



## Dear Fellow Shareholders,

As I draft my inaugural annual shareholder letter as the CEO of Performant Financial Corp., I am filled with optimism and passion as I reflect on our achievements to date, as well as the path that lies ahead. I've used my personal journey and career insights to bring fresh perspectives to Performant as its Chief Executive. Guided by four core principles, which I recognize have a pivotal role in nurturing enduring success, I relentlessly advocate for their integration into Performant's culture. Perhaps sharing my background will illustrate how they have shaped me personally, and Performant's cultural roots.

# My Personal Background



My career began, just out of high school, at a small computer company in upstate New York. I approached each day with two primary objectives: learn every possible nuance of the business and ensure that our customers were always satisfied. I quickly found myself in a lead role supporting our largest customer, Eastman Kodak. After a few successful years expanding our relationship with Kodak, Apple Computer led a search for a representative to support their own emerging relationship with Eastman Kodak. Through a direct referral from Kodak, my name was proffered for consideration. As an unlikely candidate in my early 20s competing against dozens of more experienced candidates, I was selected for the role. At a time when IBM was ubiquitous in the professional world, we successfully convinced Eastman Kodak to broadly adopt the Apple platform and forged numerous strategic initiatives between the two companies.

I often share that I received the equivalent of a master's degree in business while working at Apple in my 20s, immersing myself in Apple's famed culture of innovation and fanatical attention to detail. Working alongside numerous visionaries, I absorbed invaluable lessons, particularly the mantra of "always start with the customer experience." This ethos helped mold my corporate philosophy as I immersed myself in new technologies and embraced myriad opportunities for both personal and intellectual growth.

Following my third year supporting Apple's relationship with Eastman Kodak, I accepted an opportunity to lead Apple's Corporate account channel in South Florida. During this tenure, I was asked to evaluate a small, disruptive data technology company called, "HOPS". This Miami-based company was highly innovative, daring to address big data challenges on a low-cost, Apple Macintosh platform. While Apple was quite interested in the HOPS technology to fortify their position as an enterprise-capable platform, a deal could not be consummated. Throwing caution to the wind, and as a firm believer in the technology, I made the bold decision to leave my career at Apple and join the three-person company as Head of Sales and Operations.

Though initially deployed to support analytics and reporting for two of countries largest Credit and Gift Card processors, we soon discovered that the HOPS technology had a unique ability to identify previously undetectable patterns in healthcare data. In turn, this helped to address the emerging healthcare fraud crisis in South Florida. Through a partnership with Blue Cross Blue Shield of Florida, HOPS proved the efficacy of its technology by uncovering a complex network of fraud, which served as crucial evidence in a landmark Medicare fraud case, allowing the organization to find its footing in healthcare Payment Integrity.



# My Personal Background



Performant's acquisition of the HOPS technology in 2012 marked a significant milestone both for me and for Performant. At that time, Performant had worked with CMS for just a few years on the CMS RAC program, establishing its promising capabilities in the program integrity space. Integrating HOPS' technology into Performant's workflows immediately improved Performant's ability to identify improperly paid claims, and provided the foundational technology differentiator to compete in the broader healthcare space. Recognizing this immense opportunity, I embraced the challenge of leading Performant's then-nascent go to market strategy and was charged with driving aggressive growth, as well as diversifying its product offerings and client base.

When I joined Performant as a healthcare business development leader, our healthcare portfolio consisted of one customer - CMS - and one RAC contract. After speaking with numerous payers to better understand the unique priorities of each plan and program integrity gaps, it became obvious that there was significant opportunity for Performant to do more. I led our expansion efforts by leveraging Performant's relationship with CMS to sign our first commercial health plan in 2013.

Over time, as we worked to further diversify Performant's roadmap of products, we realized that our core technology could create a powerful eligibility offering, which ultimately led to our award of the Medicare Secondary Payment Commercial Repayment Center (MSP CRC) in addition to a significant contract for TPL Reclamation with a major network of Managed Medicaid plans, both in 2017. This demonstrated success in both the Federal and Medicaid markets further motivated our market expansion. We enhanced our eligibility offerings to include the creation of a data repository comprising of coverage information on over 250 million lives, leading to the growth of our eligibility business.

My experience in building out our healthcare business, starting over a decade ago with a single client and single product offering, to now driving over \$100 million in revenue for more than 150 federal, state, and commercial programs across multiple product verticals, has been immensely gratifying. In the process, we have built a team of over 800 healthcare professionals and saved our clients billions of dollars. My personal growth journey is inextricably linked with Performant's profound impact in the healthcare landscape. From humble beginnings to pioneering breakthroughs, the pursuit of excellence and innovation remains our North Star, propelling us toward a future defined by improved outcomes and lasting value. Which leads to those 4 principles, even "pillars", I alluded to before.



# Client-Centricity



As I reflect on my first year as Performant's CEO, I feel like I am early in my career once more. We've built a strong and nimble company, and yet we are still competing against massive, entrenched competitors. The fundamental tenet of being "client-centric" remains the same: deeply listening to our clients to build meaningful and enduring partnerships. We know how important quality results and being able to customize workflows are for our clients' operations and we have been successful in balancing these priorities.

While winning net new clients is terrific, the Performant team understands that the true test is whether existing clients expand their programmatic footprint with us. Time and again we have proven our value through demonstrated financial results, provider satisfaction, and a deep commitment to serve our customer.

Our commitment goes beyond quality and customizability; we educate and help build lasting systems for those who have been underserved. This scrappy, client-centric approach that I pursued with Eastman Kodak continues to shape Performant's disruptive strategy today.



# Ownership Culture



One of the most important axioms I've come to believe is that your organization is only as good as the people who shape it. At Performant, we identify both leaders and individual contributors with strong character and a winning mentality. This has helped shape the "ownership culture" that is sown directly into the company's DNA.

Many of the folks who were colleagues of mine at HOPS are integral members of our healthcare business today. And over the last few years we've also added seasoned Payment Integrity talent from competitors, payers, and technology organizations to ensure that we have diverse perspectives contributing to our corporate culture and informing our future strategy. These leaders have identified multiple commercial market opportunities to expand our footprint with our existing commercial clients. And through close industry ties, our team identified gaps with small to mid-size payers and in pre-payment services.

We have worked aggressively and have gained market share in these segments. Notably, we also identified the state Medicaid market as an avenue for growth, that we estimate to be a \$300 to \$500 million annual revenue opportunity.

Most importantly, we collectively feel a sense of duty to continue chipping away at the fraud, waste, and abuse that adversely impacts the cost and quality of healthcare for all Americans. I have fought to leverage our national position with CMS and the larger market view it affords us, to grow other verticals of this business.

In just the last few years, we were re-awarded the national MSP CRC contract, retained our CMS RAC Region 1 contract, defeated the prior incumbent to win the CMS RAC Region 2 contract, won a national contract with HHS OIG, all while driving our commercial revenue markedly higher. We have accomplished much through grit, perseverance, and consistency. I am convinced that this talented team has the ownership mentality to push our collective vision onward and upward.





# Scale to Innovate

Throughout my time at HOPS, we pushed the boundaries of what could be done and what was expected of a small, disruptive company. We never siloed ourselves and kept an open, progressive mind. Performant has mirrored that HOPS experience as we developed new products, such as pre-pay eligibility, highlighted exclusive and innovative industry partnerships like with CAQH, and acquired AI technology to support our next generation of technology-enabled solutions. I am still just as energized by the road ahead of us as I was when I joined Performant in 2012. We estimate our current serviceable revenue opportunity to be \$4 to \$5 billion, with most of that opportunity sitting with our commercial clients. In the last year alone, we implemented 41 commercial statements of work, which is just about on par with the previous two years combined. Our sales momentum is a testament to the brand we have created and will continue to burnish. Our innovation has made us a formidable competitor and alternative to the larger and more established companies. While our average program lifecycle may require a few years to mature, our pace of quarterly implementations clearly demonstrates a vibrant growth path.



## Operational Excellence

When I joined Performant, our ambition to significantly grow our healthcare business highlighted the need to effectively scale our operations. We improved our workflows through technological advances with the HOPS platform and constructed our eligibility workflow from scratch. With eligibility, we knew that we needed to be operationally superior to effectively compete in the marketplace. This business is simplified with the assistance of technology, but the core of the business is about being operationally sound and consistent. In the past year, we have retooled our implementation and related workflows to become more efficient. This includes highlights such as:

- › Reconfiguring processes and integrated advanced AI technology;
- › Optimizing our implementation timing to accomplish more in parallel
- › And partnering with an electronic data exchange to retrieve billing data more efficiently.

I speak with our clients weekly, and I know how pleased they are with Performant's value proposition, which is further evidenced by our quality scores and the continued expansion of services for our existing commercial and government partners. As we continue our growth trajectory, we must maintain our focus on driving operational efficiencies and are dedicated to diligently tracking performance metrics to realize our ambitions.

# Looking Ahead



Disruptive technology has been a constant companion in my career, and we are currently in one of the most transformative moments in human history, with current advancements in artificial intelligence representing an inflection point that parallels the disruptions caused by personal computing and the internet during the early days of my career. I am thrilled to lead an innovative, disruptive, and technology-forward strategy here at Performant. The HOPS platform is what brought me here, and that technology continues to be a central theme to our competitive advantage. It is robust and has served as the backbone of our technology stack for over a decade.

Our innovative nature led to our acquisition of technology from RecordsOne, and we are convinced that integrating its AI and NLP functionality and creative technologists into our workflows will greatly improve our efficiency, quality, and results. Efficiency targets are key pieces of our longer-term strategy. We have discussed that our expectation of scaled adjusted EBITDA margins is achievable when we reach annual healthcare revenues of \$150 to \$160 million. We estimate that about two-thirds of that will occur organically as our business grows, but the final third is tied to efficiency gains, and technology, including AI, will play a key role in hitting that figure.

## My Commitment

Thanks to our commitment to excellence and innovation, we've solidified our position as industry leaders in Payment Integrity. Over the past five years, we've diversified our offerings and entered new markets, while also staying true to our core strategy, continuing to prioritize client support, and remaining agile. In the face of industry challenges, my focus remains firmly fixed on long-term growth for Performant and its shareholders. With our continued investment in our people, technology, and product offerings, I am convinced that we are well-positioned for sustained growth and success.

Sincerely,

Simeon Kohl  
Chief Executive Officer