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

# FORM 10-Q

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

**For the quarterly period ended September 30, 2022**

**OR**

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

**For the transition period from ______ to ______**

**Commission File Number: 001-12111**

# Pediatrix Medical Group, Inc.
**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Florida**<br>(State or other jurisdiction of Incorporation or organization) | **26-3667538**<br>(I.R.S. Employer Identification No.) |
| **1301 Concord Terrace**<br>**Sunrise, Florida**<br>(Address of principal executive offices) | **33323**<br>(Zip Code) |

**(954) 384-0175**
**(Registrant's telephone number, including area code)**

**Not Applicable**
**(Former name, former address and former fiscal year, if changed since last report)**

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

| Title of each class | Trading Symbol | Name of each exchange on which registered |
|---|---|---|
| Common Stock, par value $.01 per share | MD | New York Stock Exchange |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ☑ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| | | Emerging growth company | ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

On October 28, 2022, the registrant had outstanding 83,069,757 shares of Common Stock, par value $.01 per share.

Pediatrix Medical Group, Inc.

## INDEX

**Pediatrix Medical Group, Inc.**
**Consolidated Balance Sheets**
**(in thousands)**
**(Unaudited)**

| | September 30, 2022 | December 31, 2021 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 8,668 | $ 387,391 |
| Short-term investments | 91,396 | 99,715 |
| Accounts receivable, net | 294,351 | 301,775 |
| Prepaid expenses | 9,664 | 18,538 |
| Income taxes receivable | 9,729 | 14,249 |
| Other current assets | 9,899 | 18,896 |
| Total current assets | 423,707 | 840,564 |
| Property and equipment, net | 71,656 | 70,154 |
| Goodwill | 1,532,092 | 1,505,430 |
| Intangible assets, net | 19,534 | 21,565 |
| Operating and finance lease right-of-use assets | 69,346 | 65,461 |
| Deferred income tax assets | 97,899 | 88,344 |
| Other assets | 117,723 | 131,028 |
| Total assets | $ 2,331,957 | $ 2,722,546 |
| **LIABILITIES AND EQUITY** | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | $ 306,460 | $ 394,118 |
| Current portion of long-term debt and finance lease liabilities | 14,919 | 2,490 |
| Current portion of operating lease liabilities | 22,654 | 19,684 |
| Income taxes payable | 7,661 | 11,074 |
| Total current liabilities | 351,694 | 427,366 |
| Line of credit | 95,000 | — |
| Long-term debt and finance lease liabilities, net | 636,004 | 1,002,258 |
| Long-term operating lease liabilities | 45,559 | 41,396 |
| Long-term professional liabilities | 262,626 | 271,093 |
| Deferred income tax liabilities | 39,904 | 41,409 |
| Other liabilities | 42,503 | 42,332 |
| Total liabilities | 1,473,290 | 1,825,854 |
| Commitments and contingencies | | |
| Shareholders' equity: | | |
| Preferred stock; $.01 par value; 1,000 shares authorized; none issued | — | — |
| Common stock; $.01 par value; 200,000 shares authorized; 83,006 and 86,423 shares issued and outstanding, respectively | 830 | 864 |
| Additional paid-in capital | 980,659 | 1,049,696 |
| Accumulated other comprehensive (loss) income | (4,100) | 1,317 |
| Retained deficit | (118,722) | (155,390) |
| Total Pediatrix Medical Group, Inc. shareholders' equity | 858,667 | 896,487 |
| Noncontrolling interest | — | 205 |
| Total equity | 858,667 | 896,692 |
| Total liabilities and equity | $ 2,331,957 | $ 2,722,546 |

*The accompanying notes are an integral part of these Consolidated Financial Statements.*

**Pediatrix Medical Group, Inc.**
**Consolidated Statements of Income**
**(in thousands, except per share data)**
**(Unaudited)**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Net revenue | $ 489,915 | $ 492,949 | $ 1,458,177 | $ 1,412,661 |
| Operating expenses: | | | | |
| Practice salaries and benefits | 342,850 | 328,759 | 1,016,762 | 964,806 |
| Practice supplies and other operating expenses | 31,857 | 26,122 | 90,189 | 72,516 |
| General and administrative expenses | 57,888 | 66,892 | 180,340 | 204,376 |
| Gain on sale of building | — | — | — | (7,280) |
| Depreciation and amortization | 8,956 | 8,151 | 26,500 | 24,288 |
| Transformational and restructuring related expenses | 977 | 4,232 | 7,736 | 19,042 |
| Total operating expenses | 442,528 | 434,156 | 1,321,527 | 1,277,748 |
| Income from operations | 47,387 | 58,793 | 136,650 | 134,913 |
| Investment and other income | 617 | 1,686 | 2,336 | 11,829 |
| Interest expense | (9,516) | (17,595) | (29,743) | (52,119) |
| Loss on early extinguishment of debt | — | — | (57,016) | (14,532) |
| Equity in earnings of unconsolidated affiliate | 371 | 550 | 1,319 | 1,622 |
| Total non-operating expenses | (8,528) | (15,359) | (83,104) | (53,200) |
| Income from continuing operations before income taxes | 38,859 | 43,434 | 53,546 | 81,713 |
| Income tax provision | (10,051) | (11,594) | (14,982) | (14,002) |
| Income from continuing operations | 28,808 | 31,840 | 38,564 | 67,711 |
| Income (loss) from discontinued operations, net of tax | 1,920 | (1,052) | (1,892) | 15,716 |
| Net income | 30,728 | 30,788 | 36,672 | 83,427 |
| Net loss attributable to noncontrolling interest | — | 7 | 4 | 21 |
| Net income attributable to Pediatrix Medical Group, Inc. | $ 30,728 | $ 30,795 | $ 36,676 | $ 83,448 |
| Per common and common equivalent share data: | | | | |
| Income from continuing operations: | | | | |
| Basic | $ 0.35 | $ 0.37 | $ 0.46 | $ 0.80 |
| Diluted | $ 0.35 | $ 0.37 | $ 0.45 | $ 0.79 |
| Income (loss) from discontinued operations: | | | | |
| Basic | $ 0.02 | $ (0.01) | $ (0.02) | $ 0.18 |
| Diluted | $ 0.02 | $ (0.01) | $ (0.02) | $ 0.18 |
| Net income attributable to Pediatrix Medical Group, Inc.: | | | | |
| Basic | $ 0.37 | $ 0.36 | $ 0.44 | $ 0.98 |
| Diluted | $ 0.37 | $ 0.36 | $ 0.43 | $ 0.97 |
| Weighted average common shares: | | | | |
| Basic | 82,126 | 85,065 | 84,122 | 84,754 |
| Diluted | 82,776 | 86,096 | 84,821 | 85,759 |

*The accompanying notes are an integral part of these Consolidated Financial Statements.*

# Pediatrix Medical Group, Inc.
# Consolidated Statements of Equity
# (in thousands)

| | Common Stock | | | | | |
|---|---|---|---|---|---|---|
| | Number of Shares | Amount | Additional Paid-in Capital | Accumulated Other Comprehensive Income (Loss) | Retained Deficit[1] | Total Equity |
| **2022** | | | | | | |
| Balance at January 1, 2022 | 86,423 | $ 864 | $ 1,049,696 | $ 1,317 | $ (155,185) | 896,692 |
| Net loss | — | — | — | — | (21,188) | (21,188) |
| Dissolution of and net loss attributable to noncontrolling interest (1) | — | — | 10 | — | (213) | (203) |
| Unrealized holding loss on investments, net of tax | — | — | — | (2,668) | — | (2,668) |
| Common stock issued under employee stock option, employee stock purchase plan and stock purchase plan | 50 | — | 1,174 | — | — | 1,174 |
| Issuance of restricted stock | 766 | 8 | (8) | — | — | — |
| Forfeitures of restricted stock | (5) | — | — | — | — | — |
| Stock-based compensation expense | — | — | 4,435 | — | — | 4,435 |
| Repurchased common stock | (50) | — | (1,166) | — | — | (1,166) |
| Balance at March 31, 2022 | 87,184 | $ 872 | $ 1,054,141 | $ (1,351) | $ (176,586) | $ 877,076 |
| Net income | — | — | — | — | 27,136 | 27,136 |
| Unrealized holding loss on investments, net of tax | — | — | — | (1,234) | — | (1,234) |
| Common stock issued under employee stock option, employee stock purchase plan and stock purchase plan | 82 | 1 | 1,663 | — | — | 1,664 |
| Issuance of restricted stock | 74 | 1 | (1) | — | — | — |
| Forfeitures of restricted stock | (5) | — | — | — | — | — |
| Stock-based compensation expense | — | — | 5,186 | — | — | 5,186 |
| Repurchased common stock | (3,275) | (33) | (64,365) | — | — | (64,398) |
| Balance at June 30, 2022 | 84,060 | $ 841 | $ 996,624 | $ (2,585) | $ (149,450) | $ 845,430 |
| Net income | — | — | — | — | 30,728 | 30,728 |
| Unrealized holding loss on investments, net of tax | — | — | — | (1,515) | — | (1,515) |
| Common stock issued under employee stock option, employee stock purchase plan and stock purchase plan | 74 | 1 | 1,380 | — | — | 1,381 |
| Issuance of restricted stock | 1 | — | — | — | — | — |
| Forfeitures of restricted stock | (8) | (1) | 1 | — | — | — |
| Stock-based compensation expense | — | — | 4,120 | — | — | 4,120 |
| Repurchased common stock | (1,121) | (11) | (21,466) | — | — | (21,477) |
| Balance at September 30, 2022 | 83,006 | $ 830 | $ 980,659 | $ (4,100) | $ (118,722) | $ 858,667 |
| **2021** | | | | | | |
| Balance at January 1, 2021 | 85,593 | $ 856 | $ 1,029,453 | $ 3,530 | $ (286,122) | $ 747,717 |
| Net income | — | — | — | — | 17,642 | 17,642 |
| Net loss attributable to noncontrolling interest (1) | — | — | — | — | (8) | (8) |
| Unrealized holding loss on investments, net of tax | — | — | — | (1,133) | — | (1,133) |
| Common stock issued under employee stock option, employee stock purchase plan and stock purchase plan | 52 | — | 1,042 | — | — | 1,042 |
| Issuance of restricted stock | 660 | 7 | (7) | — | — | — |
| Forfeitures of restricted stock | (13) | — | — | — | — | — |
| Stock-based compensation expense | — | — | 3,717 | — | — | 3,717 |
| Repurchased common stock | (82) | (1) | (1,993) | — | — | (1,994) |
| Balance at March 31, 2021 | 86,210 | $ 862 | $ 1,032,212 | $ 2,397 | $ (268,488) | $ 766,983 |
| Net income | — | — | — | — | 35,011 | 35,011 |
| Net loss attributable to noncontrolling interest (1) | — | — | — | — | (6) | (6) |
| Unrealized holding gain on investments, net of tax | — | — | — | 116 | — | 116 |
| Common stock issued under employee stock option, employee stock purchase plan and stock purchase plan | 71 | 1 | 1,535 | — | — | 1,536 |
| Issuance of restricted stock | 69 | 1 | (1) | — | — | — |
| Forfeitures of restricted stock | (5) | (1) | 1 | — | — | — |
| Stock-based compensation expense | — | — | 5,735 | — | — | 5,735 |
| Repurchased common stock | (8) | — | (251) | — | — | (251) |
| Balance at June 30, 2021 | 86,337 | $ 863 | $ 1,039,231 | $ 2,513 | $ (233,483) | $ 809,124 |
| Net income | — | — | — | — | 30,795 | 30,795 |
| Net loss attributable to noncontrolling interest (1) | — | — | — | — | (7) | (7) |
| Unrealized holding gain on investments, net of tax | — | — | — | (290) | — | (290) |
| Common stock issued under employee stock option, employee stock purchase plan and stock purchase plan | 148 | 2 | 3,032 | — | — | 3,034 |
| Stock-based compensation expense | — | — | 5,495 | — | — | 5,495 |
| Repurchased common stock | (83) | (1) | (2,473) | — | — | (2,474) |
| Balance at September 30, 2021 | 86,402 | $ 864 | $ 1,045,285 | $ 2,223 | $ (202,695) | $ 845,677 |

(1) Net loss component is presented within retained deficit on the consolidated balance sheet as the balance is immaterial.

*The accompanying notes are an integral part of these Consolidated Financial Statements.*

**Pediatrix Medical Group, Inc.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(in thousands)**
**(Unaudited)**

| | Nine Months Ended September 30, 2022 | Nine Months Ended September 30, 2021 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income | $ 36,676 | $ 83,448 |
| Loss (income) from discontinued operations | 1,892 | (15,716) |
| Adjustments to reconcile net income to net cash from operating activities: | | |
| Depreciation and amortization | 26,500 | 24,288 |
| Amortization of premiums, discounts and issuance costs | 1,346 | 3,520 |
| Loss on early extinguishment of debt | 57,016 | 14,532 |
| Stock-based compensation expense | 12,891 | 14,947 |
| Deferred income taxes | (8,702) | (30,191) |
| Other | (2,379) | (1,639) |
| Gain on sale of building | — | (7,280) |
| Changes in assets and liabilities: | | |
| Accounts receivable | (501) | (42,027) |
| Prepaid expenses and other current assets | 22,709 | 26,391 |
| Other long-term assets | 11,160 | 9,412 |
| Accounts payable and accrued expenses | (76,439) | (5,316) |
| Income taxes | 799 | (16,391) |
| Long-term professional liabilities | 7,360 | 557 |
| Other liabilities | (10,309) | (19,817) |
| Net cash provided by operating activities – continuing operations | 80,019 | 38,718 |
| Net cash used in operating activities - discontinued operations | (11,764) | (6,217) |
| Net cash provided by operating activities | 68,255 | 32,501 |
| Cash flows from investing activities: | | |
| Acquisition payments, net of cash acquired | (28,167) | (19,550) |
| Purchases of investments | (14,938) | (11,431) |
| Proceeds from maturities or sales of investments | 15,889 | 15,495 |
| Purchases of property and equipment | (20,650) | (29,081) |
| Proceeds from sale of building | — | 24,728 |
| Strategic investments | — | (20,000) |
| Other | 2,153 | — |
| Net cash used in investing activities – continuing operations | (45,713) | (39,839) |
| Net cash provided by investing activities - discontinued operations | — | 2,350 |
| Net cash used in investing activities | (45,713) | (37,489) |
| Cash flows from financing activities: | | |
| Borrowings on revolving credit line | 674,500 | — |
| Payments on revolving credit line | (579,500) | — |
| Payments on term loan | (6,250) | — |
| Redemption of senior notes, including call premium | (1,046,880) | (759,848) |
| Proceeds from senior notes and term loan | 650,000 | — |
| Payments for financing costs | (8,621) | — |
| Payments on finance lease obligations | (2,176) | (1,796) |
| Proceeds from issuance of common stock | 4,220 | 5,611 |
| Repurchases of common stock | (87,041) | (4,719) |
| Other | 483 | (189) |
| Net cash used in financing activities – continuing operations | (401,265) | (760,941) |
| Net cash used in financing activities - discontinued operations | — | — |
| Net cash used in financing activities | (401,265) | (760,941) |
| Net decrease in cash and cash equivalents | (378,723) | (765,929) |
| Cash and cash equivalents at beginning of period | 387,391 | 1,123,843 |
| Cash and cash equivalents at end of period | $ 8,668 | $ 357,914 |

*The accompanying notes are an integral part of these Consolidated Financial Statements.*

**1. Basis of Presentation:**

On July 1, 2022, effective after the close of the market, the Company changed its corporate name from "Mednax, Inc." to "Pediatrix Medical Group, Inc." signifying the Company's return to its core focus in caring for women, babies and children. The Company's common stock continues to trade on the New York Stock Exchange under the ticker symbol "MD."

The accompanying unaudited Consolidated Financial Statements of the Company and the notes thereto presented in this Form 10-Q have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC") applicable to interim financial statements, and do not include all disclosures required by accounting principles generally accepted in the United States of America ("GAAP") for complete financial statements. In the opinion of management, these financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results of interim periods. The financial statements include all the accounts of Pediatrix Medical Group, Inc. and its consolidated subsidiaries (collectively, "PMG") together with the accounts of PMG's affiliated business corporations or professional associations, professional corporations, limited liability companies and partnerships (the "affiliated professional contractors"). Certain subsidiaries of PMG have contractual management arrangements with its affiliated professional contractors, which are separate legal entities that provide physician services in certain states and Puerto Rico. The terms "Pediatrix" and the "Company" refer collectively to Pediatrix Medical Group Inc., its subsidiaries and the affiliated professional contractors.

The Company is a party to a joint venture in which it owns a 37.5% economic interest. The Company accounts for this joint venture under the equity method of accounting because the Company exercises significant influence over, but does not control, this entity. The Company was also a party to another joint venture in which it owned a 51% economic interest and for which it was deemed the primary beneficiary. This joint venture was dissolved in February 2022. The operating results related to this joint venture prior to the dissolution and impacts from such dissolution were not material.

The consolidated results of operations for the interim periods presented are not necessarily indicative of the results to be experienced for the entire fiscal year. In addition, the accompanying unaudited Consolidated Financial Statements and the notes thereto should be read in conjunction with the Consolidated Financial Statements and the notes thereto included in the Company's most recent Annual Report on Form 10-K (the "Form 10-K").

**2. Coronavirus Pandemic ("COVID-19"):**

COVID-19 has had an impact on the demand for medical services provided by the Company's affiliated clinicians. Beginning in mid-March 2020 and throughout the second quarter of 2020, the Company's operating results were significantly impacted by COVID-19, but volumes began to normalize in mid-2020 and substantially recovered throughout 2020 with no material impacts from COVID-19 or its variants in 2021 or thus far in 2022. However, due to the continued uncertainties surrounding the timeline of and impacts from COVID-19 and with multiple variant strains still circulating, the Company is unable to predict the ultimate impact of COVID-19 on its business, financial condition, results of operations, cash flows and the trading price of its securities at this time.

***CARES Act***

In March 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was signed into law. The CARES Act is a relief package intended to assist many aspects of the American economy, including providing financial aid to the healthcare industry to reimburse healthcare providers for lost revenue and expenses attributable to COVID-19. The Department of Health and Human Services ("HHS") is administering this program and began disbursing funds in April 2020, of which the Company's affiliated physician practices within continuing operations recognized an aggregate of $11.4 million and $7.7 million during the nine months ended September 30, 2022 and 2021, respectively.

**3. Cash Equivalents and Investments:**

As of September 30, 2022 and December 31, 2021, the Company's cash equivalents consisted entirely of money market funds totaling $2.2 million and $2.4 million, respectively.

Investments held are all classified as current and at September 30, 2022 and December 31, 2021 are summarized as follows (in thousands):

| | September 30, 2022 | December 31, 2021 |
|---|---|---|
| Corporate securities | $ 62,090 | $ 72,964 |
| Municipal debt securities | 14,320 | 13,215 |
| U.S. Treasury securities | 7,747 | 5,205 |
| Certificates of deposit | 3,701 | 4,404 |
| Federal home loan securities | 3,538 | 3,927 |
| | $ 91,396 | $ 99,715 |

**4. Fair Value Measurements:**

The accounting guidance establishes a fair value hierarchy that prioritizes valuation inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of three levels:

Level 1 – inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.

Level 2 – inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The following table presents information about the Company's financial instruments that are accounted for at fair value on a recurring basis at September 30, 2022 and December 31, 2021 (in thousands):

| | Fair Value Category | Fair Value | |
|---|---|---|---|
| | | September 30, 2022 | December 31, 2021 |
| Assets: | | | |
| Money market funds | Level 1 | $ 2,178 | $ 2,442 |
| Short-term investments | Level 2 | 91,396 | 99,715 |
| Mutual Funds | Level 1 | 13,650 | 18,542 |

The following table presents information about the Company's financial instruments that are not carried at fair value at September 30, 2022 and December 31, 2021 (in thousands):

| | September 30, 2022 | | December 31, 2021 | |
|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Liabilities: | | | | |
| 2027 Notes | $ - | $ - | $ 1,000,000 | $ 1,047,190 |
| 2030 Notes | $ 400,000 | $ 328,000 | $ - | $ - |

The Company redeemed the full principal balance of its 6.25% senior unsecured notes due 2027 (the "2027 Notes") in February 2022.

The carrying amounts of cash equivalents, accounts receivable and accounts payable and accrued expenses approximate fair value due to the short maturities of the respective instruments.

**5. Accounts Receivable and Net Revenue:**

Accounts receivable, net consists of the following (in thousands):

| | September 30, 2022 | December 31, 2021 |
|---|---|---|
| Gross accounts receivable | $ 1,499,499 | $ 1,393,584 |
| Allowance for contractual adjustments and uncollectibles | (1,205,148) | (1,091,809) |
| | $ 294,351 | $ 301,775 |

Patient service revenue is recognized at the time services are provided by the Company's affiliated physicians. The Company's performance obligations related to the delivery of services to patients are satisfied at the time of service. Accordingly, there are no performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period with respect to patient service revenue. Almost all of the Company's patient service revenue is reimbursed by government-sponsored healthcare programs ("GHC Programs") and third-party insurance payors. Payments for services rendered to the Company's patients are generally less than billed charges. The Company monitors its revenue and receivables from these sources and records an estimated contractual allowance to properly account for the anticipated differences between billed and reimbursed amounts.

Accordingly, patient service revenue is presented net of an estimated provision for contractual adjustments and uncollectibles. The Company estimates allowances for contractual adjustments and uncollectibles on accounts receivable based upon historical experience and other factors, including days sales outstanding ("DSO") for accounts receivable, evaluation of expected adjustments and delinquency rates, past adjustments and collection experience in relation to amounts billed, an aging of accounts receivable, current contract and reimbursement terms, changes in payor mix and other relevant information. Contractual adjustments result from the difference between the physician rates for services performed and the reimbursements by GHC Programs and third-party insurance payors for such services.

Collection of patient service revenue the Company expects to receive is normally a function of providing complete and correct billing information to the GHC Programs and third-party insurance payors within the various filing deadlines and typically occurs within 30 to 60 days of billing.

Some of the Company's hospital agreements require hospitals to pay the Company administrative fees. Some agreements provide for fees if the hospital does not generate sufficient patient volume in order to guarantee that the Company receives a specified minimum revenue level. The Company also receives fees from hospitals for administrative services performed by its affiliated physicians providing medical director or other services at the hospital.

The following table summarizes the Company's net revenue by category (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Net patient service revenue | $ 421,085 | $ 432,854 | $ 1,245,627 | $ 1,226,866 |
| Hospital contract administrative fees | 67,418 | 59,491 | 196,425 | 175,462 |
| Other revenue | 1,412 | 604 | 16,125 | 10,333 |
| | $ 489,915 | $ 492,949 | $ 1,458,177 | $ 1,412,661 |

The approximate percentage of net patient service revenue by type of payor was as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Contracted managed care | 65 % | 69 % | 67 % | 69 % |
| Government | 28 | 26 | 26 | 25 |
| Other third-parties | 5 | 3 | 5 | 4 |
| Private-pay patients | 2 | 2 | 2 | 2 |
| | 100 % | 100 % | 100 % | 100 % |

## 6. Business Combinations and Discontinued Operations:

*Business Combinations*

During the nine months ended September 30, 2022, the Company completed the acquisition of one multi-location pediatric urgent care practice and one pediatric gastroenterology and gynecology practice for total consideration of $31.3 million, of which $26.5 million was paid in cash at closing and $4.8 million is recorded as contingent consideration liabilities. These acquisitions expanded the Company's national network of physician practices across women's and children's services and particularly its entry into the pediatric primary and urgent care service line. In connection with these acquisitions, the Company recorded tax deductible goodwill of $26.7 million, other intangible assets consisting primarily of physician and hospital agreements of $2.3 million, fixed assets of $2.2 million and other non-current assets of $0.1 million.

*Discontinued Operations*

The Company divested its anesthesiology services medical group in May 2020. During the nine months ended September 30, 2022, the Company recorded a net increase to the loss on sale of $0.9 million, primarily for certain transaction related true ups. During the nine months ended September 30, 2021, the Company recorded a net decrease to the loss on sale of $19.0 million. The decrease to the loss on sale during the nine months ended September 30, 2021 primarily related to an adjustment to the sales proceeds and book values of net assets sold resulting from a mutual agreement between the buyer and seller to treat a portion of the divestiture as an asset sale for tax purposes and the disposal of the single anesthesia practice that remained after the divestiture of the anesthesiology medical group in May 2020. The net changes to the loss on sale are reflected as a component of discontinued operations, net of income taxes, in the Company's Consolidated Statements of Income for the three and nine months ended September 30, 2022 and 2021 as relevant.

The Company's continuing operations financial statements for the nine months ended September 30, 2021 reflect the Company's best estimate of the income tax effects associated with the asset sale change. These estimates include an increase in income tax receivable of $24.0 million, of which $9.0 million is related to loss carryback provisions enacted under the CARES Act, an increase in deferred tax assets of $17.0 million and a reduction to capital loss carryforwards and offsetting valuation allowance of $37.0 million.

The Company divested its radiology services medical group in December 2020. During the nine months ended September 30, 2022 and 2021, the Company recorded net increases of $1.0 million and $3.3 million to the loss on sale, respectively, primarily for certain transaction related true ups, with the loss for the nine months ended September 30, 2022 representing the Company's best estimate of the final working capital true up that is expected to be settled during 2022. The net changes to the loss on sale are reflected as a component of discontinued operations, net of income taxes, in the Company's Consolidated Statements of Income for the three and nine months ended September 30, 2022 and 2021 as relevant.

## 7. Accounts Payable and Accrued Expenses:

Accounts payable and accrued expenses consist of the following (in thousands):

| | September 30, 2022 | December 31, 2021 |
|---|---|---|
| Accounts payable | $27,136 | $36,645 |
| Accrued salaries and incentive compensation | 142,515 | 213,974 |
| Accrued payroll taxes and benefits | 37,191 | 34,994 |
| Accrued professional liabilities | 32,072 | 37,729 |
| Accrued interest | 3,520 | 29,052 |
| Accrued contingent consideration | 2,022 | — |
| Other accrued expenses | 62,004 | 41,724 |
| | $306,460 | $394,118 |

The net decrease in accrued salaries and incentive compensation of $71.5 million, from December 31, 2021 to September 30, 2022, is primarily due to the payment of performance-based incentive compensation, principally to the Company's affiliated physicians, partially offset by performance-based incentive compensation accrued during the nine months ended September 30, 2022. A majority of the Company's payments for performance-based incentive compensation is paid annually during the first quarter.

## 8. Line of Credit and Long Term Debt:

On February 11, 2022, the Company issued $400.0 million of 5.375% unsecured senior notes due 2030 (the "2030 Notes"). The Company used the net proceeds from the issuance of the 2030 Notes, together with $100.0 million drawn under the Revolving Credit Line (as defined below), $250.0 million of Term A Loan (as defined below) and approximately $308.0 million of cash on hand, to redeem (the "Redemption") the 2027 Notes, which had an outstanding principal balance of $1.0 billion, and to pay costs, fees and expenses associated with the Redemption and the Credit Agreement Amendment (as defined below).

Interest on the 2030 Notes accrues at the rate of 5.375% per annum, or $21.5 million, and is payable semi-annually in arrears on February 15 and August 15, beginning on August 15, 2022. The Company's obligations under the 2030 Notes are guaranteed on an unsecured senior basis by the same subsidiaries and affiliated professional contractors that guarantee the Amended Credit Agreement (as defined below). The indenture under which the 2030 Notes are issued, among other things, limits the Company's ability to (1) incur liens and (2) enter into sale and lease-back transactions, and also limits the Company's ability to merge or dispose of all or substantially all of its assets, in all cases, subject to a number of customary exceptions. Although the Company is not required to make mandatory redemption or sinking fund payments with respect to the 2030 Notes, upon the occurrence of a change in control, the Company may be required to repurchase the 2030 Notes at a purchase price equal to 101% of the aggregate principal amount of the 2030 Notes repurchased plus accrued and unpaid interest.

Also in connection with the Redemption, the Company amended and restated its credit agreement (the "Credit Agreement"), and such amendment and restatement (the "Credit Agreement Amendment"), concurrently with the issuance of the 2030 Notes. The Credit Agreement, as amended by the Credit Agreement Amendment (the "Amended Credit Agreement"), among other things, (i) refinanced the prior unsecured revolving credit facility with a $450 million unsecured revolving credit facility, including a $37.5 million sub-facility for the issuance of letters of credit (the "Revolving Credit Line"), and a new $250 million term A loan facility ("Term A Loan") and (ii) removed JPMorgan Chase Bank, N.A., as the administrative agent under the Credit Agreement and appointed Bank of America, N.A. as the administrative agent for the lenders under the Amended Credit Agreement.

The Amended Credit Agreement matures on February 11, 2027 and is guaranteed on an unsecured basis by substantially all of the Company's subsidiaries and affiliated professional contractors. At the Company's option, borrowings under the Amended Credit Agreement bear interest at (i) the Alternate Base Rate (defined as the highest of (a) the prime rate as announced by Bank of America, N.A., (b) the Federal Funds Rate plus 0.50% and (c) Term Secured Overnight Financing Rate ("SOFR") for an interest period of one month plus 1.00% with a 1.00% floor) plus an applicable margin rate of 0.50% for the first two fiscal quarters after the date of the Credit Agreement Amendment, and thereafter at an applicable margin rate ranging from 0.125% to 0.750% based on the Company's consolidated net leverage ratio or (ii) Term SOFR rate (calculated as the Secured Overnight Financing Rate published on the applicable Reuters screen page plus a spread adjustment of 0.10%, 0.15% or 0.25% depending on if the Company selects a one-month, three-month or six-month interest period, respectively, for the applicable loan with a 0% floor), plus an applicable margin rate of 1.50% for the first two full fiscal quarters after the date of the Credit Agreement Amendment, and thereafter at an applicable margin rate ranging from 1.125% to 1.750% based on the Company's consolidated net leverage ratio. The Amended Credit Agreement also provides for other customary fees and charges, including an unused commitment fee with respect to the Revolving Credit Line ranging from 0.150% to 0.200% of the unused lending commitments under the Revolving Credit Line, based on the Company's consolidated net leverage ratio.

The Amended Credit Agreement contains customary covenants and restrictions, including covenants that require the Company to maintain a minimum interest coverage ratio, a maximum consolidated total consolidated net leverage ratio and to comply with laws, and restrictions on the ability to pay dividends, incur indebtedness or liens and make certain other distributions subject to baskets and exceptions, in each case, as specified therein. Failure to comply with these covenants would constitute an event of default under the Amended Credit Agreement, notwithstanding the ability of the Company to meet its debt service obligations. The Amended Credit Agreement includes various customary remedies for the lenders following an event of default, including the acceleration of repayment of outstanding amounts under the Amended Credit Agreement. In addition, the Company may increase the principal amount of the Revolving Credit Line or incur additional term loans under the Amended Credit Agreement in an aggregate principal amount such that on a pro forma basis after giving effect to such increase or additional term loans, the Company would be in compliance with the financial covenants, subject to the satisfaction of specified conditions and additional caps in the event that the Amended Credit Agreement is secured.

At September 30, 2022, the Company had an outstanding principal balance on the Amended Credit Agreement of $338.8 million, composed of $243.8 million under the Term A Loan and $95.0 million under the Revolving Credit Line. The Company had $355.0 million available on its Amended Credit Agreement at September 30, 2022.

At September 30, 2022, the Company had an outstanding principal balance of $400.0 million on the 2030 Notes.

**9. Common and Common Equivalent Shares:**

Basic net income per common share is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted net income per common share is calculated by dividing net income by the weighted average number of common and potential common shares outstanding during the period. Potential common shares consist of outstanding restricted stock and stock options and is calculated using the treasury stock method.

The calculation of shares used in the basic and diluted net income per common share calculation for the three and nine months ended September 30, 2022 and 2021 is as follows (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Weighted average number of common shares outstanding | 82,126 | 85,065 | 84,122 | 84,754 |
| Weighted average number of dilutive common share equivalents | 650 | 1,031 | 699 | 1,005 |
| Weighted average number of common and common equivalent shares outstanding | 82,776 | 86,096 | 84,821 | 85,759 |
| Antidilutive securities not included in the diluted net income per common share calculation | 1 | 1 | 273 | 10 |

**10. Stock Incentive Plans and Stock Purchase Plans:**

The Company's Amended and Restated 2008 Incentive Compensation Plan (the "Amended and Restated 2008 Incentive Plan") provides for grants of stock options, stock appreciation rights, restricted stock, deferred stock, and other stock-related awards and performance awards that may be settled in cash, stock or other property.

Under the Amended and Restated 2008 Incentive Plan, options to purchase shares of common stock may be granted at a price not less than the fair market value of the shares on the date of grant. The options must be exercised within 10 years from the date of grant and generally become exercisable on a pro rata basis over a three-year period from the date of grant. The Company issues new shares of its common stock upon exercise of its stock options. Restricted stock awards generally vest over periods of three years upon the fulfillment of specified service-based conditions and in certain instances performance-based conditions. Deferred stock awards generally vest upon the satisfaction of specified performance-based conditions and service-based conditions. The Company recognizes compensation expense related to its restricted stock and deferred stock awards ratably over the corresponding vesting periods. During the nine months ended September 30, 2022, the Company granted 0.8 million shares of restricted stock to its employees and non-employee directors under the Amended and Restated 2008 Incentive Plan. At September 30, 2022, the Company had 9.2 million shares available for future grants and awards under the Amended and Restated 2008 Incentive Plan.

Under the Company's Amended and Restated 1996 Non-Qualified Employee Stock Purchase Plan, as amended (the "ESPP"), employees are permitted to purchase the Company's common stock at 85% of market value on January 1st, April 1st, July

1st and October 1st of each year. Under the Company’s 2015 Non-Qualified Stock Purchase Plan (the “SPP”), certain eligible non-employee service providers are permitted to purchase the Company’s common stock at 90% of market value on January 1st, April 1st, July 1st and October 1st of each year.

The Company recognizes stock-based compensation expense for the discount received by participating employees and non-employee service providers. During the nine months ended September 30, 2022, approximately 0.3 million shares were issued under the ESPP. At September 30, 2022, the Company had approximately 2.6 million shares reserved for issuance under the ESPP. At September 30, 2022, the Company had approximately 61,000 shares in the aggregate reserved for issuance under the SPP. No shares have been issued under the SPP since 2020.

During the three and nine months ended September 30, 2022 and 2021, the Company recognized stock-based compensation expense of $4.1 million and $12.9 million and $5.5 million and $15.0 million, respectively.

**11. Common Stock Repurchase Programs:**

In July 2013, the Company’s Board of Directors authorized the repurchase of shares of the Company’s common stock up to an amount sufficient to offset the dilutive impact from the issuance of shares under the Company’s equity compensation programs. The share repurchase program allows the Company to make open market purchases from time-to-time based on general economic and market conditions and trading restrictions. The repurchase program also allows for the repurchase of shares of the Company’s common stock to offset the dilutive impact from the issuance of shares, if any, related to the Company’s acquisition program. No shares were purchased under this program during the nine months ended September 30, 2022.

In August 2018, the Company announced that its Board of Directors had authorized the repurchase of up to $500.0 million of the Company’s common stock in addition to its existing share repurchase program, of which $94.0 million remained available for repurchase as of December 31, 2021. Under this share repurchase program, during the nine months ended September 30, 2022, the Company purchased 4.4 million shares of its common stock for $87.0 million, including an immaterial number of shares withheld to satisfy minimum statutory withholding obligations in connection with the vesting of restricted stock.

The Company intends to utilize various methods to effect any future share repurchases, including, among others, open market purchases and accelerated share repurchase programs. The amount and timing of repurchases will depend upon several factors, including general economic and market conditions and trading restrictions.

**12. Commitments and Contingencies:**

The Company expects that audits, inquiries and investigations from government authorities and agencies will occur in the ordinary course of business. Such audits, inquiries and investigations and their ultimate resolutions, individually or in the aggregate, could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows and the trading price of its securities. The Company has not included an accrual for these matters as of September 30, 2022 in its Consolidated Financial Statements, as the variables affecting any potential eventual liability depend on the currently unknown facts and circumstances that arise out of, and are specific to, any particular future audit, inquiry and investigation and cannot be reasonably estimated at this time.

In the ordinary course of business, the Company becomes involved in pending and threatened legal actions and proceedings, most of which involve claims of medical malpractice related to medical services provided by the Company's affiliated physicians. The Company's contracts with hospitals generally require the Company to indemnify them and their affiliates for losses resulting from the negligence of the Company's affiliated physicians. The Company may also become subject to other lawsuits which could involve large claims and significant costs. The Company believes, based upon a review of pending actions and proceedings, that the outcome of such legal actions and proceedings will not have a material adverse effect on its business, financial condition, results of operations, cash flows and the trading price of its securities. The outcome of such actions and proceedings, however, cannot be predicted with certainty and an unfavorable resolution of one or more of them could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows and the trading price of its securities.

Although the Company currently maintains liability insurance coverage intended to cover professional liability and certain other claims, the Company cannot assure that its insurance coverage will be adequate to cover liabilities arising out of claims asserted against it in the future where the outcomes of such claims are unfavorable. With respect to professional liability risk, the Company generally self-insures a portion of this risk through its wholly owned captive insurance subsidiary. Liabilities in excess of the Company's insurance coverage, including coverage for professional liability and certain other claims, could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows and the trading price of its securities.

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

The following discussion highlights the principal factors that have affected our financial condition and results of operations, as well as our liquidity and capital resources, for the periods described. This discussion should be read in conjunction with the unaudited Consolidated Financial Statements and the notes thereto included in this Quarterly Report. In addition, reference is made to our audited consolidated financial statements and notes thereto and related Management’s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, filed with the Securities and Exchange Commission on February 17, 2022 (the “2021 Form 10-K”). As used in this Quarterly Report, the terms “Pediatrix”, the “Company”, “we”, “us” and “our” refer to the parent company, Pediatrix Medical Group, Inc., a Florida corporation, and the consolidated subsidiaries through which its businesses are actually conducted (collectively, “PMG”), together with PMG’s affiliated business corporations or professional associations, professional corporations, limited liability companies and partnerships (“affiliated professional contractors”). Certain subsidiaries of PMG have contracts with our affiliated professional contractors, which are separate legal entities that provide physician services in certain states and Puerto Rico. The following discussion contains forward-looking statements. Please see the Company’s 2021 Form 10-K, including Item 1A, Risk Factors, for a discussion of the uncertainties, risks and assumptions associated with these forward-looking statements. In addition, please see “Caution Concerning Forward-Looking Statements” below.

### Company Name Change

On July 1, 2022, effective after the close of the market, we changed our corporate name from "Mednax, Inc." to “Pediatrix Medical Group, Inc." signifying our return to our core focus in caring for women, babies and children.  Our common stock continues to trade on the New York Stock Exchange under the ticker symbol “MD.”

### Overview

Pediatrix is a leading provider of physician services including newborn, maternal-fetal, pediatric cardiology and other pediatric subspecialty care. Our national network is comprised of affiliated physicians who provide clinical care in 37 states and Puerto Rico. Our affiliated physicians provide neonatal clinical care, primarily within hospital-based neonatal intensive care units (“NICUs”), to babies born prematurely or with medical complications; and maternal-fetal and obstetrical medical care to expectant mothers experiencing complicated pregnancies, primarily in areas where our affiliated neonatal physicians practice. Our network also includes other pediatric subspecialists, including those who provide pediatric intensive care, pediatric cardiology care, hospital-based pediatric care, pediatric surgical care, pediatric ear, nose and throat, pediatric ophthalmology, pediatric urology services and pediatric primary and urgent care.

#### *Coronavirus Pandemic ("COVID-19")*

COVID-19 has had an impact on the demand for medical services provided by our affiliated clinicians. Beginning in mid-March 2020 and continuing throughout the second quarter of 2020, our operating results were significantly impacted by COVID-19, but volumes began to normalize in mid-2020 and substantially recovered throughout 2020 with no material impacts from COVID-19 or its variants in 2021 or thus far in 2022.  However, due to the continued uncertainties surrounding the timeline of and impacts from COVID-19 and with multiple variant strains still circulating, we are unable to predict the ultimate impact on our business, financial condition, results of operations, cash flows and the trading price of our securities at this time.

#### *CARES Act*

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was signed into law. The CARES Act is a relief package intended to assist many aspects of the American economy, including providing financial aid to the healthcare industry to reimburse healthcare providers for lost revenue and expenses attributable to COVID-19.  The Department of Health and Human Services (“HHS”) is administering this program, and our affiliated physician practices within continuing operations recognized an aggregate of $11.4 million and $7.7 million of CARES Act relief within miscellaneous revenue during the nine months ended September 30, 2022 and 2021, respectively.

#### *General Economic Conditions and Other Factors*

Our operations and performance depend significantly on economic conditions. During the three months ended September 30, 2022, the percentage of our patient service revenue being reimbursed under government-sponsored healthcare programs (“GHC Programs”) increased as compared to the three months ended September 30, 2021. We could experience additional shifts toward GHC Programs if changes occur in economic behaviors or population demographics within geographic locations in which we provide services, including an increase in unemployment and underemployment as well as losses of commercial health insurance or if there are additional impacts from COVID-19 or its variants. Payments received from GHC Programs are substantially less for equivalent services than payments received from commercial insurance payors. In addition, costs of managed care premiums and patient responsibility amounts continue to rise, and accordingly, we may experience lower net revenue resulting from increased bad debt due to patients’ inability to pay for certain services.

#### *Healthcare Reform*

The Patient Protection and Affordable Care Act (the “ACA”) contains a number of provisions that have affected us and, absent amendment or repeal, may continue to affect us over the next several years.  These provisions include the establishment of health insurance exchanges to facilitate the purchase of qualified health plans, expanded Medicaid eligibility, subsidized insurance premiums and additional requirements and incentives for businesses to provide healthcare benefits. Other provisions have expanded the scope and reach of the Federal Civil False Claims Act and other healthcare fraud and abuse laws. Moreover, we could be affected by potential changes to various aspects of the ACA, including changes to subsidies, healthcare insurance marketplaces and Medicaid expansion.

Despite the ACA going into effect over a decade ago, continuous legal and Congressional challenges to the law's provisions and persisting uncertainty with respect to the scope and effect of certain provisions have made compliance costly. In 2017, Congress unsuccessfully sought to replace substantial parts of the ACA with different mechanisms for facilitating insurance coverage in the commercial and Medicaid markets. Congress may again attempt to enact substantial or target changes to the ACA in the future. Additionally, Centers for Medicare & Medicaid Services ("CMS") has administratively revised a number of provisions and may seek to advance additional significant changes through regulation, guidance and enforcement in the future.

At the end of 2017, Congress repealed the part of the ACA that required most individuals to purchase and maintain health insurance or face a tax penalty, known as the individual mandate. In light of these changes, in December 2018, a federal district court in Texas declared that key portions of the ACA were inconsistent with the U.S. Constitution and that the entire ACA is invalid as a result. Several states appealed this decision, and in December 2019, a federal court of appeals upheld the district court's conclusion that part of the ACA is unconstitutional but remanded for further evaluation whether in light of this defect the entire ACA must be invalidated. Democratic attorneys general and the House appealed the Fifth Circuit's decision to the United States Supreme Court. On March 2, 2020, the United States Supreme Court agreed to hear the case, styled California v. Texas, during the 2020-21 term. Oral arguments took place on November 2, 2020 and on June 17, 2021, the Court held that the plaintiffs lacked standing to challenge the ACA. Notwithstanding the United States Supreme Court's ruling, we cannot say for certain whether there will be future challenges to the ACA or what impact, if any, such challenges may have on our business. Changes resulting from these proceedings could have a material impact on our business.

In late 2020 and early 2021, the results of the federal and state elections changed which persons and parties occupy the Office of the President of the United States and the U.S. Senate and many states' governors and legislatures. The current Administration may propose sweeping changes to the U.S. healthcare system, including expanding government-funded health insurance options, additional Medicaid expansion or replacing current healthcare financing mechanisms with systems that would be entirely administered by the federal government. Any legislative or administrative change to the current healthcare financing system could have a material adverse effect on our financial condition, results of operations, cash flows and the trading price of our securities.

In addition to the potential impacts to the ACA, there could be changes to other GHC Programs, such as a change to the structure of Medicaid or Medicaid payment rates set forth under state law. Historically, Congress and the Administration have sought to convert Medicaid into a block grant or to institute per capita spending caps, among other things. These changes, if implemented, could eliminate the guarantee that everyone who is eligible and applies for benefits would receive them and could potentially give states new authority to restrict eligibility, cut benefits and make it more difficult for people to enroll. Additionally, several states are considering and pursuing changes to their Medicaid programs, such as requiring recipients to engage in employment or education activities as a condition of eligibility for most adults, disenrolling recipients for failure to pay a premium, or adjusting premium amounts based on income. Many states have recently shifted a majority or all of their Medicaid program beneficiaries into Managed Medicaid Plans. Managed Medicaid Plans have some flexibility to set rates for providers, but many states require minimum provider rates in their contracts with such plans. In July of each year, CMS releases the annual Medicaid Managed Care Rate Development Guide which provides federal baseline rules for setting reimbursement rates in managed care plans. We could be affected by lower reimbursement rates in some of all of the Managed Medicaid Plans with which we participate. We could also be materially impacted if we are dropped from the provider network in one or more of the Managed Medicaid Plans with which we currently participate.

We cannot predict with any assurance the ultimate effect of these laws and resulting changes to payments under GHC Programs, nor can we provide any assurance that they will not have a material adverse effect on our business, financial condition, results of operations, cash flows and the trading price of our securities. Further, any fiscal tightening impacting GHC Programs or changes to the structure of any GHC Programs could have a material adverse effect on our financial condition, results of operations, cash flows and the trading price of our securities.

***Medicaid Expansion***

The ACA also allows states to expand their Medicaid programs through federal payments that fund most of the cost of increasing the Medicaid eligibility income limit from a state's historic eligibility levels to 133% of the federal poverty level. To date, 38 states and the District of Columbia have expanded Medicaid eligibility to cover this additional low-income patient population, and other states are considering expansion. All of the states in which we operate, however, already cover children in the first year of life and pregnant women if their household income is at or below 133% of the federal poverty level. Recently, Democrats in Congress have sought to expand Medicaid or Medicaid-like coverage in states that have not yet expanded Medicaid. They also have sought to reduce payments to certain hospitals in some of these states. Additionally, as noted above, Congress is currently considering altering the terms and state remuneration for Medicaid expansion pursuant to the ACA. Should any of these changes take effect, we cannot predict with any assurance the ultimate effect to reimbursements for our services.

***"Surprise" Billing Legislation***

In late 2020, Congress enacted legislation intended to protect patients from "surprise" medical bills when services are furnished by providers who are not in network with the patient's insurer (the "No Surprises Act" or the "NSA"). Effective January 1, 2022, if the patient's insurance plan is subject to the NSA, providers are not permitted to send patients an unexpected or "surprise" medical bill that arises from out-of-network emergency care provided at an out-of-network facility or at in-network facilities by out-of-network providers and out-of-network nonemergency care provided at in-network facilities without the patient's informed consent. Many states have legislation on this topic and will continue to modify and review their laws pertaining to surprise billing.

Under the NSA, patients are only required to pay the in-network cost-sharing amount, which has been determined through an established regulatory formula and will count toward the patient's health plan deductible and out-of-pocket cost-sharing limits. Providers will generally not be permitted to balance bill patients beyond this cost-sharing amount. An out-of-network provider will only be permitted to bill a patient more than the in-network cost-sharing amount for care if the provider gives the patient notice of the provider's network status and delivers to the patient or their health plan an estimate of charges within certain specified timeframes, and obtains the patient's written consent prior to the delivery of care. Providers that violate these surprise billing prohibitions may be subject to state enforcement action or federal civil monetary penalties.

Also under the NSA, out of network providers will be paid an amount determined by the patient's insurer for services rendered in the emergency care setting; if a provider is not satisfied with the amount paid for the services, the provider can pursue recourse through an independent dispute resolution ("IDR") process. These IDR results will bind both the provider and payor for a 90-day period. In August 2022, the United States Department of Health and Human Services, Department of Labor and Department of Treasury (the "Departments") issued their final rule and corresponding guidance implementing certain portions of the IDR process under the NSA. The Departments plan to publish additional rules and guidance in the coming months and years. Certain IDR-related provisions of the NSA are being challenged in courts by provider groups, and the result of this litigation may alter portions of the law. Accordingly, we cannot predict how these IDR results will compare to the rates that our affiliated physicians customarily receive for their services.

These measures could limit the amount we can charge and recover for services we furnish where we have not contracted with the patient's insurer, and therefore could have a material adverse effect on our business, financial condition, results of operations, cash flows and the trading price of our securities. Moreover, these measures could affect our ability to contract with certain payors and under historically similar terms and may cause, and the prospect of these changes may have caused, payors to terminate their contracts with us and our affiliated practices, further affecting our business, financial condition, results of operations, cash flows and the trading price of our securities.

***Non-GAAP Measures***

In our analysis of our results of operations, we use certain non-GAAP financial measures. We report adjusted earnings before interest, taxes and depreciation and amortization ("Adjusted EBITDA") from continuing operations, which is defined as income (loss) from continuing operations before interest, income taxes, depreciation and amortization, and transformational and restructuring related expenses. We also report adjusted earnings per share ("Adjusted EPS") from continuing operations which consists of diluted income (loss) from continuing operations per common and common equivalent share adjusted for amortization expense, stock-based compensation expense, transformational and restructuring related expenses and any impacts from discrete tax events. For the three and nine months ended September 30, 2022 and 2021, both Adjusted EBITDA and Adjusted EPS are being further adjusted to exclude the impacts from the loss on the early extinguishment of debt and the gain on sale of a building for relevant periods.

We believe these measures, in addition to income from continuing operations, net income and diluted net income from continuing operations per common and common equivalent share, provide investors with useful supplemental information to compare and understand our underlying business trends and performance across reporting periods on a consistent basis. These measures should be considered a supplement to, and not a substitute for, financial performance measures determined in accordance with GAAP. In addition, since these non-GAAP measures are not determined in accordance with GAAP, they are susceptible to varying calculations and may not be comparable to other similarly titled measures of other companies.

For a reconciliation of each of Adjusted EBITDA from continuing operations and Adjusted EPS from continuing operations to the most directly comparable GAAP measures for the three and nine months ended September 30, 2022 and 2021, refer to the tables below (in thousands, except per share data).

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Income from continuing operations attributable to Pediatrix Medical Group, Inc. | $ 28,808 | $ 31,847 | $ 38,568 | $ 67,732 |
| Interest expense | 9,516 | 17,595 | 29,743 | 52,119 |
| Gain on sale of building | — | — | — | (7,280) |
| Loss on early extinguishment of debt | — | — | 57,016 | 14,532 |
| Income tax provision | 10,051 | 11,594 | 14,982 | 14,002 |
| Depreciation and amortization expense | 8,956 | 8,151 | 26,500 | 24,288 |
| Transformational and restructuring related expenses | 977 | 4,232 | 7,736 | 19,042 |
| Adjusted EBITDA from continuing operations attributable to Pediatrix Medical Group, Inc. | $ 58,308 | $ 73,419 | $ 174,545 | $ 184,435 |

| | Three Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| Weighted average diluted shares outstanding | 82,776 | | 86,096 | |
| Income from continuing operations and diluted income from continuing operations per share attributable to Pediatrix Medical Group, Inc. | $ 28,808 | $ 0.35 | $ 31,847 | $ 0.37 |
| Adjustments [(1)]: | | | | |
| Amortization (net of tax of $554 and $583) | 1,662 | 0.02 | 1,749 | 0.02 |
| Stock-based compensation (net of tax of $1,030 and $1,374) | 3,090 | 0.03 | 4,121 | 0.05 |
| Transformational and restructuring expenses (net of tax of $244 and $1,058) | 733 | 0.01 | 3,174 | 0.03 |
| Net impact from discrete tax events | (1,083) | (0.01) | (901) | (0.01) |
| Adjusted income and diluted EPS from continuing operations attributable to Pediatrix Medical Group, Inc. | $ 33,210 | $ 0.40 | $ 39,990 | $ 0.46 |

(1) A blended tax rate of 25% was used to calculate the tax effects of the adjustments for the three months ended September 30, 2022 and 2021.

| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| Weighted average diluted shares outstanding | 84,821 | | 85,759 | |
| Income from continuing operations and diluted income from continuing operations per share attributable to Pediatrix Medical Group, Inc. | $ 38,568 | $ 0.45 | $ 67,732 | $ 0.79 |
| Adjustments [(1)]: | | | | |
| Amortization (net of tax of $1,635 and $2,049) | 4,907 | 0.06 | 6,149 | 0.07 |
| Stock-based compensation (net of tax of $3,223 and $3,737) | 9,668 | 0.12 | 11,210 | 0.13 |
| Transformational and restructuring expenses (net of tax of $1,934 and $4,760) | 5,802 | 0.07 | 14,282 | 0.16 |
| Gain on sale of building (net of tax of $1,820) | — | — | (5,460) | (0.06) |
| Loss on early extinguishment of debt (net of tax of $14,254 and $3,633) | 42,762 | 0.50 | 10,899 | 0.13 |
| Net impact from discrete tax events | (297) | — | (9,484) | (0.11) |
| Adjusted income and diluted EPS from continuing operations attributable to Pediatrix Medical Group, Inc. | $ 101,410 | $ 1.20 | $ 95,328 | $ 1.11 |

(1) A blended tax rate of 25% was used to calculate the tax effects of the adjustments for the nine months ended September 30, 2022 and 2021.

**Results of Operations**

***Three Months Ended September 30, 2022 as Compared to Three Months Ended September 30, 2021***

Our net revenue attributable to continuing operations was $489.9 million for the three months ended September 30, 2022, as compared to $492.9 million for the same period in 2021. The decrease in revenue of $3.0 million, or 0.6%, was primarily attributable to a decrease in same-unit revenue, partially offset by increases in revenue from net acquisitions. Same units are those units at which we provided services for the entire current period and the entire comparable period. Same-unit net revenue decreased by $15.5 million, or 3.2%. The decrease in same-unit net revenue was comprised of a decrease of $17.2 million, or 3.5%, from net reimbursement-related factors, partially offset by an increase of $1.7 million, or 0.3%, related to patient service volumes. The increase in revenue from patient service volumes was related to increases in other services, primarily newborn nursery, maternal-fetal medicine and pediatric cardiology services, partially offset by modest declines in neonatology. The net decrease in revenue related to net reimbursement-related factors was primarily due to a decrease in revenue resulting from certain revenue cycle management transition activities and an increase in the percentage of our patients being enrolled in GHC programs, partially offset by increases in revenue from contract and administrative fees received from our hospital partners.

Practice salaries and benefits attributable to continuing operations increased $14.1 million, or 4.3%, to $342.9 million for the three months ended September 30, 2022, as compared to $328.8 million for the same period in 2021. Of the $14.1 million increase, $21.2 million was related to salaries, driven by increases in our existing units as well as from acquisitions, partially offset by a decrease of $7.1 million related to benefits and incentive compensation, reflecting lower incentive compensation expense at our existing units based on operating results.

Practice supplies and other operating expenses attributable to continuing operations increased $5.7 million, or 22.0%, to $31.8 million for the three months ended September 30, 2022, as compared to $26.1 million for the same period in 2021. The increase was primarily attributable to practice supply, rent and other costs related to our existing units, including increases in professional services expense and operational taxes as compared to the prior year period as well as increases due to acquisition related activity.

General and administrative expenses attributable to continuing operations primarily include all billing and collection functions and all other salaries, benefits, supplies and operating expenses not specifically related to the day-to-day operations of our affiliated physician practices and services. General and administrative expenses were $57.9 million for the three months ended September 30, 2022, as compared to $66.9 million for the same period in 2021. The net decrease of $9.0 million was primarily related to salaries and benefit cost reductions from net staffing reductions, lower incentive compensation expense based on operating results and a net savings in revenue cycle management expenses. General and administrative expenses as a percentage of net revenue was 11.8% for the three months ended September 30, 2022, as compared to 13.6% for the same period in 2021.

Transformational and restructuring related expenses attributable to continuing operations were $1.0 million for the three months ended September 30, 2022, as compared to $4.2 million for the same period in 2021. The decrease of $3.2 million reflects reductions in contract termination costs and consulting fees during the third quarter of 2022 as compared to the prior year period.

Depreciation and amortization expense attributable to continuing operations was $9.0 million for the three months ended September 30, 2022, as compared to $8.2 million for the same period in 2021. The net increase of $0.8 million was primarily related to net increases in acquisition related depreciation and amortization expense as well as a net increase at existing units.

Income from operations attributable to continuing operations decreased $11.4 million, or 19.4%, to $47.4 million for the three months ended September 30, 2022, as compared to $58.8 million for the same period in 2021. Our operating margin was 9.7% for the three months ended September 30, 2022, as compared to 11.9% for the same period in 2021. The decrease in our operating margin was primarily due to net unfavorable impacts in our same-unit results from lower same-unit revenue and higher overall operating expenses. Excluding transformation and restructuring related expenses, our income from operations attributable to continuing operations was $48.4 million and $63.0 million, and our operating margin was 9.9% and 12.8% for the three months ended September 30, 2022 and 2021, respectively. We believe excluding the impacts from the transformational and restructuring related activity provides a more comparable view of our operating income and operating margin from continuing operations.

Total non-operating expenses attributable to continuing operations were $8.5 million for the three months ended September 30, 2022, as compared to $15.4 million for the same period in 2021. The net decrease in non-operating expenses was primarily related to a decrease in interest expense resulting from the redemption of our 6.25% senior unsecured notes due 2027 (the “2027 Notes”) in February 2022, partially offset by the interest expense related to the issuance of 5.375% senior unsecured notes due 2030 (the "2030 Notes") in February 2022 and a decrease in other income of $1.1 million, primarily related to the cessation of transition services provided to one of the buyers of our divested medical groups.

Our effective income tax rate attributable to continuing operations (“tax rate”) was 25.9% for the three months ended September 30, 2022 as compared to 26.7% for the three months ended September 30, 2021. The third quarter 2022 and 2021 tax rates include net discrete tax benefits of $1.1 million and $0.9 million, respectively. After excluding discrete tax impacts during the three months ended September 30, 2022 and 2021, our effective income tax rate was 28.7% and 28.8%, respectively. We believe excluding discrete tax impacts provides a more comparable view of our tax rate.

Income from continuing operations attributable to Pediatrix Medical Group, Inc. was $28.8 million for the three months ended September 30, 2022, as compared to $31.8 million for the same period in 2021. Adjusted EBITDA from continuing operations attributable to Pediatrix Medical Group, Inc. was $58.3 million for the three months ended September 30, 2022, as compared to $73.4 million for the same period in 2021. The decrease in our Adjusted EBITDA was primarily due to net unfavorable impacts in our same-unit results from lower same-unit revenue and higher overall operating expenses.

Diluted income from continuing operations per common and common equivalent share attributable to Pediatrix Medical Group, Inc. was $0.35 on weighted average shares outstanding of 82.8 million for the three months ended September 30, 2022, as compared to $0.37 on weighted average shares outstanding of 86.1 million for the same period in 2021. Adjusted EPS from continuing operations was $0.40 for the three months ended September 30, 2022, as compared to $0.46 for the same period in 2021. The decrease in weighted average shares outstanding resulted from the share repurchases completed during 2022.

Income from discontinued operations, net of tax, was $1.9 million for the three months ended September 30, 2022, as compared to loss of $1.1 million for the same period in 2021. Diluted income from discontinued operations per common and common equivalent share was $0.02 for the three months ended September 30, 2022, as compared to diluted loss of $0.01 for the three months ended September 30, 2021.

Net income attributable to Pediatrix Medical Group, Inc. was $30.7 million for the three months ended September 30, 2022, as compared to $30.8 million for the same period in 2021. Diluted net income per common and common equivalent share attributable to Pediatrix Medical Group, Inc. was $0.37 for the three months ended September 30, 2022, as compared to $0.36 for the same period in 2021.

**Nine Months Ended September 30, 2022 as Compared to Nine Months Ended September 30, 2021**

Our net revenue attributable to continuing operations was $1.46 billion for the nine months ended September 30, 2022, as compared to $1.41 billion for the same period in 2021. The increase in revenue of $45.5 million, or 3.2%, was primarily attributable to increases in revenue from net acquisitions, partially offset by a decrease in same-unit revenue. Same units are those units at which we provided services for the entire current period and the entire comparable period. Same-unit net revenue decreased by $21.3 million, or 1.6%. The decrease in same-unit net revenue was comprised of a decrease of $36.8 million, or 2.7%, from net reimbursement-related factors, partially offset by an increase of $15.5 million, or 1.1%, related to patient service volumes. The net decrease in revenue related to net reimbursement-related factors was primarily due to a decrease in revenue related to certain revenue cycle management transition activities and a decrease in revenue resulting from an increase in the percentage of our patients being enrolled in GHC Programs, partially offset by increases in revenue from contract and administrative fees received from our hospital partners and CARES Act relief. The increase in revenue from patient service volumes was related to increases across almost all our hospital-based and office-based women's and children's services.

Practice salaries and benefits attributable to continuing operations increased $52.0 million, or 5.4%, to $1.02 billion for the nine months ended September 30, 2022, as compared to $964.8 million for the same period in 2021. Of the $52.0 million increase, $61.9 million was related to salaries, driven by increases from acquisitions as well as in our existing units, as well as increases in benefit costs attributable to the increase in salaries expenses. These increases were partially offset by a decrease of $9.9 million related to benefits and incentive compensation, reflecting lower incentive compensation expense based on operating results.

Practice supplies and other operating expenses attributable to continuing operations increased $17.7 million, or 24.4%, to $90.2 million for the nine months ended September 30, 2022, as compared to $72.5 million for the same period in 2021. The increase was primarily attributable to practice supply, rent and other costs related to our acquisitions as well as increases in the same categories but to a lesser extent at our existing units.

General and administrative expenses attributable to continuing operations primarily include all billing and collection functions and all other salaries, benefits, supplies and operating expenses not specifically identifiable to the day-to-day operations of our physician practices and services. General and administrative expenses were $180.3 million for the nine months ended September 30, 2022, as compared to $204.4 million for the same period in 2021. The net decrease of $24.1 million was primarily related to a net savings in revenue cycle management expenses, salaries and benefit cost reductions from net staffing reductions, lower incentive compensation expense based on operating results and lower professional fees, primarily legal expenses. General and administrative expenses as a percentage of net revenue was 12.4% for the nine months ended September 30, 2022, as compared to 14.5% for the same period in 2021.

Gain on sale of building was $7.3 million for the nine months ended September 30, 2021 and resulted from the sale of our secondary corporate office building during the second quarter of 2021.

Transformational and restructuring related expenses attributable to continuing operations were $7.7 million for the nine months ended September 30, 2022, as compared to $19.0 million for the same period in 2021. The decrease of $11.3 million reflects a decrease in contract termination costs and lower consulting fees with the expenses during the nine months ended September 30, 2022 primarily for position eliminations.

Depreciation and amortization expense attributable to continuing operations was $26.5 million for the nine months ended September 30, 2022, as compared to $24.3 million for the same period in 2021. The increase of $2.2 million was primarily related to an increase in depreciation expense at our existing units and for acquisitions, partially offset by lower amortization expenses related to intangible assets at our existing units and for acquisitions.

Income from operations attributable to continuing operations increased $1.8 million, or 1.3%, to $136.7 million for the nine months ended September 30, 2022, as compared to $134.9 million for the same period in 2021. Our operating margin was 9.4% for the nine months ended September 30, 2022, as compared to 9.6% for the same period in 2021. The slight decrease in our operating margin was primarily due to lower same-unit revenue and net increases in overall operating expenses, partially offset by favorable impacts from net acquisitions. Excluding the transformation and restructuring related expenses and gain on sale of building, our income from operations attributable to continuing operations was $144.4 million and $146.7 million, and our operating margin was 9.9% and 10.4% for the nine months ended September 30, 2022 and 2021, respectively. We believe excluding the impacts from the transformational and restructuring related activity as well as the gain on sale of building provides a more comparable view of our operating income and operating margin from continuing operations.

Total non-operating expenses attributable to continuing operations were $83.1 million for the nine months ended September 30, 2022, as compared to $53.2 million for the same period in 2021. The net increase in non-operating expenses was primarily related to increase of $42.5 million in loss on early extinguishment of debt from the redemption of our 2027 Notes in February 2022 as compared to the loss associated with the redemption of our 2023 Notes in January 2021. In addition, there was a decrease in other income of $9.5 million for the nine months ended September 30, 2022, as compared to the same period in 2021, related to the transition services provided to the buyers of our divested medical groups. Overall, during the nine months ended September 30, 2022, a net increase to non-operating expense of $29.9 million from the loss on early extinguishment of debt and lower other income was partially offset by a decrease of $22.4 million in interest expense related to the issuance of the 2030 Notes, as compared to the interest expense on the 2027 Notes.

Our effective income tax rate was 28.0% for the nine months ended September 30, 2022 compared to 17.1% for the nine months ended September 30, 2021. Discrete tax impacts during the nine months ended September 30, 2022 were nominal. The tax rate for the nine months ended September 30, 2021 includes a net discrete tax benefit of $9.5 million, primarily related to a change in estimate for the 2020 net operating loss carryback as allowed under the CARES Act for refunds at the 35% federal tax rate. After excluding discrete tax impacts, for the nine months ended September 30, 2022 and 2021, our tax rate was 28.5% and 28.7%, respectively. We believe excluding discrete tax impacts on our tax rate provides a more comparable view of our effective income tax rate.

Income from continuing operations attributable to Pediatrix Medical Group, Inc. was $38.6 million for the nine months ended September 30, 2022, as compared to $67.7 million for the same period in 2021. Adjusted EBITDA from continuing operations was $174.5 million for the nine months ended September 30, 2022, as compared to $184.4 million for the same period in 2021. The decrease in our Adjusted EBITDA was primarily due to net unfavorable impacts in our same-unit results from lower same-unit revenue and higher overall operating expenses.

Diluted income from continuing operations per common and common equivalent share attributable to Pediatrix Medical Group, Inc. was $0.45 on weighted average shares outstanding of 84.8 million for the nine months ended September 30, 2022, as compared to diluted income per share of $0.79 on weighted average shares outstanding of 85.8 million for the same period in 2021. Adjusted EPS from continuing operations was $1.20 for the nine months ended September 30, 2022, as compared to $1.11 for the same period in 2021. The decrease in weighted average shares outstanding resulted from the share repurchases completed during 2022.

Loss from discontinued operations, net of tax, was $1.9 million for the nine months ended September 30, 2022, as compared to income of $15.7 million for the same period in 2021. Diluted loss from discontinued operations per common and common equivalent share was $0.2 for the nine months ended September 30, 2022, as compared to diluted income per share of $0.18 for the same period in 2021.

Net income attributable to Pediatrix Medical Group, Inc. was $36.7 million for the nine months ended September 30, 2022, as compared to $83.4 million for the same period in 2021. Diluted net income per common and common equivalent share was $0.43 for the nine months ended September 30, 2022, as compared to $0.97 for the same period in 2021.

**Liquidity and Capital Resources**

As of September 30, 2022, we had $8.7 million of cash and cash equivalents attributable to continuing operations as compared to $387.4 million at December 31, 2021. Additionally, we had working capital attributable to continuing operations of $72.0 million at September 30, 2022, a decrease of $341.2 million from working capital of $413.2 million at December 31, 2021.  The net decrease in working capital is primarily due to the redemption of the 2027 Notes in February 2022, partially offset by the issuance of the 2030 Notes also in February 2022.

***Cash Flows from Continuing Operations***

Cash provided from (used in) operating, investing and financing activities from continuing operations is summarized as follows (in thousands):

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2022 | 2021 |
| Operating activities | $ 80,019 | $ 38,718 |
| Investing activities | (45,713) | (39,839) |
| Financing activities | (401,265) | (760,941) |

***Operating Activities from Continuing Operations***

During the nine months ended September 30, 2022, our net cash provided from in operating activities for continuing operations was $80.0 million, compared to $38.7 million for the same period in 2021. The net increase in cash provided of $41.3 million was primarily due to increases in cash flow from accounts receivable and deferred income taxes,  partially offset by a decrease in cash flow due to  changes in accounts payable and accrued expenses, primarily related to higher incentive compensation payments.

During the nine months ended September 30, 2022, cash flow from accounts receivable for continuing operations decreased by $0.5 million, as compared to $42.0 million for the same period in 2021. The increase in cash flow from accounts receivable for the nine months ended September 30, 2022 as compared to the prior year period was primarily due to lower increases in ending accounts receivable balances at existing units, excluding accounts receivable related to discontinued operations.

Days sales outstanding (“DSO”) is one of the key factors that we use to evaluate the condition of our accounts receivable and the related allowances for contractual adjustments and uncollectibles. DSO reflects the timeliness of cash collections on billed revenue and the level of reserves on outstanding accounts receivable. Our DSO for continuing operations was 55.3 days at September 30, 2022 as compared to 55.2 days at December 31, 2021.

***Investing Activities from Continuing Operations***

During the nine months ended September 30, 2022, our net cash used in investing activities for continuing operations of $45.7 million consisted primarily of acquisitions payments of $28.2 million and capital expenditures of $20.7 million.

***Financing Activities from Continuing Operations***

During the nine months ended September 30, 2022, our net cash used in financing activities for continuing operations of $401.3 million primarily consisted of $1.0 billion related to the redemption of the 2027 Notes, including the call premium, the repurchase of $87.0 million of our common stock, payments for financing costs of $8.6 million, and payments on our Term A Loan (as defined below), partially offset by $400.0 million in proceeds from the issuance of the 2030 Notes, $250.0 million from our Term A Loan and net borrowings on our Revolving Credit Line (as defined below) of $95.0 million.

***Liquidity***

On February 11, 2022, we issued $400.0 million of 5.375% unsecured senior notes due 2030 (the “2030 Notes”). We used the net proceeds from the issuance of the 2030 Notes, together with $100.0 million drawn under our Revolving Credit Line (as defined below), $250.0 million of Term A Loan and approximately $308.0 million of cash on hand, to redeem (the “Redemption”) the 2027 Notes, which had an outstanding principal balance of $1.0 billion, and to pay costs, fees and expenses associated with the Redemption and the Credit Agreement Amendment (as defined below).

Also in connection with the Redemption, we amended and restated the Credit Agreement (the "Credit Agreement"), and such amendment and restatement (the “Credit Agreement Amendment”), concurrently with the issuance of the 2030 Notes. The Credit Agreement, as amended by the Credit Agreement Amendment (the “Amended Credit Agreement”), among other things, (i) refinanced the prior unsecured revolving credit facility with a $450.0 million unsecured revolving credit facility, including a $37.5 million sub-facility for the issuance of letters of credit (the “Revolving Credit Line”), and a new $250.0 million term A loan facility (“Term A Loan”) and (ii) removed JPMorgan Chase Bank, N.A., as the administrative agent under the Credit Agreement and appointed Bank of America, N.A. as the administrative agent for the lenders under the Amended Credit Agreement.

The Amended Credit Agreement matures on February 11, 2027 and is guaranteed on an unsecured basis by substantially all of our subsidiaries and affiliated professional contractors. At our option, borrowings under the Amended Credit Agreement bear interest at (i) the Alternate Base Rate (defined as the highest of (a) the prime rate as announced by Bank of America, N.A., (b) the Federal Funds Rate plus 0.50% and (c) Term Secured Overnight Financing Rate ("SOFR") for an interest period of one month plus 1.00% with a 1.00% floor) plus an applicable margin rate of 0.50% for the first two fiscal quarters after the date of the Credit Agreement Amendment, and thereafter at an applicable margin rate ranging from 0.125% to 0.750% based on our consolidated net leverage ratio or (ii) Term SOFR rate (calculated as the Secured Overnight Financing Rate published on the applicable Reuters screen page plus a spread adjustment of 0.10%, 0.15% or 0.25% depending on if we select a one-month, three-month or six-month interest period, respectively, for the applicable loan with a 0% floor), plus an applicable margin rate of 1.50% for the first two full fiscal quarters after the date of the Credit Agreement Amendment, and thereafter at an applicable margin rate ranging from 1.125% to 1.750% based on our consolidated net leverage ratio. The Amended Credit Agreement also provides for other customary fees and charges, including an unused commitment fee with respect to the Revolving Credit Line ranging from 0.150% to 0.200% of the unused lending commitments under the Revolving Credit Line, based on our consolidated net leverage ratio.

The Amended Credit Agreement contains customary covenants and restrictions, including covenants that require us to maintain a minimum interest coverage ratio, a maximum consolidated total consolidated net leverage ratio and to comply with laws, and restrictions on the ability to pay dividends, incur indebtedness or liens and make certain other distributions subject to baskets and exceptions, in each case, as specified therein. Failure to comply with these covenants would constitute an event of default under the Amended Credit Agreement, notwithstanding the ability of the company to meet its debt service obligations. The Amended Credit Agreement includes various customary remedies for the lenders following an event of default, including the acceleration of repayment of outstanding amounts under the Amended Credit Agreement. In addition, we may increase the principal amount of the Revolving Credit Line or incur additional term loans under the Amended Credit Agreement in an aggregate principal amount such that on a pro forma basis after giving effect to such increase or additional term loans, we are in compliance with the financial covenants, subject to the satisfaction of specified conditions and additional caps in the event that the Amended Credit Agreement is secured.

During the nine months ended September 30, 2022, in connection with the redemption of our 2027 Notes and the Credit Agreement Amendment, we recognized a loss on early extinguishment of debt of $57.0 million, which primarily included cash premiums on the 2027 Notes and accelerated amortization of deferred financing costs.

At September 30, 2022, we had an outstanding principal balance on the Amended Credit Agreement of $338.8 million, composed of $243.8 million under the Term A Loan and $95.0 million under the Revolving Credit Line. We had $355.0 million available on the Amended Credit Agreement at September 30, 2022.

At September 30, 2022, we had an outstanding principal balance of $400.0 million on the 2030 Notes. Our obligations under the 2030 Notes are guaranteed on an unsecured senior basis by the same subsidiaries and affiliated professional contractors that guarantee our Amended Credit Agreement. Interest on the 2030 Notes accrues at the rate of 5.375% per annum, or $21.5 million, and is payable semi-annually in arrears on February 15 and August 15, beginning on August 15, 2022.

The indenture under which the 2030 Notes are issued, among other things, limits our ability to (1) incur liens and (2) enter into sale and lease-back transactions, and also limits our ability to merge or dispose of all or substantially all of our assets, in all cases, subject to a number of customary exceptions. Although we are not required to make mandatory redemption or sinking fund payments with respect to the 2030 Notes, upon the occurrence of a change in control, we may be required to repurchase the 2030 Notes at a purchase price equal to 101% of the aggregate principal amount of the 2030 Notes repurchased plus accrued and unpaid interest.

At September 30, 2022, we believe we were in compliance, in all material respects, with the financial covenants and other restrictions applicable to us under the Amended Credit Agreement and the 2030 Notes. We believe we will be in compliance with these covenants throughout 2022.

We maintain professional liability insurance policies with third-party insurers, subject to self-insured retention, exclusions and other restrictions. We self-insure our liabilities to pay self-insured retention amounts under our professional liability insurance coverage through a wholly owned captive insurance subsidiary. We record liabilities for self-insured amounts and claims incurred but not reported based on an actuarial valuation using historical loss information, claim emergence patterns and various actuarial assumptions. Our total liability related to professional liability risks at September 30, 2022 was $294.7 million, of which $32.1 million is classified as a current liability within accounts payable and accrued expenses in the Consolidated Balance Sheet. In addition, there is a corresponding insurance receivable of $50.4 million recorded as a component of other assets for certain professional liability claims that are covered by insurance policies.

We anticipate that funds generated from operations, together with our current cash on hand and funds available under our Amended Credit Agreement, will be sufficient to finance our working capital requirements, fund anticipated acquisitions and capital expenditures, fund expenses related to our transformational and restructuring activities, fund our share repurchase programs and meet our contractual obligations for at least the next 12 months from the date of issuance of this Quarterly Report on Form 10-Q.

**Caution Concerning Forward-Looking Statements**

Certain information included or incorporated by reference in this Quarterly Report may be deemed to be “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements may include, but are not limited to, statements relating to our objectives, plans and strategies, and all statements, other than statements of historical facts, that address activities, events or developments that we intend, expect, project, believe or anticipate will or may occur in the future are forward-looking statements. These statements are often characterized by terminology such as “believe,” “hope,” “may,” “anticipate,” “should,” “intend,” “plan,” “will,” “expect,” “estimate,” “project,” “positioned,” “strategy” and similar expressions, and are based on assumptions and assessments made by our management in light of their experience and their perception of historical trends, current conditions, expected future developments and other factors they believe to be appropriate. Any forward-looking statements in this Quarterly Report are made as of the date hereof, and we undertake no duty to update or revise any such statements, whether as a result of new information, future events or otherwise. Forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties. Important factors that could cause actual results, developments and business decisions to differ materially from forward-looking statements are described in the 2021 Form 10-K, including the section entitled “Risk Factors.”

**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

We are subject to market risk primarily from exposure to changes in interest rates based on our financing, investing and cash management activities. We intend to manage interest rate risk through the use of a combination of fixed rate and variable rate debt. We borrow under our Amended Credit Agreement at various interest rate options based on the Alternate Base Rate or SOFR rate depending on certain financial ratios. At September 30, 2022, the outstanding principal balance on our Amended Credit Agreement was $338.8 million, composed of $243.8 million under our Term A Loan and $95.0 million under our Revolving Credit Line. Considering the total outstanding balance, a 1% change in interest rates would result in an impact to income before taxes of approximately $3.4 million per year.

**Item 4. Controls and Procedures**

**Evaluation of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to provide reasonable assurance that information required to be disclosed by the Company in reports it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of September 30, 2022.

**Changes in Internal Controls Over Financial Reporting**

No changes in our internal control over financial reporting occurred during the three months ended September 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings

We expect that audits, inquiries and investigations from government authorities and agencies will occur in the ordinary course of business. Such audits, inquiries and investigations and their ultimate resolutions, individually or in the aggregate, could have a material adverse effect on our business, financial condition, results of operations, cash flows and the trading price of our securities.

In the ordinary course of our business, we become involved in pending and threatened legal actions and proceedings, most of which involve claims of medical malpractice related to medical services provided by our affiliated physicians. Our contracts with hospitals generally require us to indemnify them and their affiliates for losses resulting from the negligence of our affiliated physicians and other clinicians. We may also become subject to other lawsuits, including with payors or other counterparties that could involve large claims and significant defense costs. We believe, based upon a review of pending actions and proceedings, that the outcome of such legal actions and proceedings will not have a material adverse effect on our business, financial condition, results of operations, cash flows or the trading price of our securities. The outcome of such actions and proceedings, however, cannot be predicted with certainty and an unfavorable resolution of one or more of them could have a material adverse effect on our business, financial condition, results of operations, cash flows and the trading price of our securities.

Although we currently maintain liability insurance coverage intended to cover professional liability and certain other claims, we cannot ensure that our insurance coverage will be adequate to cover liabilities arising out of claims asserted against us in the future where the outcomes of such claims are unfavorable to us. With respect to professional liability risk, we self-insure a significant portion of this risk through our wholly owned captive insurance subsidiary. Liabilities in excess of our insurance coverage, including coverage for professional liability and certain other claims, could have a material adverse effect on our business, financial condition, results of operations, cash flows and the trading price of our securities.

### Item 1A. Risk Factors

There have been no material changes to the risk factors previously disclosed in our 2021 Form 10-K.

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

During the three months ended September 30, 2022, we repurchased 1.1 million shares of our common stock under the share repurchase program that was approved by our board of directors in August 2018, including an immaterial number of shares withheld to satisfy minimum statutory withholding obligations in connection with the vesting of restricted stock.

| Period | Total Number of Shares Repurchased [(a)] | Average Price Paid per Share | Total Number of Shares Purchased as part of the Repurchase Program | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Repurchase Programs [(a)] |
|---|---|---|---|---|
| July 1 – July 31, 2022 | 48,430 | $ 21.34 | 48,430 | (a) |
| August 1 – August 31, 2022 | 762,551 | 19.67 | 762,551 | (a) |
| September 1 – September 30, 2022 | 309,917 (b) | 17.50 | 299,250 | (a) |
| Total | 1,120,898 | $ 19.14 | 1,110,231 | (a) |

(a) We have two active repurchase programs. Our July 2013 program allows us to repurchase shares of our common stock up to an amount sufficient to offset the dilutive impact from the issuance of shares under our equity compensation programs, which is estimated to be approximately 1.0 million shares for 2022. Our August 2018 repurchase program allows us to repurchase up to an additional $500.0 million of shares of our common stock, of which we repurchased $493.0 million as of September 30, 2022.

(b) Includes 10,667 shares withheld to satisfy minimum statutory withholding obligations of $0.2 million in connection with the vesting of restricted stock.

The amount and timing of any future repurchases will depend upon several factors, including general economic and market conditions and trading restrictions.

**Item 6. Exhibits**

| Exhibit No. | Description |
|---|---|
| 31.1+ | Certification of Chief Executive Officer pursuant to Securities Exchange Act Rule 13a-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 Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1* | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.1+ | Interactive Data File |
| 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 Schema Document. |
| 101.CAL+ | XBRL Calculation Linkbase Document. |
| 101.DEF+ | XBRL Definition Linkbase Document. |
| 101.LAB+ | XBRL Label Linkbase Document. |
| 101.PRE+ | XBRL Presentation Linkbase Document. |
| 104+ | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101). |

+ Filed herewith.
* Furnished herewith.

**SIGNATURES**

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

| | |
|---|---|
| | **Pediatrix Medical Group, Inc**. |
| Date: November 3, 2022 | By: /s/ Mark S. Ordan<br>Mark S. Ordan<br>Chief Executive Officer<br>(Principal Executive Officer) |
| Date: November 3, 2022 | By: /s/ C. Marc Richards<br>C. Marc Richards<br>Chief Financial Officer<br>(Principal Financial Officer and Principal Accounting Officer) |

**Exhibit 31.1**

**CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Mark S. Ordan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pediatrix Medical Group, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: November 3, 2022

By: /s/ Mark S. Ordan
Mark S. Ordan
Chief Executive Officer
(Principal Executive Officer)

**Exhibit 31.2**

**CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, C. Marc Richards, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pediatrix Medical Group, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: November 3, 2022

By: /s/ C. Marc Richards
C. Marc Richards
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

**Exhibit 32.1**

**Certification Pursuant to 18 U.S.C Section 1350**
**(Adopted by Section 906 of the Sarbanes-Oxley Act of 2002)**

In connection with the Quarterly Report of Pediatrix Medical Group, Inc. on Form 10-Q for the quarter ended September 30, 2022 (the "Report"), each of the undersigned hereby certifies, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that (i) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Pediatrix Medical Group, Inc.

A signed original of this written statement required by Section 906 has been provided to Pediatrix Medical Group, Inc. and will be retained by Pediatrix Medical Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

November 3, 2022

By: /s/ Mark S. Ordan
Mark S. Ordan
Chief Executive Officer
(Principal Executive Officer)

By: s/ C. Marc Richards
C. Marc Richards
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)