orders before the DMEPOS supplier may furnish the items to beneficiaries. In a final rule issued in 2019, CMS combined and harmonized the two lists to create a single unified list (the "Master List"). CMS also reduced the financial threshold for inclusion on the Master List. With certain exceptions for reductions in Payment Threshold (defined as an average purchase fee of $1,000 or greater, adjusted annually for inflation, or an average monthly rental fee of $100 or greater, adjusted annually for inflation), items remain on the Master List for ten years from the date the item was added to the Master List. The presence of an item on the Master List does not automatically mean that prior authorization is required. Under the 2019 final rule, CMS selects items from the Master List for inclusion on the "Required Prior Authorization List." The expanded Master List would increase the number of DMEPOS items potentially eligible to be selected for prior authorization, face-to-face encounter and written order prior to delivery requirements as a condition of payment. CMS has added certain items that are part of AdaptHealth's product lines to the Master List and CMS may include the Company's products on the Required Prior Authorization List. If CMS adds additional products to the Master List, expands the list of items subject to prior authorization, or expands face-to-face encounter requirements or provisions requiring a written order prior to deliver, these changes may adversely impact AdaptHealth's revenue, financial condition and results from operations.

Reimbursement claims are subject to audits by various governmental and private payor entities from time to time and such audits may negatively affect AdaptHealth's revenue, financial condition and results of operations.

AdaptHealth receives a substantial portion of its revenues from the Medicare program. Medicare reimbursement claims made by healthcare providers, including HME providers, are subject to audit from time to time by governmental payors and their agents, such as MACs that, among other things, process and pay Medicare claims, auditors contracted by CMS, and insurance carriers, as well as the Office of Inspector General of the Department of Health and Human Services (the "OIG-HHS"), CMS and state Medicaid programs. These include specific requirements imposed by the Durable Medical Equipment Medicare Administrative Contractor ("DME MAC") Supplier Manuals, Medicare DMEPOS enrollment requirements and Medicare DMEPOS Supplier Standards. To ensure compliance with Medicare, Medicaid and other regulations, government agencies or their contractors, including MACs, Recovery Audit Contractors ("RACs"), Unified Program Integrity Contractors ("UPICs") and Zone Program Integrity Contractors ("ZPICs"), often conduct audits and request customer records and other documents to support our claims submitted for payment of services rendered and compliance with government program claim submission requirements. Some contractors are paid a percentage of the overpayments recovered. Negative audit findings or allegations of fraud or abuse may subject AdaptHealth or its individual subsidiaries to liability, such as overpayment liability, refunds or recoupments of previously paid claims, payment suspension, or the revocation of billing or payment privileges in governmental healthcare programs. If CMS or a state Medicaid agency determines that certain actions of the Company or an affiliated subsidiary present an undue risk of fraud, waste, or abuse, they may suspend the billing or payment privileges of the entity, deny the entity's enrollment or revalidation for Medicare or Medicaid participation, and potentially deny the re-enrollments of other commonly owned entities. Such actions, if imposed on the Company or its subsidiaries, could materially and adversely impact the Company's revenue, financial condition and results of operations.

In many instances, there are only limited publicly-available guidelines and methodologies for determining errors with certain audits. As a result, there can be a significant lack of clarity regarding required documentation and audit methodology. The clarity and completeness of each patient medical file, some of which is the work product of physicians not employed by AdaptHealth, is essential to successfully challenging any payment denials. For example, certain provisions under CMS guidance manuals, local coverage determinations, and the DME MAC Supplier Manuals provide that clinical information from the "patient's medical record" is required to justify the initial and ongoing medical necessity for the provision of DME. Some DME MACs, CMS staff and other government contractors have taken the position, that the "patient's medical record" refers not to documentation maintained by the DME supplier but instead to documentation maintained by the patient's physician, healthcare facility or other clinician, and that clinical information created by the DME supplier's personnel and confirmed by the patient's physician is not sufficient to establish medical necessity. If treating physicians do not adequately document, among other things, their diagnoses and plans of care, the risks that the Company will be subject to audits and payment denials are likely to increase. Moreover, auditors' interpretations of these policies are inconsistent and subject to individual interpretation, leading to significant increases in individual supplier and industry-wide perceived error rates. High error rates could lead to further audit activity and regulatory burdens, and could result in AdaptHealth making significant refunds and other payments to Medicare and other government programs. Accordingly, AdaptHealth's future revenues and cash flows from government healthcare programs may be reduced. Private payors also may conduct audits and may take legal action to recover alleged overpayments. AdaptHealth could be adversely affected in some of the markets in which it operates if the auditing payor alleges substantial overpayments were made to AdaptHealth due to coding errors or lack of documentation to support medical necessity determinations. AdaptHealth cannot currently predict the adverse impact these measures might have on its financial condition and results of operations, but such impact could be material.

Moreover, provisions of the ACA implemented by CMS require that overpayments be reported and returned within 60 days of the date on which the overpayment is "identified." Any overpayment retained after this deadline may be considered an "obligation" for purposes of the False Claims Act, liability for which can result in the imposition of substantial fines and penalties. CMS currently requires a six-year "lookback period," for reporting and returning overpayments.

On June 26, 2020 and February 17, 2021, respectively, two acquired subsidiaries of AdaptHealth received notices of suspension of Medicare payment privileges from the CMS UPIC for the western jurisdiction. Both notices stated that the suspension was based upon a determination that such subsidiaries, each single supplier entities, had billed for services which were not rendered and/or were medically unnecessary, and improperly solicited beneficiaries. The Company has responded to both suspensions, and on June 8, 2021, the Company received notice that one of the payment suspensions had been lifted. As previously noted, the remaining subsidiary subject to the payment suspension will not be paid for items provided to Medicare beneficiaries until the suspension is lifted, and there can be no assurance that the Company will be successful in reinstating such payment privileges. These supplier entities represent less than two percent (2%) of the Company's annual revenue. The Company does not believe that these suspensions will have a material adverse effect on the Company.

AdaptHealth cannot currently predict the adverse impact, if any, that these audits, determinations, methodologies and interpretations might have on its financial condition and results of operations.

Significant reimbursement reductions and/or exclusion from markets or product lines could adversely affect AdaptHealth.

All Medicare DMEPOS Competitive Bidding Program contracts expired on December 31, 2018, and, as a result, there is a temporary gap in the entire DMEPOS Competitive Bidding Program that CMS stated would last until December 31, 2020, and be replaced by a single round of competition named "Round 2021" which consolidated the competitive bidding areas ("CBAs") included in the Round 1 2017 and Round 2 Recompete DMEPOS Competitive Bidding Programs. Round 2021 contracts became effective on January 1, 2021, and extend through December 31, 2023. CMS included 16 product categories in the Round 2021. On April 10, 2020, CMS announced that due to the COVID-19 pandemic, it removed the non-invasive ventilators product category from the Round 2021 DMEPOS Competitive Bidding Program.

On October 27, 2020, CMS announced that it would not award competitive bid contracts in 13 of the 15 remaining product categories due to a failure to achieve expected savings, and that Round 2021 contract awards would only be made for off-the-shelf (OTS) knee and back braces. For the six months ended June 30, 2021 and the year ended December 31, 2020, revenue generated with respect to providing OTS knee and back braces (excluding amounts generated in non-rural and rural non-bid areas) were not material. AdaptHealth expects to obtain contracts for OTS knee and back braces, and does not expect the single payment amounts imposed by CMS under such contracts to have a material impact on the Company.

The competitive bidding process (which is expected to be re-bid every three years) has historically put pressure on the amount AdaptHealth is reimbursed in the markets in which it exists, as well as in areas that are not subject to the DMEPOS Competitive Bidding Program. The rates required to win future competitive bids could continue to depress reimbursement rates. AdaptHealth will continue to monitor developments regarding the DMEPOS Competitive Bidding Program. While AdaptHealth cannot predict the outcome of the DMEPOS Competitive Bidding Program on its business in the future nor the Medicare payment rates that will be in effect in future years for the items subjected to competitive bidding, the program may materially adversely affect its financial condition and results of operations.

Failure by AdaptHealth to successfully design, modify and implement technology-based and other process changes to maximize productivity and ensure compliance could ultimately have a significant negative impact on AdaptHealth's financial condition, reputation and results of operations.

AdaptHealth has identified a number of areas throughout its operations, including revenue cycle management and fulfilment logistics, where it intends to centralize and/or modify current processes or systems in order to attain a higher level of productivity or ensure compliance. Failure to achieve the cost savings or enhanced quality control expected from the successful design and implementation of such initiatives may adversely impact AdaptHealth's financial condition and results of operations. Additionally, Medicare and Medicaid often change their documentation requirements with respect to claims submissions. The standards and rules for healthcare transactions, code sets and unique identifiers also continue to evolve, such as ICD 10 and HIPAA 5010 and other data security requirements. Moreover, government programs and/or commercial payors may have difficulties administering new standards and rules for healthcare transactions and this may adversely affect timelines of payment or payment error rates. The DMEPOS Competitive Bidding Program also imposes new reporting requirements on contracted providers. Failure by AdaptHealth to successfully design and implement system or process modifications could have a significant impact on its operations and financial condition. From time to time, AdaptHealth's outsourced contractors for certain information systems functions, such as Brightree LLC and Parachute Health LLC, may make operational, leadership or other changes that could impact AdaptHealth's plans and cost-savings goals. The implementation of many of the new standards and rules will require AdaptHealth to make substantial investments. Further, the implementation of these system or process changes could have a disruptive effect on related transaction processing and operations. If AdaptHealth's implementation efforts related to systems development are unsuccessful, AdaptHealth may need to write off amounts that it has capitalized related to systems development projects. Additionally, if systems development implementations do not occur, AdaptHealth may need to incur additional costs to support its existing systems.

AdaptHealth is subject, directly or indirectly, to United States federal and state healthcare fraud and abuse and false claims laws and regulations. Prosecutions under such laws have increased in recent years and AdaptHealth may become subject to such litigation. If AdaptHealth is unable to or has not fully complied with such laws, it could face substantial penalties.

AdaptHealth's operations are subject to various state and federal fraud and abuse laws, including, without limitation, the federal Anti-Kickback Statute, the federal Stark Law and the federal False Claims Act. These laws may impact, among other things, AdaptHealth's sales, marketing and education programs.

The federal Anti-Kickback Statute prohibits persons from knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in exchange for or to induce either the referral of an individual, or the furnishing or arranging for a good or service, for which payment may be made under a federal healthcare program such as the Medicare and Medicaid programs. Several courts have interpreted the statute's intent requirement to mean that if any one purpose of an arrangement involving remuneration is to induce referrals of federal healthcare covered business, the statute has been violated. In addition, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation. The Anti-Kickback Statute is broad and, despite a series of narrow safe harbors, prohibits many arrangements and practices that are lawful in businesses outside of the healthcare industry. Penalties for violations of the federal Anti-Kickback Statute include criminal penalties and civil sanctions such as fines, imprisonment and possible exclusion from Medicare, Medicaid and other federal healthcare programs. Many states have also adopted laws similar to the federal Anti-Kickback Statute, some of which apply to the referral of patients for healthcare items or services reimbursed by any source, not only the Medicare and Medicaid programs.

The federal Ethics in Patient Referrals Act of 1989, commonly known as the "Stark Law," prohibits, subject to certain exceptions, physician referrals of Medicare and, as applicable under state law, Medicaid patients to an entity providing certain "designated health services" if the physician or an immediate family member has any financial relationship with the entity. The Stark Law also prohibits the entity receiving the referral from billing any good or service furnished pursuant to an unlawful referral. Various states have corollary laws to the Stark Law, including laws that require physicians to disclose any financial interest they may have with a healthcare provider to their patients when referring patients to that provider. Both the scope and exceptions for such laws vary from state to state. The federal False Claims Act prohibits persons from knowingly filing, or causing to be filed, a false claim to, or the knowing use of false statements to obtain payment from the federal government. The False Claims Act defines "knowingly" to include actual knowledge, acting in deliberate ignorance of the truth or falsity of information, or acting in deliberate disregard of the truth or falsity of information. False Claims Act liability includes liability for reverse false claims for avoiding or decreasing an obligation to pay or transmit money to the government. This includes False Claims Act liability for failing to report and return overpayments within 60 days of the date on which the overpayment is "identified." Penalties under the False Claims Act can include exclusion from the Medicare program. In addition, the government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the False Claims Act. Suits filed under the False Claims Act, known as qui tam actions, can be brought by any individual on behalf of the government and such individuals, commonly known as "whistleblowers," may share in any amounts paid by the entity to the government in fines or settlement. The frequency of filing qui tam actions has increased significantly in recent years, causing greater numbers of medical device, pharmaceutical and healthcare companies to have to defend a False Claims Act action. When an entity is determined to have violated the federal False Claims Act, it may be required to pay up to three times the actual damages sustained by the government, plus civil penalties for each separate false claim. Various states have also enacted laws modeled after the federal False Claims Act.

For example, as previously disclosed, on July 25, 2017, AdaptHealth was served with a subpoena by the U.S. Attorney's Office for the United States District Court for the Eastern District of Pennsylvania ("EDPA") pursuant to 18 U.S.C. §3486 (investigation of a federal health care offense) to produce certain audit records and internal communications regarding ventilator billing. The investigation focused on billing practices regarding one payor that contracted for bundled payments for certain ventilators. AdaptHealth has cooperated with investigators and, through agreement with the EDPA, has submitted all information requested in AdaptHealth's possession. An independent third party was retained by AdaptHealth that identified overpayments and underpayments for ventilator billings related to the payor, and a remittance was sent to reconcile that account. On October 3, 2019, AdaptHealth received a follow-up civil investigative demand from the EDPA regarding a document previously produced to the EDPA and patients included in the review by the independent third party. AdaptHealth has responded to the EDPA and supplemented its production as requested with any relevant documents in AdaptHealth's possession. During subsequent communications, the EDPA indicated to the Company that the investigation remained ongoing. The EDPA also requested additional information regarding certain patient services and claims refunds processed by AdaptHealth in 2017. The Company produced this information in coordination with the EDPA. The EDPA has also raised questions regarding other aspects of ventilator billing. While AdaptHealth cannot provide any assurance as to whether the EDPA will seek additional information or pursue this matter further, it does not believe that the investigation will have a material adverse effect on AdaptHealth.

Additionally, in March 2019, prior to its acquisition by AdaptHealth, AeroCare was served with a civil investigative demand ("CID") issued by the United States Attorney for the Western District of Kentucky ("WDKY"). The CID seeks to investigate allegations that AeroCare improperly billed, or caused others to improperly bill, for oxygen tank contents that were not delivered to beneficiaries. The WDKY has requested documents related to such oxygen tank content billing as well as other categories of information. AeroCare has cooperated with the WDKY and has produced documents and provided explanations of its billing practices. In September 2020, the WDKY indicated the investigation includes alleged violations of the federal False Claims Act and as well as alleged violations of state Medicaid false claims acts in ten states. AeroCare has cooperated fully with the investigation and has indicated to the WDKY that concerns raised do not accurately identify Medicare coverage criteria and that state Medicaid coverage requirements generally do not provide for separate reimbursement for portable gaseous oxygen contents in the circumstances at issue. While AdaptHealth cannot provide any assurance as to whether the WDKY will seek additional information or pursue this matter further, it does not believe that the investigation will have a material adverse effect on AdaptHealth.

HIPAA, and its implementing regulations, also created additional federal criminal statutes that prohibit knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program or obtain, by means of false or fraudulent pretenses, representations, or promises, any of the money or property owned by, or under the custody or control of, any healthcare benefit program, regardless of the payor (e.g., public or private) and knowingly and willfully falsifying, concealing or covering up by any trick or device a material fact or making any materially false statements in connection with the delivery of, or payment for, healthcare benefits, items or services relating to healthcare matters. Similar to the federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation.

From time to time, AdaptHealth has been and is involved in various governmental audits, investigations and reviews related to its operations. Reviews and investigations can lead to government actions, resulting in the assessment of damages, civil or criminal fines or penalties, or other sanctions, including restrictions or changes in the way AdaptHealth conducts business, loss of licensure or exclusion from participation in Medicare, Medicaid or other government programs. Additionally, as a result of these investigations, healthcare providers and entities may face litigation or have to agree to settlements that can include monetary penalties and onerous compliance and reporting requirements as part of a consent decree or corporate integrity agreement, or Corporate Integrity Agreement ("CIA”). If AdaptHealth fails to comply with applicable laws, regulations and rules, its financial condition and results of operations could be adversely affected. Furthermore, becoming subject to these governmental investigations, audits and reviews may result in substantial costs and divert management’s attention from the business as AdaptHealth cooperates with the government authorities, regardless of whether the particular investigation, audit or review leads to the identification of underlying issues.

AdaptHealth is unable to predict whether it could be subject to actions under any of these laws, or the impact of such actions. If AdaptHealth is found to be in violation of any of the laws described above or other applicable state and federal fraud and abuse laws, AdaptHealth may be subject to penalties, including civil and criminal penalties, damages, fines, exclusion from Medicare, Medicaid and other government healthcare reimbursement programs and the curtailment or restructuring of its operations.

Failure by AdaptHealth to maintain required licenses and accreditation could impact its operations.

AdaptHealth is required to maintain a significant number of state and/or federal licenses for its operations and facilities. Certain employees are required to maintain licenses in the states in which they practice. AdaptHealth manages the facility licensing function centrally. In addition, individual clinical employees are responsible for obtaining, maintaining and renewing their professional licenses, and AdaptHealth has processes in place designed to notify branch or pharmacy managers of renewal dates for the clinical employees under their supervision. State and federal licensing requirements are complex and often open to subjective interpretation by various regulatory agencies. Accurate licensure is also a critical threshold issue for the Medicare enrollment and the Medicare competitive bidding program. From time to time, AdaptHealth may also become subject to new or different licensing requirements due to legislative or regulatory requirements developments or changes in its business, and such developments may cause AdaptHealth to make further changes in its business, the results of which may be material. Although AdaptHealth believes it has appropriate systems in place to monitor licensure, violations of licensing requirements may occur and failure by AdaptHealth to acquire or maintain appropriate licensure for its operations, facilities and clinicians could result in interruptions in its operations, refunds to state and/or federal payors, sanctions or fines or the inability to serve Medicare beneficiaries in competitive bidding markets which could adversely impact AdaptHealth’s financial condition and results of operations.

Accreditation is required by most of AdaptHealth’s managed care payors and is a mandatory requirement for all Medicare DMEPOS providers. If AdaptHealth or any of its branches lose accreditation, or if any of its new branches are unable to become accredited, such failure to maintain accreditation or become accredited could adversely impact AdaptHealth’s financial condition and results of operations.

Actual or perceived failures to comply with applicable data protection, privacy and security, and consumer protection laws, regulations, standards and other requirements could adversely affect our business, results of operations and financial condition.

Numerous federal and state laws and regulations addressing patient privacy and consumer privacy, including HIPAA and the HITECH Act, govern the collection, dissemination, security, use and confidentiality of patient-identifiable health information or personal information. Such laws and regulations relating to privacy, data protection, marketing and advertising, and consumer protection are evolving and subject to potentially differing interpretations. These requirements may be interpreted and applied in a manner that varies from one jurisdiction to another and/or may conflict with other laws or regulations. As a result, AdaptHealth's practices may not have complied or may not comply in the future with all such laws, regulations, requirements and obligations. Any failure, or perceived failure, by AdaptHealth or any of its third-party partners or service providers to comply with privacy policies or federal or state privacy or consumer protection-related laws, regulations, industry self-regulatory principles, industry standards or codes of conduct, regulatory guidance, orders to which they may be subject, or other legal obligations relating to privacy or consumer protection, could adversely affect AdaptHealth's reputation, brand and business, and may result in claims, proceedings or actions against AdaptHealth by governmental entities, consumers, users, suppliers or others. These proceedings may result in financial liabilities or may require AdaptHealth to change its operations, including ceasing the use or sharing of certain data sets.

HIPAA and the HITECH Act, and their implementing regulations, require AdaptHealth to comply with standards for the use and disclosure of health information within AdaptHealth and with third parties. HIPAA and the HITECH Act also include standards for common healthcare electronic transactions and code sets, such as claims information, plan eligibility, payment information, and privacy and security of individually identifiable health information.

HIPAA requires healthcare providers, including AdaptHealth, in addition to health plans and clearinghouses, to develop and maintain policies and procedures with respect to protected health information that is used or disclosed. The HITECH Act included notification requirement for breaches of patient-identifiable health information, restricts certain disclosures and sales of patient-identifiable health information and provides a tiered system for civil monetary penalties for HIPAA violations. HIPAA also provides for criminal penalties.

In addition, various federal and state legislative and regulatory bodies, or self-regulatory organizations, may expand current laws or regulations, enact new laws or regulations or issue revised rules or guidance regarding privacy, data protection and consumer protection. For instance, the California Consumer Privacy Act ("CCPA") became effective on January 1, 2020. The CCPA gives California residents expanded rights to access and delete their personal information, opt out of certain personal information sharing and receive detailed information about how their personal information is used by requiring covered companies to provide new disclosures to California consumers (as that term is broadly defined) and provide such consumers new ways to opt-out of certain sales of personal information. The CCPA provides for civil penalties for violations, as well as a private right of action for data breaches that is expected to increase data breach litigation. Although there are limited exemptions for protected health information and the CCPA's implementation standards and enforcement practices are likely to remain uncertain for the foreseeable future, the CCPA may increase AdaptHealth's compliance costs and potential liability. Many similar privacy laws have been proposed at the federal level and in other states.

Additionally, the FTC and many state attorneys general are interpreting existing federal and state consumer protection laws to impose evolving standards for the online collection, use, dissemination and security of health-related and other personal information. Courts may also adopt the standards for fair information practices promulgated by the FTC, which concern consumer notice, choice, security and access. Consumer protection laws require AdaptHealth to publish statements that describe how it handles personal information and choices individuals may have about the way AdaptHealth handles their personal information. If such information that AdaptHealth publishes is considered untrue, it may be subject to government claims of unfair or deceptive trade practices, which could lead to significant liabilities and consequences. Furthermore, according to the FTC, violating consumers' privacy rights or failing to take appropriate steps to keep consumers' personal information secure may constitute unfair acts or practices in or affecting commerce in violation of Section 5 of the FTC Act.

Under the Federal CAN-SPAM Act, the Telephone Consumer Protection Act of 1991 ("TCPA") and the Telemarketing Sales Rule and Medicare regulations, AdaptHealth is limited in the ways in which it can market and service its products and services by use of email, text or telephone marketing. The actual or perceived improper sending of text messages may subject us to potential risks, including liabilities or claims relating to consumer protection laws. Numerous class-action suits under federal and state laws have been filed in recent years against companies who conduct SMS texting programs, with many resulting in multi-million-dollar settlements to the plaintiffs. Any future such litigation against us could be costly and time-consuming to defend. For example, the TCPA, a federal statute that protects consumers from unwanted telephone calls, faxes and text messages, restricts telemarketing and the use of automated SMS text messages without proper consent. On April 1, 2021, in *Facebook, Inc. v. Duguid*, 141 S. Ct. 1163 (2021), the U.S. Supreme Court adopted a narrow definition of the type of automated dialers that are subject to the TCPA, thereby removing some automated text messages from the scope of the TCPA consent requirements. As a result, there may be an increase in litigation under state laws and new legislation at the federal and state level in an effort to ensure that consent is required for calls and text messages that are now outside the scope of the TCPA. For example, in May 2021, the Florida legislature passed a bill that expands restrictions for telephonic sales calls, including text messages, made using automated selection and dialing systems and creates a private right of action for violations of the law. Additionally, state regulators may determine that telephone calls to patients of AdaptHealth are subject to state telemarketing regulations. If AdaptHealth does not comply with existing or new laws and regulations related to telephone contacts or patient health information, it could be subject to criminal or civil sanctions. New health information standards, whether implemented pursuant to HIPAA, the HITECH Act, congressional action or otherwise, could have a significant effect on the manner in which AdaptHealth handles healthcare-related data and communicates with payors, and the cost of complying with these standards could be significant. The scope and interpretation of the laws that are or may be applicable to the delivery of consumer phone calls, emails and text messages are continuously evolving and developing. If we do not comply with these laws or regulations or if we become liable under these laws or regulations, we could face direct liability, could be required to change some portions of our business model, could face negative publicity and our business, financial condition and results of operations could be adversely affected. Even an unsuccessful challenge of our phone, email or SMS text practices by our consumers, regulatory authorities or other third parties could result in negative publicity and could require a costly response from and defense by us.

If AdaptHealth's subsidiary fails to comply with the terms of its Corporate Integrity Agreement, it could be subjected to substantial monetary penalties or suspension or termination from participation in the Medicare and Medicaid programs.

Braden Partners, L.P. ("BP"), d/b/a Pacific Pulmonary Services ("PPS"), which was acquired by AdaptHealth in May 2018, entered into a five-year CIA with the OIG-HHS, effective March 31, 2017, concurrent with the execution of a settlement agreement with the United States, acting through the DOJ and on behalf of the OIG-HHS. The CIA imposes certain compliance, auditing (including by an independent review organization), self-reporting and training requirements with which BP must comply. If BP fails to comply with the terms of its CIA, it could be subjected to substantial monetary penalties and/or suspension or exclusion from participation in federal healthcare programs. Any such suspension, exclusion or termination would result in the revocation or termination of contracts and/or licenses and potentially have a material adverse effect on the results of BP's operations. The imposition of monetary penalties and/or termination of contracts with respect to BP could adversely affect AdaptHealth's profitability and financial condition. The CIA has a five-year term which is expected to expire by April 1, 2022. In connection with the acquisition and integration of PPS by AdaptHealth, the OIG-HSS confirmed that the CIA's risk adjustment requirements and independent claims review would only apply to the operations of BP and therefore no operations of AdaptHealth or any other affiliate are subject to these CIA requirements following the acquisition. On January 17, 2021, the OIG-HHS notified PPS that its report for the period ended March 31, 2020 had been accepted and PPS had satisfied its obligations under the CIA as of such date. The Company submitted its report for the period ended March 31, 2021 on a timely basis.

Risks Related to Our Financial Condition

If AdaptHealth were required to write down all or part of its goodwill its net earnings and net worth could be materially adversely affected.

Goodwill represents a significant portion of AdaptHealth's assets. Goodwill represents the excess of cost over the fair market value of net assets acquired in business combinations. For example, if our market capitalization drops significantly below the amount of net equity recorded on our balance sheet, it might indicate a decline in our fair value and would require us to further evaluate whether our goodwill has been impaired. If, as part of our annual review of goodwill, or if any triggering events are identified on an interim basis indicating a possible impairment of goodwill, we are required to write down all or a significant part of AdaptHealth's goodwill, our net earnings and net worth could be materially adversely affected, which could affect our flexibility to obtain additional financing. In addition, if our assumptions used in preparing our valuations for purposes of impairment testing differ materially from actual future results, we may record impairment charges in the future and our financial results may be materially adversely affected. AdaptHealth had $3,231.2 million and $998.8 million of goodwill recorded on its Consolidated Balance Sheets at June 30, 2021 and December 31, 2020, respectively. It is not possible at this time to determine if there will be any future impairment charge, or if there is, whether such charges would be material.

AdaptHealth may not be able to generate sufficient cash flow to cover required payments or meet operating covenants under its long-term debt and long-term operating leases.

Failure to generate sufficient cash flow to cover required payments or meet operating covenants under AdaptHealth's long-term debt and long-term operating leases could result in defaults under such agreements and cross-defaults under other debt or operating lease arrangements, which could harm its operating subsidiaries. AdaptHealth may not generate sufficient cash flow from operations to cover required interest, principal and lease payments. In addition, AdaptHealth's current indebtedness contain restrictive covenants and require AdaptHealth to maintain or satisfy specified coverage tests. These restrictions and operating covenants include, among other things, requirements with respect to total leverage ratios and an interest charge coverage ratio. These restrictions, together with the restrictive covenants included in the BM Notes, may interfere with AdaptHealth's ability to obtain additional advances under its existing credit facility or to obtain new financing or to engage in other business activities, which may inhibit AdaptHealth's ability to grow its business and increase revenue. In addition, failure by AdaptHealth to comply with these restrictive covenants could result in an event of default which, if not cured or waived, could result in the acceleration of its debt.

AdaptHealth may need additional capital to fund its operating subsidiaries and finance its growth, and AdaptHealth may not be able to obtain it on acceptable terms, or at all, which may limit its ability to grow.

AdaptHealth's ability to maintain and enhance its operating subsidiaries and equipment to meet regulatory standards, operate efficiently and remain competitive in its markets requires AdaptHealth to commit substantial resources to continued investment in its affiliated facilities and equipment. Additionally, the continued expansion of its business through the acquisition of existing facilities, expansion of existing facilities and construction of new facilities may require additional capital, particularly if AdaptHealth were to accelerate its acquisition and expansion plans. Financing may not be available or may be available only on terms that are not favorable. In addition, some of AdaptHealth's outstanding indebtedness restricts, among other things, its ability to incur additional debt. If AdaptHealth is unable to raise additional funds or obtain additional funds on acceptable terms, it may have to delay or abandon some or all of its growth strategies. Further, if additional funds are raised through the issuance of additional equity securities, the percentage ownership of our stockholders would be diluted. Any newly issued equity securities may have rights, preferences or privileges senior to those of the Common Stock.

Changes in the method of determining the London Interbank Offered Rate ("LIBOR"), or the replacement of LIBOR with an alternative reference rate, may adversely affect interest rates on AdaptHealth's outstanding variable rate indebtedness.

Certain of AdaptHealth's indebtedness, including LIBOR Rate Loans under its credit facility, bears interest at variable interest rates that use LIBOR as a benchmark rate. LIBOR is the subject of recent proposals for reform and, on July 27, 2017, the U.K. Financial Conduct Authority announced that it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. The Federal Reserve Bank of New York has begun publishing a Secured Overnight Funding Rate ("SOFR"), which is intended to replace U.S. dollar LIBOR, and central banks in several other jurisdictions have also announced plans for alternative reference rates for other currencies. These reforms may cause LIBOR to perform differently than in the past or to disappear entirely. The consequences of these developments with respect to LIBOR cannot be entirely predicted but may result in an increase in the interest cost of AdaptHealth's variable rate indebtedness. In the event that LIBOR is no longer available as a reference rate or is replaced by SOFR in the future, AdaptHealth's credit facility permits its lenders, in good faith, to unilaterally suspend maintaining LIBOR Rate Loans under the credit facility and to adopt a new rate, such as SOFR. As a result, AdaptHealth may need to renegotiate its outstanding indebtedness or incur other indebtedness, and the phase-out of LIBOR may negatively impact the terms of such indebtedness. In addition, the overall financial market may be disrupted as a result of the phase-out or replacement of LIBOR. Disruption in the financial market could have a material adverse effect on our business, financial condition and results of operations.

AdaptHealth's current insurance program may expose it to unexpected costs and negatively affect its business, financial condition and results of operations, particularly if it incurs losses not covered by its insurance or if claims or losses differ from its estimates.

There is an inherent risk of liability in the provision of healthcare services. As participants in the healthcare industry, AdaptHealth may periodically be subject to lawsuits, some of which may involve large claims and significant costs to defend, such as mass tort or other class actions. Although AdaptHealth's insurance coverage reflects deductibles, self-insured retentions, limits of liability and similar provisions that it believes are reasonable based on its operations, the coverage under its insurance programs may not be adequate to protect it in all circumstances. AdaptHealth's insurance policies contain exclusions and conditions that could have a materially adverse impact on AdaptHealth's ability to receive indemnification thereunder, as well as customary sub-limits for particular types of losses. Additionally, insurance companies that currently insure companies in AdaptHealth's industry may cease to do so, may change the coverage provided or may substantially increase premiums in the future. The incurrence of losses and liabilities that exceed AdaptHealth's available coverage, therefore, could have a material adverse effect on its business, financial condition and results of operations.

AdaptHealth currently self-insures a significant portion of expected losses under its workers' compensation, automobile liability and employee health insurance programs and, to offset negative insurance market trends, AdaptHealth may elect to increase its self-insurance coverage, accept higher deductibles or reduce the amount of coverage. Unanticipated changes in any applicable actuarial assumptions and management estimates underlying its liabilities for these losses could result in materially different expenses than expected under these programs, which could have a material adverse effect on AdaptHealth's financial condition and results of operations. In addition, if AdaptHealth experiences a greater number of these losses than it anticipates, it could have a material adverse effect on its business, financial condition and results of operations.

Our only significant asset is our ownership of AdaptHealth Holdings, and such ownership may not be sufficient to generate the funds necessary to meet our financial obligations or to pay any dividends on our Common Stock.

We have no direct operations and no significant assets other than the ownership of AdaptHealth Holdings. We depend on AdaptHealth Holdings and its subsidiaries for distributions, loans and other payments to generate the funds necessary to meet our financial obligations or to pay any dividends with respect to our Common Stock. Legal and contractual restrictions in agreements governing the indebtedness of AdaptHealth Holdings and its subsidiaries may limit our ability to obtain cash from AdaptHealth Holdings. The earnings from, or other available assets of, AdaptHealth

Holdings and its subsidiaries may not be sufficient to enable us to satisfy our financial obligations or pay any dividends on our Common Stock. To the extent that we require funds and AdaptHealth Holdings or its subsidiaries are restricted from making distributions under applicable law or regulation or under the terms of their financing arrangements, or are otherwise unable to provide such funds, it could materially adversely affect our liquidity and financial condition, including our ability to pay our income taxes when due.

Risks Related to Our Securities

Fluctuations in the price of our securities could contribute to the loss of all or part of your investment.

As an active market for our Common Stock continues to develop, the trading price of our Common Stock could be volatile and subject to wide fluctuations in response to various factors, some of which are beyond our control. Any of the factors listed below could have a material adverse effect on your investment in our Common Stock and our Common Stock may trade at prices significantly below the price you paid for it. In such circumstances, the trading price of our Common Stock may not recover and may experience a further decline.

Factors affecting the trading price of our Common Stock may include:

- the COVID-19 pandemic;
- actual or anticipated fluctuations in our quarterly financial results or the quarterly financial results of companies perceived to be similar to us;
- changes in the market's expectations about our operating results;
- success of competitors;
- our operating results failing to meet the expectation of securities analysts or investors in a particular period;
- changes in financial estimates and recommendations by securities analysts concerning AdaptHealth or the home medical equipment industry in general;
- operating and stock price performance of other companies that investors deem comparable to us;
- our ability to market new and enhanced products on a timely basis;
- changes in laws and regulations affecting our business;
- our ability to meet compliance requirements;
- commencement of, or involvement in, litigation involving us;
- inability to quickly remediate material weaknesses or the continued identification of material weaknesses;
- changes in our capital structure, such as future issuances of securities or the incurrence of additional debt;
- the volume of shares of our Common Stock available for public sale;
- any major change in our board of directors or management;
- sales of substantial amounts of common stock by our directors, executive officers or significant stockholders or the perception that such sales could occur; and

- general economic and political conditions such as recessions, interest rates, fuel prices, international currency fluctuations and acts of war or terrorism.

Broad market and industry factors may materially harm the market price of our securities irrespective of our operating performance. The stock market in general, and Nasdaq in particular, have experienced price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the particular companies affected. The trading prices and valuations of these stocks, and of our Common Stock, may not be predictable. A loss of investor confidence in the market for retail stocks or the stocks of other companies which investors perceive to be similar to us could depress our stock price regardless of our business, prospects, financial condition or results of operations. A decline in the market price of our Common Stock also could adversely affect our ability to issue additional securities and our ability to obtain additional financing in the future.

We may not be able to timely and effectively implement controls and procedures required by Section 404 of the Sarbanes-Oxley Act that are applicable to us.

As a public company, we are required to comply with the SEC's rules implementing Sections 302 and 404 of the Sarbanes-Oxley Act, which require management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of internal control over financial reporting. To comply with the requirements of being a public company, we are required to provide attestation on internal controls, and we may need to undertake various actions, such as implementing additional internal controls and procedures and hiring additional accounting or internal audit staff. The standards required for a public company under Section 404 of the Sarbanes-Oxley Act are significantly more stringent than those that were required of AdaptHealth Holdings as a privately held company. Management may not be able to effectively and timely implement controls and procedures that adequately respond to the increased regulatory compliance and reporting requirements that became applicable to us after the Business Combination. If we are not able to implement the additional requirements of Section 404 in a timely manner or with adequate compliance, we may not be able to assess whether our internal controls over financial reporting are effective, which may subject us to adverse regulatory consequences and could harm investor confidence and the market price of our Common Stock. Further, as an emerging growth company, our independent registered public accounting firm is not required to formally attest to the effectiveness of our internal controls over financial reporting pursuant to Section 404 until the date we are no longer an emerging growth company. At such time, our independent registered public accounting firm may issue a report that is adverse in the event that it is not satisfied with the level at which our controls are documented, designed or operating. The Company will no longer qualify as an emerging growth company as of December 31, 2021, which will require our independent registered public accounting firm to formally attest to the effectiveness of our internal controls over financial reporting pursuant to Section 404 as of such date.

As described in "Part I, Item 4. Controls and Procedures," we concluded that our internal control over financial reporting was ineffective as of December 31, 2020 because material weaknesses existed in our internal control over financial reporting. We have taken a number of measures to remediate the material weaknesses described therein; however, if we are unable to remediate our material weaknesses in a timely manner or we identify additional material weaknesses, we may be unable to provide required financial information in a timely and reliable manner and we may incorrectly report financial information. The existence of material weaknesses or significant deficiencies in internal control over financial reporting could adversely affect our reputation or investor perceptions of us. In addition, we have and will continue to incur additional costs to remediate material weaknesses in our internal control over financial reporting, as described in Part I, Item 4. "Controls and Procedures".

Certain of our principal stockholders have significant influence over us.

As of June 30, 2021, Q Management Services (PTC) Ltd., as Trustee of Everest Trust, beneficially owned approximately 12.0% of our Class A Common Stock, assuming the exercise of 665,628 private placement warrants held by Clifton Bay Offshore Investments L.P. and 41,473 private placement warrants held by Quadrant Management LLC. As of June 30, 2021, the OEP Purchaser beneficially owned approximately 10.7% of our Class A Common Stock. As long as Q Management Services (PTC) Ltd., as Trustee of the Everest Trust, and/or the OEP Purchaser own or control a significant percentage of our outstanding voting power, they will have the ability to significantly influence all corporate actions requiring stockholder approval, including the election and removal of directors and the size of our board of directors, any amendment to our Charter or Amended and Restated Bylaws (our "Bylaws"), or the approval of any merger or other significant corporate transaction, including a sale of substantially all of our assets.

The interests of Q Management Services (PTC) Ltd., as Trustee of the Everest Trust, and/or the OEP Purchaser may not align with the interests of our other stockholders. Each of Q Management Services (PTC) Ltd., as Trustee of the Everest Trust, and the OEP Purchaser is in the business of making investments in companies and may acquire and hold interests in businesses that compete directly or indirectly with us. Each of Q Management Services (PTC) Ltd., as Trustee of the Everest Trust, and the OEP Purchaser may also pursue acquisition opportunities that may be complementary to our business, and, as a result, those acquisition opportunities may not be available to us. Our Charter provides that our stockholders and our directors, including any who were designated by any of our stockholders, other than any such persons who are employees of us or any of our subsidiaries, do not have any obligation to offer to us any corporate opportunity of which he or she may become aware prior to offering such opportunities to other entities with which they may be affiliated, subject to certain limited exceptions.

We will continue to incur significant increased expenses and administrative burdens as a result of being a public company, which could have a material adverse effect on our business, financial condition and results of operations.

We will continue to face increased legal, accounting, administrative and other costs and expenses as a public company that AdaptHealth Holdings did not incur as a private company. The Sarbanes-Oxley Act, including the requirements of Section 404, as well as rules and regulations subsequently implemented by the SEC, the Dodd-Frank Wall Street Reform and Consumer Protection Act and the rules and regulations promulgated and to be promulgated thereunder, the Public Company Accounting Oversight Board and the securities exchanges, impose additional reporting and other obligations on public companies. Compliance with public company requirements increases costs and makes certain activities more time-consuming. A number of those requirements require us to carry out activities AdaptHealth had not undertaken prior to the Business Combination. In addition, additional expenses associated with SEC reporting requirements will continue to be incurred. We have and will continue to incur additional costs to remediate material weaknesses in our internal control over financial reporting, as described in Part I, Item 4. "Controls and Procedures”. It may also be more expensive to obtain director and officer liability insurance. Risks associated with our status as a public company may make it more difficult to attract and retain qualified persons to serve on the board of directors or as executive officers. The additional reporting and other obligations imposed by these rules and regulations will increase legal and financial compliance costs and the costs of related legal, accounting and administrative activities. Furthermore, certain of the key personnel of AdaptHealth may be unfamiliar with the requirements of operating a company regulated by the SEC, which could cause us to have to expend time and resources helping them become familiar with such requirements. These increased costs will require us to divert a significant amount of money that could otherwise be used to expand the business and achieve strategic objectives. Advocacy efforts by stockholders and third parties may also prompt additional changes in governance and reporting requirements, which could further increase costs.

Certain of AdaptHealth’s management has limited experience in operating a public company.

Certain of AdaptHealth’s executive officers and certain directors have limited experience in the management of a publicly traded company. AdaptHealth’s management team may not successfully or effectively manage its transition to a public company that is subject to significant regulatory oversight and reporting obligations under federal securities laws. Their limited experience in dealing with the increasingly complex laws pertaining to public companies could be a significant disadvantage in that it is likely that an increasing amount of their time may be devoted to these activities which will result in less time being devoted to the management and growth of the company. It is possible that we will be required to expand our employee base and hire additional employees to support our operations as a public company, which will increase our operating costs in future periods.

Because we have no current plans to pay cash dividends on our Common Stock for the foreseeable future, you may not receive any return on investment unless you sell your Common Stock for a price greater than that which you paid for it.

We may retain future earnings, if any, for future operations, expansion and debt repayment and have no current plans to pay any cash dividends for the foreseeable future. Any decision to declare and pay dividends as a public company in the future will be made at the discretion of our board of directors and will depend on, among other things, our results of operations, financial condition, cash requirements, contractual restrictions and other factors that our board of directors may deem relevant. In addition, our ability to pay dividends may be limited by covenants of any existing and future outstanding indebtedness we or our subsidiaries incur. As a result, you may not receive any return on an investment in our Common Stock unless you sell our Common Stock for a price greater than that which you paid for it.

We are required to make payments under the Tax Receivable Agreement for certain tax benefits we may claim, and the amounts of such payments could be significant.

The Tax Receivable Agreement, which we entered into at the Closing with certain pre-Business Combination owners of AdaptHealth Units (collectively, the "TRA Holders"), generally provides for the payment by us of 85% of the net cash savings, if any, in U.S. federal, state and local income tax that we actually realize (or are deemed to realize in certain circumstances) in periods after the Closing as a result of: (i) certain tax attributes of Access Point Medical, Inc. existing prior to the Business Combination; (ii) certain increases in tax basis resulting from exchanges of AdaptHealth Units; (iii) imputed interest deemed to be paid by us as a result of payments we make under the Tax Receivable Agreement; and (iv) certain increases in tax basis resulting from payments we make under the Tax Receivable Agreement. We will retain the benefit of the remaining 15% of these cash savings. The amount of the cash payments that we may be required to make under the Tax Receivable Agreement could be significant and is dependent upon significant future events and assumptions, including the timing of the exchanges of AdaptHealth Units, the price of our Common Stock at the time of each exchange, the extent to which such exchanges are taxable transactions and the amount of the exchanging TRA Holder's tax basis in its AdaptHealth Units at the time of the relevant exchange. The amount of such cash payments is also based on assumptions as to the amount and timing of taxable income we generate in the future, the U.S. federal income tax rate then applicable and the portion of our payments under the Tax Receivable Agreement that constitute interest or give rise to depreciable or amortizable tax basis. Moreover, payments under the Tax Receivable Agreement will be based on the tax reporting positions that we determine, which tax reporting positions are subject to challenge by taxing authorities. We are dependent on distributions from AdaptHealth Holdings to make payments under the Tax Receivable Agreement, and we cannot guarantee that such distributions will be made in sufficient amounts or at the times needed to enable us to make our required payments under the Tax Receivable Agreement, or at all. Any payments made by us to the TRA Holders under the Tax Receivable Agreement will generally reduce the amount of overall cash flow that might have otherwise been available to us. To the extent that we are unable to make timely payments under the Tax Receivable Agreement for any reason, the unpaid amounts will be deferred and will accrue interest until paid by us. Nonpayment for a specified period may constitute a breach of a material obligation under the Tax Receivable Agreement, and therefore, may accelerate payments due under the Tax Receivable Agreement. The payments under the Tax Receivable Agreement are also not conditioned upon the TRA Holders maintaining a continued ownership interest in AdaptHealth Holdings or us.

In certain cases, payments under the Tax Receivable Agreement may be accelerated and/or significantly exceed the actual benefits, if any, we realize in respect of the tax attributes subject to the Tax Receivable Agreement.

The Tax Receivable Agreement provides that if we breach any of our material obligations under the Tax Receivable Agreement, if we undergo a change of control or if, at any time, we elect an early termination of the Tax Receivable Agreement, then the Tax Receivable Agreement will terminate and our obligations, or our successor's obligations, to make payments under the Tax Receivable Agreement would accelerate and become immediately due and payable. The amount due and payable in those circumstances is determined based on certain assumptions, including an assumption that we would have sufficient taxable income to fully utilize all potential future tax benefits that are subject to the Tax Receivable Agreement. We may need to incur debt to finance payments under the Tax Receivable Agreement to the extent our cash resources are insufficient to meet our obligations under the Tax Receivable Agreement as a result of timing discrepancies or otherwise.

As a result of the foregoing, (i) we could be required to make cash payments to the TRA Holders that are greater than the specified percentage of the actual benefits we ultimately realize in respect of the tax benefits that are subject to the Tax Receivable Agreement, and (ii) we would be required to make a cash payment equal to the present value of the anticipated future tax benefits that are the subject of the Tax Receivable Agreement, which payment may be made significantly in advance of the actual realization, if any, of such future tax benefits. In these situations, our obligations under the Tax Receivable Agreement could have a substantial negative impact on our liquidity and could have the effect of delaying, deferring or preventing certain mergers, asset sales, other forms of business combination, or other changes of control due to the additional transaction costs a potential acquirer may attribute to satisfying such obligations. There can be no assurance that we will be able to finance our obligations under the Tax Receivable Agreement.

We will not be reimbursed for any payments made to TRA Holders under the Tax Receivable Agreement in the event that any tax benefits are disallowed.

We will not be reimbursed for any cash payments previously made to the TRA Holders pursuant to the Tax Receivable Agreement if any tax benefits initially claimed by us are subsequently challenged by a taxing authority and are ultimately disallowed. Instead, any excess cash payments made by us to a TRA Holder will be netted against any future cash payments that we might otherwise be required to make under the terms of the Tax Receivable Agreement. However, a challenge to any tax benefits initially claimed by us may not arise for a number of years following the initial time of such payment or, even if challenged early, such excess cash payment may be greater than the amount of future cash payments that we might otherwise be required to make under the terms of the Tax Receivable Agreement and, as a result, there might not be future cash payments from which to net against. The applicable U.S. federal income tax rules are complex and factual in nature, and there can be no assurance that the Internal Revenue Service or a court will not disagree with our tax reporting positions. As a result, it is possible that we could make cash payments under the Tax Receivable Agreement that are substantially greater than our actual cash tax savings.

Certain of the TRA Holders have substantial control over us, and their interests, along with the interests of other TRA Holders, in our business may conflict with the interests of our stockholders.

The interests of the TRA Holders may conflict with the interests of holders of our Common Stock. For example, the TRA Holders may have different tax positions from us which could influence their decisions regarding whether and when to dispose of assets, whether and when to incur new or refinance existing indebtedness, especially in light of the existence of the Tax Receivable Agreement, and whether and when we should terminate the Tax Receivable Agreement and accelerate our obligations thereunder. In addition, the structuring of future transactions may take into consideration tax or other considerations of TRA Holders even in situations where no similar considerations are relevant to us.

Our warrants may have an adverse effect on the market price of our Common Stock.

Simultaneously with the closing of our IPO, we issued in a private placement an aggregate of 4,333,333 private placement warrants, each exercisable to purchase one share of Common Stock at $11.50 per share. As of June 30, 2021, there were 4,280,548 private placement warrants outstanding. To the extent such warrants are exercised, additional shares of our Common Stock will be issued, which will result in dilution to our stockholders and increase the number of shares of Common Stock eligible for resale in the public market. Sales of substantial numbers of such shares in the public market or the fact that such warrants may be exercised could adversely affect the market price of our Common Stock.

The JOBS Act permits "emerging growth companies" like us to take advantage of certain exemptions from various reporting requirements applicable to other public companies that are not emerging growth companies.

We currently qualify as an "emerging growth company" as defined in Section 2(a)(19) of the Securities Act, as modified by the JOBS Act. As such, we plan to take advantage of certain exemptions from various reporting requirements applicable to other public companies that are not emerging growth companies for as long as we continue to be an emerging growth company, including (i) the exemption from the auditor attestation requirements with respect to internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act, (ii) the exemptions from say-on-pay, say-on-frequency and say-on-golden parachute voting requirements and (iii) reduced disclosure obligations regarding executive compensation in its periodic reports and proxy statements. We will remain an emerging growth company until the earliest of (i) the last day of the fiscal year in which the market value of our Common Stock that is held by non-affiliates exceeds $700 million as of June 30 of that fiscal year, (ii) the last day of the fiscal year in which we have total annual gross revenue of $1.07 billion or more during such fiscal year, (iii) the date on which we have issued more than $1.0 billion in non-convertible debt in the prior three-year period or (iv) the last day of the fiscal year following the fifth anniversary of the date of the first sale of our common stock in the IPO, which would be December 31, 2023. We will no longer qualify as an emerging growth company as of December 31, 2021 due to the market value of our Common Stock that was held by non-affiliates as of June 30, 2021. If we continue to issue debt, including to fund acquisitions, we may cease to be an emerging growth company prior to December 31, 2021.

In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the exemption from complying with new or revised accounting standards provided in Section 7(a)(2)(B) of the Securities Act as long as we are an emerging growth company. An emerging growth company can therefore delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to take advantage of such extended transition period, which means that when a standard is issued or revised and it has different application dates for public or private companies, we, as an emerging growth company, can adopt the new or revised standard at the same time private companies are required to adopt the new or revised standard. Investors may find our Common Stock less attractive because we will rely on these exemptions, which may result in a less active trading market for our Common Stock and its stock price may be more volatile.

We are also currently a "smaller reporting company." In the event that we are still considered a "smaller reporting company," at such time as we cease being an "emerging growth company," the disclosure we will be required to provide in our SEC filings will increase, but will still be less than it would be if we were not considered either an "emerging growth company" or a "smaller reporting company." Specifically, similar to "emerging growth companies," "smaller reporting companies" are able to provide simplified executive compensation disclosures in their filings; may be exempt from the provisions of Section 404(b) of the Sarbanes-Oxley Act requiring that independent registered public accounting firms provide an attestation report on the effectiveness of internal control over financial reporting; and have certain other decreased disclosure obligations in their SEC filings. Decreased disclosures in our SEC filings due to our status as an "emerging growth company" or "smaller reporting company" may make it harder for investors to analyze our results of operations and financial prospects.

Our Charter requires that the Court of Chancery of the State of Delaware and, to the extent enforceable, the federal district courts of the United States of America be the exclusive forums for substantially all disputes between us and our stockholders, which may have the effect of discouraging lawsuits against our directors and officers.

Our Charter requires, to the fullest extent permitted by law, other than any claim to enforce a duty or liability created by the Exchange Act or other claim for which federal courts have exclusive jurisdiction, that derivative actions brought in our name, actions against directors, officers and employees for breach of fiduciary duty and other similar actions may be brought only in the Court of Chancery in the State of Delaware and, if brought outside of the State of Delaware, the stockholder bringing such suit will be deemed to have consented to service of process on such stockholder's counsel. Our Charter further provides that the federal district courts of the United States of America are the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. These provisions may have the effect of discouraging lawsuits against our directors and officers. If a court were to find either exclusive forum provision in our Charter to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving the dispute in other jurisdictions, which could seriously harm our business. Although the

Delaware Supreme Court recently held that exclusive forum provisions of federal district courts of the United States of America for resolving any complaint asserting a cause of action arising under the Securities Act are facially valid, courts in other jurisdictions may find such provisions to be unenforceable.

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

Other than as follows, we had no sales of unregistered equity securities during the period covered by this report that were not previously reported in a Quarterly Report on Form 10-Q or a Current Report on Form 8-K.

Acquisitions

As partial consideration for certain of our acquisitions completed during the three months ended June 30, 2021, we issued 441,420 shares of Class A Common Stock to certain former equity holders of the companies acquired. The shares of Class A Common Stock were issued pursuant to the exemption from registration contained in Section 4(a)(2) of the Securities Act.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

See Exhibit Index for documents filed or furnished herewith and incorporated herein by reference.

EXHIBIT INDEX

Exhibit Number	Description
3.1	Third Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K, filed with the SEC on July 29, 2021).
3.2	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 of the Company's Current Report on Form 8-K, filed with the SEC on November 14, 2019).
3.3	Certificate of Designations of Preferences, Rights and Limitations of Series A Convertible Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on July 2, 2020).
3.4	Certificate of Designations of Preferences, Rights and Limitations of Series B-1 Convertible Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on June 26, 2020).
3.5	Certificate of Designations of Preferences, Rights and Limitations of Series B-2 Convertible Preferred Stock (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on July 2, 2020).
3.6	Certificate of Designation, Preferences and Rights of Series C Convertible Preferred Stock, par value $0.0001 per share, of the Company (incorporated by reference to Annex B to the Schedule 14A filed with the SEC on January 20, 2021).
10.1	First Incremental Facility Amendment dated as of April 23, 2021 to the Credit Agreement, dated as of January 20, 2021, among AdaptHealth LLC, the guarantors named therein, Regions Bank as administrative agent and collateral agent and the lenders party thereto (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the SEC on April 29, 2021).
10.2	Memorandum of Understanding for Settlement (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K, filed with the SEC on June 15, 2021).
10.3	Amended and Restated 2019 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K, filed with the SEC on July 29, 2021).
31.1*	Certification of Chief Executive Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32**	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS***	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH***	XBRL Taxonomy Extension Schema Document
101.CAL***	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF***	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB***	XBRL Taxonomy Extension Label Linkbase Document
101.PRE***	XBRL Taxonomy Extension Presentation Linkbase Document
Exhibit 104 ***	Cover Page Interactive Data File - The cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document

* Filed herewith.
** Furnished herewith.
*** XBRL (eXtensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.
† Management contract or compensatory plan or arrangement.
+ Portions of this exhibit (indicated by "[***]") have been omitted in accordance with Item 601(b)(10)(iv) of Regulation S-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	AdaptHealth Corp.
August 6, 2021	By: /s/ Stephen P. Griggs Stephen P. Griggs Chief Executive Officer and Director (*Principal Executive Officer*)
August 6, 2021	By: /s/ Jason Clemens Jason Clemens Chief Financial Officer (*Principal Financial Officer*)
August 6, 2021	By: /s/ Frank Mullen Frank Mullen Chief Accounting Officer (*Principal Accounting Officer*)

CERTIFICATION
PURSUANT TO RULES 13A-14 AND 15D-14
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Stephen P. Griggs, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of AdaptHealth Corp.;

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 the financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

    (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.

August 6, 2021

/s/ Stephen P. Griggs
Stephen P. Griggs
Chief Executive Officer and Director
(Principal Executive Officer)

CERTIFICATION
PURSUANT TO RULES 13A-14 AND 15D-14
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Jason Clemens, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of AdaptHealth Corp.;

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 the financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

   (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.

August 6, 2021

/s/ Jason Clemens
Jason Clemens
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32

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

In connection with the Quarterly Report of AdaptHealth Corp. (the "Company") on Form 10-Q for the quarter ended June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certify that to the best of our knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

August 6, 2021	/s/ Stephen P. Griggs Stephen P. Griggs	Chief Executive Officer and Director (Principal Executive Officer)
August 6, 2021	/s/ Jason Clemens Jason Clemens	Chief Financial Officer (Principal Financial Officer)