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OMDA.OQ - Q4 2025 Omada Health Inc Earnings Call

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PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the Omada Health fourth-quarter 2025 earnings conference call. (Operator Instructions)

Please be advised that today's conference is being recorded. I would now like to hand the conference over to your speaker today, Allan Kells, Vice President, Investor Relations. Please go ahead.

Allan Kells - *Omada Health Inc - Head, Investor Relations*

Thank you. Good afternoon. Welcome to Omada Health's fourth-quarter and full year 2025 earnings call. Joining me today are Sean Duffy, our Co-Founder and CEO; Wei-Li Shao, President; and Steve Cook, our CFO. Before we begin, I'd like to note that we'll be discussing non-GAAP financial measures that we consider helpful in evaluating Omada's performance.

You can find details on how these relate to our GAAP measures along with the reconciliations in the press release available on our website. We'll also be making forward-looking statements based on our current expectations and assumptions, which are subject to risks and uncertainties including factors listed in our press release and in the risk factors found in our filings with the SEC. Actual results could differ materially, and we assume no obligation to update these forward-looking statements. With that, I'll turn the call over to Sean.

Sean Duffy - *Omada Health Inc - Chief Executive Officer, Co-Founder, Director*

Good afternoon, everyone, and thank you, Allan. 2025 was a milestone year for Omada. We became a public company, delivered 53% revenue growth for the year and achieved GAAP profitability for the first time in Q4.

We also significantly outperformed initial expectations from the time of our IPO and we believe we are entering 2026 with momentum, with ambition and with a clear plan for what's next. Here are the highlights from Q4 and the full year. Total members reached 886,000 at year-end, up 55%, compared to 2024. Revenue grew 58% in Q4 and 53% for the full year to \$260 million. Gross margins expanded to record levels.

We achieved our first-quarter of positive GAAP net income in Q4 at \$5 million, and we delivered positive full year adjusted EBITDA of \$6 million. We believe these results reflect the impact of strong market tailwinds, combined with a decade of investments. Omada's technology and operational platform, our clinical programs, our peer-reviewed research, productive distribution channels and more than a decade of rich and unique data are strongly suited for this exact moment, for when customer demand for chronic care solutions, a rapidly evolving GLP-1 marketplace and AI-driven innovation converge.

We believe that 2025 demonstrated how we can capture that momentum. But the real story is at the level of the person we're supporting as a GLP-1 Care Track member recently told us. "The Omada program in collaboration with my doctor and the use of GLP-1 meds has been life-changing.

I learned real skills needed to lose weight and be healthy for a lifetime. The beauty of the Omada plan was that I did not just jump in with all of these changes on day one. The plan guided me to focus on different lessons each week and then select a goal for the coming week. When I was stuck my coaches were there to make suggestions and help guide me along the way, knowing that someone cared and they took the time to check my meal log and comment about a recipe or a new meal idea I put together that looks good, helped me feel that I was not doing it alone." Stories like that get to the heart of what we do.

Omada is on a mission to bend the curve of obesity-related disease. 40% of adults have obesity and nearly two-thirds have at least one cardiometabolic risk factor such as obesity, diabetes, hypertension or cardiovascular disease. We believe the health care system is structurally unable to address this at scale without a fundamentally different care model.

A person's disease trajectory is determined largely outside the doctor's office through nutrition, movement, sleep medications and care plan adherence. Yet the broader health care system still organizes around infrequent 15-minute visits. Omada puts the space between those visits at the center of care through an integrated multi-condition care model refined over more than a decade. We've built a member experience that brings together care teams, AI, connected devices and a custom care platform designed for quality at scale.

We've expanded into a multi-condition platform spanning weight health, diabetes, hypertension, musculoskeletal care, GLP-1 companion care, GLP-1 prescribing and our newly launched cholesterol program, giving employers the convenience of a single partner for multiple highly prevalent conditions. We've accumulated a large and growing body of peer-reviewed evidence and accreditations, which we believe is a key reason, employers and health plans choose Omada. We help the market understand that Omada delivers true clinical quality health care, which enables us to contract and bill as a health care provider, allowing our fees to be treated as medical spend.

We've established thousands of customer relationships across a broad web of distribution channels, spanning an estimated more than 25 million covered lives and in operating for over a decade, we've amassed a robust and unique data set, tens of millions of care team messages and billions of data points that underpin our product, strengthen our AI capabilities and allow us to innovate more quickly on the back of significant scale.

These investments form the foundation of everything ahead. They allow us to look through the windshield with optimism, ambition and excitement. 2025 served as a significant launch pad for our next chapter. And I want to touch on three areas where we're particularly proud. First, we believe 2025 was the year we solidified our position as a leader in enterprise GLP-1 companion care, while reinforcing that our opportunity expands well beyond GLP-1s.

Employer demand to maximize the value of their GLP-1 investment and reduced waste drove significant adoption of our GLP-1 Care Track. As we've scaled to over 150,000 members on GLP-1, we've seen what we believe these members need most, support to stay on therapy, manage side effects, build sustainable habits and maintain results if and when they discontinue.

Our results have shown that GLP-1 Care Track members on average achieved greater weight loss, compared with published real-world evidence and critically largely maintained their weight on average, one year after discontinuing GLP-1 therapy. These outcomes challenge the narrative of inevitable weight rebound and underscore the power of behavior change layered on top of medication.

In November, we announced our GLP-1 prescribing capability. As the landscape grows more complex with oral and injectable options, variant doses and emerging maintenance therapies, employers are asking us to help them navigate it all.

Adding prescribing strengthens our position by helping ensure that the right member is on the right medication at the right time while also delivering lifestyle support designed to improve outcomes and minimize waste.

At the same time, the broader spotlight on GLP-1 has increased attention on cardiometabolic disease overall. Because Omada supports weight health with or without GLP-1s and helps members manage diabetes, hypertension and now cholesterol, we've also seen strong growth among members not on GLP-1s.

For customers that choose not to cover GLP-1s, our weight health programs support their employees, and new options like our GLP-1 Flex Care, creates flexible path for employers to offer meaningful support even when they are not in a position to afford the medicines. Second, we made meaningful progress with AI in 2025, and I am particularly excited about our potential for AI innovation going forward.

We've embedded AI throughout Omada. For members, we launched OmadaSpark, our AI-powered assistant that works alongside human coaches for real-time nutritional support, motivational challenges and habit building. We launched that in Q2 of last year and followed with enhancements in Q4 with Meal Map, an AI-driven experience focused on food quality, not just calories.

For our care teams, AI-enabled tools like summarization let coaches spend less time on administration and more time on personalization. And 100% of our engineers are equipped with AI-assisted coding tools to improve development speed and output.

What makes AI at Omada different from a typical software business is what sits underneath. In caring for members, we've received tens of millions of care team messages, billions of data points and more than a decade of specific clinical outcomes, comprising what we believe is one of the most exciting cardiometabolic data sets in digital health. That data can improve our AI tools and overall member experience such that interactions with today's members make the experience better for tomorrow's.

The last area I'm proud of in 2025 is our commercial success. As Wei-Li will share, in 2025, we closed significant additional covered lives, which we believe positions us well going forward. Our between-visit care model and multi-condition platform continue to resonate as we closed contracts in the second half of 2025.

Employers and health plans increasingly see the advantage of working with a single scaled evidence-based partner and our year-end results reflect buyers leaning into that vision. In 2026, we plan to maintain our focus on the pillars that power Omada's growth, expanding covered lives through new customers and channel partnerships increasing enrollment effectiveness, so that more eligible people become active members and driving deeper engagement and retention through AI in a continually improving member experience.

Across these pillars, we're expanding capabilities. GLP-1 prescribing, cholesterol and GLP-1 Flex Care, greater personalization in content through AI and the use of AI to drive efficiency across engineering, operations and care delivery. These investments are intentionally designed to balance growth and profitability as we continue to move toward our long-term ambition of 20% plus percent adjusted EBITDA margins.

We accomplished a great deal in 2025 for Omada's mission, and we are entering 2026 with bold ambitions to bend the curve of disease. That's what we're here for, and that's why we do what we do. With that, I'll hand things over to Wei-Li.

Wei-Li Shao - Omada Health Inc - President

Thanks, Sean, and hello, everyone. I'm proud of our teams and what they accomplished in 2025. It's an exciting time to be at Omada, and I'm pleased to walk through our results and progress.

As Sean shared, we ended the year with 886,000 members, up 55% year-over-year. This includes 55,000 net new member additions in Q4, nearly double the net adds in Q4 of 2024. For the year, we added 314,000 net new members, compared to 182,000 in 2024.

Growth continues to be driven by both multi-condition adoption and demand for our GLP-1 support capabilities, which together position Omada as a broad integrated partner for cardiometabolic care. We also benefited from improvements in marketing effectiveness, which drove higher enrollment rates across both new and existing customers.

Key performance drivers in 2025 included estimated covered lives grew by more than 5 million, and we ended the year with over 25 million estimated eligible lives with strong performance across multiple channels, including the successful launch of a large new channel partner. Our e-mail enrollment rate improved significantly with the average percentage of a customer's population that receives our outreach and then enrolls increasing by 24% year-over-year.

Member engagement remains strong as well. As of December 2025, more than 55% of our members in their 12-month of cardiometabolic programs still engaged with the platform at least once during the month and more than 50% of members in their 24 month engaged at least once during the month.

Our focus on outcomes also remains consistent across our programs. Taken together, we strengthened funnel conversion at multiple layers, which gives us confidence heading into 2026. We ended the year having supported over 150,000 members on GLP-1s, adding more than 100,000 in 2025 alone.

And as Sean mentioned, we continue to see growth beyond GLP-1s across our cardiometabolic suite. Substantial white space remains and our penetration across combined self-insured and fully insured lives is below 10% with a total addressable market that we estimate at over \$138 billion. We have also been pleased to see developments in government-funded health care such as the passage of the Prevent Diabetes Act, which cemented Medicare coverage for virtual diabetes prevention programs.

And while it's early and details are still developing, we are closely watching emerging programs like balance and access models for CMS. This government activity reinforces that virtual first prevention is increasingly recognized as essential to expanding access to quality care. Our strategy is organized around three pillars: Innovation, programs that work and our multi-condition platform.

The results we delivered in 2025 are a direct reflection of progress across each. Beyond the AI capabilities Sean described, our innovation agenda in 2025 extended across several additional fronts. With respect to GLP-1 prescribing, since sharing our plans, we've had many discussions with interested customers and channel partners who are looking for help managing GLP-1 complexity.

As GLP-1s evolve across oral and injectable forms, different doses and new mechanisms, employers need to manage switching, titration and benefit design in ways that improve ROI, not just increased spend, prescribing is a natural extension of our model, allowing Omada to act as a GLP-1 value maximizer across the entire journey from informing prescription decisions to supporting members on therapy to safely discontinuing medication when appropriate. We look forward to providing updates as we build out this capability. In addition to prescribing, we also have plans to support more flexible GLP-1 access models, including the GLP-1 Flex Care option we announced today.

The need for alternative GLP-1 benefit in design solutions is underappreciated and we believe this could represent a significant opportunity. The GLP-1 market for large commercially insured employers is currently split, roughly 45% covering GLP-1s for obesity and roughly 55% that don't.

Within this segment that covers, two of the country's largest PBMs have built GLP-1 solutions that include or offer Omada programs. One offers employers financial reassurance through a spend guarantee. And Omada has been a successful partner in that solution. The other

expanded its GLP-1 offerings last year and Omada programs are an option there as well. But the 55% that aren't covering GLP-1s needs something different before moving from waiting and watching to confidently covering.

That's where GLP-1 Flex Care comes in. It gives employers a structured way to connect eligible employees with clinical evaluation, prescribing and ongoing medical oversight for GLP-1 alongside Omada's lifestyle and behavioral support.

Employers pay for the doctors' visits, labs and behavioral support, employees purchase branded GLP-1s out-of-pocket through credible cash pay channels. We believe the future for GLP-1 coverage will include multiple benefit design solutions addressing diverse employer needs, including robust clinical services, broad GLP-1 access, lifestyle support and financial reassurance.

Our strategy is to be part of that spectrum, so employers can access the clinical benefits of our programs regardless of the benefit design they choose. We've also recently expanded our cardiometabolic offerings by adding a cholesterol program. This is a risk area that is often underserved in traditional cardiometabolic offerings despite the fact that up to 70% of adults with obesity have high cholesterol.

Evidence from our existing programs has shown that virtual behavior first interventions can drive an average 39-point reduction in total cholesterol in four months among participants with diabetes and high cholesterol. Omada for cholesterol will build on that foundation, connecting behavior change, lab awareness and ongoing guidance from clinical specialists to cholesterol risk becomes visible and actionable within everyday life.

We recently completed an initial commercial launch with a large enterprise customer that has more than 300,000 employees and then we expect a broader rollout in 2027. In summary, our innovation allows us to broaden how we support the management of cardiometabolic risk, leverage AI as a differentiator and deepen our relevance across a wide range of benefit strategies, making Omada a more flexible long-term partner for employers and health plans. Our second pillar is programs that work. Solutions grounded in evidence and behavior change science that deliver measurable durable outcomes. In 2025, we expanded our body of research on GLP-1 support.

One analysis showed that members in our GLP-1 Care Track, who discontinued medication, largely maintained their weight one year later with an average weight change of only 0.8%, compared to 11% to 12% average weight regain reported in key clinical trials without ongoing lifestyle support.

A separate analysis found that members in our enhanced GLP-1 Care Track who remained in the program and persisted on the medication for 12 months, achieved average weight loss of 18%, compared to 12% in real-world evidence without structured support.

We also published our 30 peer-reviewed manuscript, focused on our joint and muscle health program, which showed that patients using a modest virtual physical therapy have lower total health care utilization and reduced MSK related costs and encounters on average at 6 and 12 months, compared to in-person PT even after accounting for program costs.

These results demonstrate that our human-led digitally enabled model can drive outcomes that matter to members and customers. Our third pillar is the power of our multi-condition platform relative to Point Solutions. Customers increasingly recognize the advantage of working with a single scale partner across multiple conditions. Our ability to support obesity and weight health, diabetes, hypertension, cholesterol and MSK conditions, and GLP-1 care as one provider continues to be a key differentiator and the growth across our cardiometabolic suite reflects this.

Revenue from our weight health program, which increasingly includes members on GLP-1s for weight loss, grew more than 50%, and revenue from both our diabetes and hypertension programs grew at rates 45% or more year-over-year. That broad-based growth across conditions reflects employers and health plans leaning into Omada as their integrated cardiometabolic partner, not just a single condition solution.

In summary, our progress across innovation, programs that work, and our multi-condition platform helped to drive our strong 2025 results and provide tangible proof that customers are buying into this vision. We believe we're well positioned for 2026 and beyond. And with that, I'll turn it over to Steve.

Steve Cook - Omada Health Inc - Chief Financial Officer

Thank you, Wei-Li. Hello, everyone. I'll walk through our Q4 and full year 2025 results, discuss the key drivers and provide our outlook for 2026. Let me start with top line results.

Members grew 55% year-over-year to 886,000. Revenue in Q4 was \$76 million, up 58% year-over-year. For the full year, revenue was \$260 million, up 53% compared to 2024. The primary factors driving growth include a broad industry focus on cardiometabolic conditions, deeper penetration of multi-condition customers strong adoption of our GLP-1 programs and more effective enrollment campaigns.

As these strong results in macro trends feed into our business model, they are creating a durable, visible revenue stream with meaningful operating leverage, which I'll discuss in a moment. I'd also like to note that in Q4, we had a onetime transaction that resulted in approximately \$2 million of additional revenue, gross profit and adjusted EBITDA. While relatively small and immaterial to full year results, I wanted to note it for any impact on sequential modeling from Q4 to Q1.

Turning to gross profit. We saw significant margin expansion in both Q4 and the full year. Q4 GAAP gross profit was \$54 million, up 67% year-over-year with GAAP gross margin of 71% versus 67% in the prior year. For the full year, GAAP gross profit was \$171 million, up 66% and GAAP gross margin was 66% versus 61% in 2024. Q4 adjusted gross profit was \$55 million, up 65%, compared to Q4 '24, and adjusted gross margin reached 73% in Q4, an all-time high and a 320 basis point improvement year-over-year, demonstrating our ability to operate above our long-term 70% plus adjusted gross margin target for the first time.

For the full year, adjusted gross profit increased 64% to \$176 million outpacing our 53% revenue growth by 11 points and driving adjusted gross margin up 450 basis points over 2024 to 68% in 2025. Over the past four years, we've nearly quadrupled revenue and expanded adjusted gross margins by more than 1,600 basis points, a trajectory that underscores the leverage in our business.

This has been driven by our growing member base and multi-condition expansion with spreads fixed costs across a larger revenue base as well as care team efficiencies enabled by our platform, AI-powered tools and optimized staffing models. We believe these drivers can continue contributing margin expansion as we pursue our long-term target of 70% plus full year adjusted gross margins.

Moving to operating expenses. We continue to demonstrate strong leverage below the gross profit line. Q4 GAAP operating expenses increased 28% year-over-year to \$50 million, for the full year, GAAP operating expenses were up 25% to \$183 million. Adjusted operating expenses grew 27% to \$47 million in Q4 and 24% for the full year to \$170 million. That 24% annual growth supported 53% revenue growth with strong operating leverage across all three operating expense lines.

Key drivers included scale from our channel partnerships and B2C go-to-market approach, sales force leverage from selling multiple conditions with one sales force, R&D efficiency from a flexible program architecture and spending discipline as we work towards sustained profitability.

Our steadfast commitment and multiyear focus on achieving profitability paid off in 2025 as we reached positive adjusted EBITDA a full year ahead of expectations, a milestone driven by financial discipline, strong growth and the operating leverage I've just described.

We're proud of this accomplishment. Notably, Q4 also marked our first-quarter of GAAP net income profitability. Specifically, we delivered GAAP net income of \$5 million in Q4, which was a \$13 million improvement, compared to a net loss of \$8 million in Q4 of 2024.

For the full year, GAAP net loss was \$13 million, an improvement of \$34 million, compared to a loss of \$47 million in 2024. Adjusted EBITDA in Q4 was \$8 million with an 11% margin, an improvement of \$12 million and 18 margin points compared to a loss of \$4 million and a negative 7% margin in Q4 '24. We Full year adjusted EBITDA was \$6 million with a 2% margin, an improvement of \$35 million and 19% margin points compared to a loss of \$29 million and a negative 17% margin in 2024.

Notably, we converted 40% of incremental revenue to the adjusted EBITDA line in 2025, which continues to highlight the scalability of our business. To wrap the discussion of our P&L, I'd like to provide some additional perspective. After we went public in June, initial consensus estimates were approximately \$222 million of revenue and a \$19 million adjusted EBITDA loss for 2025.

We delivered \$260 million of revenue and \$6 million of adjusted EBITDA, with the positive adjusted EBITDA occurring a year ahead of projections. We're pleased with that performance, and we believe it reflects our strong market position, solid execution and the strength of our business model. Specific to our balance sheet, we ended 2025 with \$222 million of cash and cash equivalents, up from \$199 million at the end of Q3. We generated positive operating cash flow for the full year, a significant milestone. We have no debt outstanding having repaid our \$30 million credit facility earlier in 2025.

This gives us a strong financial position to invest in initiatives aimed at driving incremental growth and ROI while also maintaining flexibility. As for our guidance, we expect 2026 revenue in the range of \$312 million to \$322 million, with the midpoint reflecting 22% growth over 2025.

We expect 2026 adjusted EBITDA in the range of \$7 million to \$15 million with the midpoint reflecting a \$5 million increase compared to last year. Similar to our 2025 performance, our 2026 guidance is significantly above initial post-IPO consensus expectations. With our revenue midpoint approximately \$50 million higher and adjusted EBITDA approximately \$15 million higher, reflecting continued strong execution.

Let me provide context on how we've approached guidance and on our growth trajectory. Our guided revenue of 22% at the midpoint comes on top of a 53% growth year that included a strong first wave of GLP-1 adoption and significant commercial momentum. This is an exceptional baseline to build from. We built our guidance, starting with our year-end base of 886,000 members and over 25 million estimated covered lives.

Then we layer in historical enrollment conversion rates and observed engagement and retention trends with no significant improvement assumed. This allows us to anchor to what we consider our more highly visible level of revenue.

Just as important is what's not in the guide. We have not embedded meaningful contributions from GLP-1 prescribing, GLP-1 Flex Care or our cholesterol program, and we have not assumed further improvement in enrollment conversion rates or significant revenue from contracts not yet signed.

Our adjusted EBITDA guidance reflects the revenue outlook combined with the investments we've discussed. If we achieve revenue upside, we would expect a portion to contribute to a stronger adjusted EBITDA. We believe this approach reflects appropriate prudence for initial guidance and positions us to build on our track record of execution.

Stepping back from the specifics of our guidance, we believe the most important story is the quality of our growth in 2025. As I shared, we converted 40% of incremental revenue to EBITDA. We achieved our first-quarter of GAAP profitability, and we generated positive cash flow for the year. We continue to believe in the long-term scalability and profitability of our business.

In closing, we are very pleased with our 2025 results, which reflected outperformance across all key metrics. Looking ahead, we believe our market position, strategic investments and scalable business model position us well for durable profitable growth.

With that, we'll open the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

David Roman, Goldman Sachs.

David Roman - *The Goldman Sachs Group, Inc. - Analyst*

Steve, I really appreciate the detail on the guidance basis as you think about 2026. So maybe I could just push you a little bit on the assumptions there. And very specifically, I just want to make sure that we're hearing the outlook correctly that effectively the guidance contemplates only contribution from the existing business and not necessarily some of the new opportunities -- and if that is the case, I just want to make sure that we're not misreading this, and it looks like the guidance suggests some of the base business starting to hit a wall or markedly decelerates. So just to make sure that we're interpreting that correctly, and that's how you're intending to frame the guidance.

Steve Cook - *Omada Health Inc - Chief Financial Officer*

Yes, David, thank you for the question. Firstly, we're obviously extremely proud of the results in 2025 per some of the prepared remarks, growing 53% in 2025 was well ahead of expectations. And when we look back at your commitments from just 6 months plus ago during the IPO, we're trending meaningfully above that path at \$50 million ahead on revenue and \$15 million ahead on EBITDA.

So we're carrying a tremendous amount of momentum, and we're a full year ahead of expectations that we set at that time. It's also worth noting that from the get-go, we have been communicating externally that we intend to grow this business for the foreseeable future at least a minimum commitment of 20%-plus.

And we think that the guidance reflects commitment against those projections. As we think about some of the inputs there, you're exactly -- you're correct in that we're basing it off of 886,000 exit members we're looking back.

We're coming through all of our historical trends on enrollment rate conversion, on engagement rate and assuming that there's no material improvement across those metrics throughout the course of the year. We have a lot of internal investments and initiatives focused on improving those metrics to the extent we're able to capitalize on those throughout the course of the year that would be incremental revenue compared to our guide.

And then per some of your commentary, we spent some time in talking about our prescribing capabilities, GLP-1 Flex Care cholesterol. These are also not materially in our guidance numbers. Are we going to be launching a lot of those in market this year and as those gain market traction, and we have more of our customers purchasing those, those will be reflected in potential upside to the guide.

David Roman - *The Goldman Sachs Group, Inc. - Analyst*

Super helpful. And maybe just a follow-up. As you kind of think about the -- what you've observed and February from conversions off of the 2025 -- sorry, excuse me, 2026 selling season. Can you just give us some flavor of maybe a little more detail how that tracked? And then how we should think about just the cadence of revenue and profitability throughout the year to make sure we have the phasing of the year, correct.

Wei-Li Shao - *Omada Health Inc - President*

This is Wei-Li. Let me talk a little bit about how we close the end of the year and to the extent that I can cast a little bit of high-level color on what we've seen this year in just the first couple of months.

We're pretty pleased with how we closed the end of the selling season. I mean, we're up over 5 million additional eligible covered lives across our business. We've also seen continued momentum in terms of multi-condition product sales. And as mentioned earlier, last year, we improved our enrollment rate yield, our enrollment rate performance, more than 20%, 24% to be precise.

And so we're pleased with the overall funnel developments, if you want to put it that way, or funnel conversion improvements, and as mentioned by Steve, that's going to be carried on into how we think about this year's performance. I won't go into too much quantitative characterization of January and February.

But suffice it to say that things are tracking, and we like what we see there. As you might expect, as it is every year, the additional covered lives that we closed in the prior year, oftentimes are going live at the beginning of the year, it's the heavy enrollment season. and that certain pattern or that seasonality certainly exists too as well.

Steve Cook - *Omada Health Inc - Chief Financial Officer*

And David, I'll just add a little bit of color on some of the revenue and the EBITDA progression per your question. We do expect -- we had an extremely strong Q4. We saw 11% sequential growth quarter-over-quarter. That's stronger compared to what we've observed historically.

If you looked at 2024, we only saw a 5% increase there. So we don't expect as big of a jump on Q4 revenue -- on Q1 revenue basing off of where we exited the year, and we also did have that onetime \$2 million adjustment, which we don't intend to repeat going through the year.

So Q1 should roughly be -- expect to be flat relative to Q4 win accounting for that \$2 million, and then we'll sequentially grow revenue throughout the course of the year. And then as you're aware, Q1 is our largest net new enrollment volume quarter.

It carries additional costs associated with increased device shipments as well as increased cost for our care teams as there's more labor in the first-quarter. And then we'll steadily climb out of that as we go throughout the year, improving gross margin and improving EBITDA margin throughout the remainder of the year.

Operator

Sean Dodge, BMO Capital Markets.

Sean Dodge - *BMO Capital Markets - Analyst*

I just want to start maybe understanding a little bit better the mechanics of the new GLP-1 Flex Care program. It sounds like the existing GLP-1 Care Track, but now just building connections for the member to get a script and actually buy the drug. Does building that in, does that change the economics of the program for you at all? Do you get compensated for facilitating those connections? Or is this just more about kind of broadening the appeal and kind of the utility, the program to more employers.

Sean Duffy - *Omada Health Inc - Chief Executive Officer, Co-Founder, Director*

Thank you Sean. This is Sean here. Happy to talk about Flex Care. Let me just start with the characterization on the segments, in the employer market specific to GLP-1s for obesity because there are two primary groups. The first is those who cover. So that's roughly 45% of the market. They cover GLP-1s for obesity.

Historically, when we talked about our Care Track, that's who that was targeted toward. Those are folks who want to maximize the value of that investment. It's actually a bigger segment. And that's -- roughly 55% of the large employers and those that just do not cover GLP-1s for obesity yet.

But equally, they do want a way to support their employees. And that is what the GLP Flex Care solution is targeted toward because it gives these employers a structured model, where, yes, for your comments, they do pay Omada and would pay Omada more for the GLP-1 Flex Care offering because that includes clinical evaluation, prescribing lab ordering and Omada lifestyle and behavioral support while eligible employees can purchase the branded GLPs out of pocket through vetted cash pay channels, of course, with a focus on accessing the lowest available price.

So this, in turn, allows that segment of the market to still offer their employees a chance for high-quality GLP-one care with strong oversight without immediately taking on that full drug spend risk.

Sean Dodge - *BMO Capital Markets - Analyst*

That's super helpful. And then, Wei-Li, you mentioned having improved enrollment yield. I think you said 24% last year, so driving significant efficiencies on the marketing front. Is there anything you can -- anything more you can share on just like how you've been able to do that? I think you mentioned AI is playing a role there. And then just maybe how much runway you see being left when it comes to driving kind of incremental margin or marketing efficiencies?

Wei-Li Shao - *Omada Health Inc - President*

Yes, sure, Sean. Let me address that. In terms of how we were able to achieve that -- as you and others may recall, we do a lot of digital marketing. And as a result of that, we actually have the ability to do dozens if not hundreds of A/B tests. Those A/B tests can switch out concepts, creative, language, call to action, you name it, across the spectrum of what one would think about optimizing in our campaign outreach.

And so that certainly is a component of that, and we did that last year. We did that in 2024. We did that in 2023. We're going to do it again in 2026. And we still think that there's runway to optimize those campaigns in that outreach.

The other component, of course, is a multichannel component. And when we say multichannel or omnichannel, we mean about digital signage on-site at an employer, especially if they have a large distribution center with a large warehouse, for instance, employees that are on site.

And then other forms, including direct mail, other types of flyers, so on and so forth. And even in those particular channels, we can then optimize, again, the frequency, how often we send, what is the depth of the content, the copy, the creative.

And then we can actually look across entire campaigns and how we define a campaign is really a combination of all those things in a multichannel approach to understand how we stack them on each other. And so there's multiple dimensions upon which we can actually optimize and improve yield rates or employee enrollment rate. And we think, again, that there's still a runway to improve that in 2026, and that certainly is on the docket for us to do so.

Operator

Craig Hettenbach, Morgan Stanley.

Craig Hettenbach - *Morgan Stanley - Analyst*

Sean, just going back to AI, plenty of debate on the impact, including potential disruption to business models. So against the backdrop of some of the concerns in the marketplace, where do you see Omada is most insulated? And what are some of the things you're doing to benefit from AI as opposed to be disrupted?

Sean Duffy - *Omada Health Inc - Chief Executive Officer, Co-Founder, Director*

Craig, thank you for the question. It is one that I and we think about a lot. Pulling that beyond Omada, I believe we are on the frontier of just a remarkably innovative moment in the history of health care. And this is the moment where, in our view, it's being propelled by AI.

And so against that, there are a number of things that, I think, frankly, any innovative company can do, that these include leveraging AI coding assistance, using AI to improve member support using exciting frontier models within their app.

So Omada is doing these. We're already seeing signs of how this impacts the business on a day-to-day basis, our members on a day-to-day basis, and that is, of course, an important part of ongoing improvements to margin. That being said, those are perhaps table stakes. I mean yes, there is one thing that we believe that is true today and will be true tomorrow. And that is the value of unique data sets that, in many cases, take years to build.

We have tens of millions of care team conversations, hundreds of millions of biometric data points and billions of real-world data points. And so what that allows us to do and what we're excited is allows us to customize and personalize care in a way that's unique and in a way that's valuable.

So it will take time to prove this out, and it will take time because we are in health care. We're regulated. We have devices, hardware, a supply chain, a complex web of distribution relationships and we're dealing with people's lives, which we take very seriously.

So when I'm asked that question, I don't tend to view it as if AI will disrupt health care or disrupt Omada, rather, I view it as a question of who is going to build it in the right way in health care. And I believe we have the unique foundations to do just that here at Omada.

Craig Hettenbach - *Morgan Stanley - Analyst*

Helpful. And as a follow-up, I wanted to focus in on just the hypertension/diabetes programs. I feel like they tend to get overshadowed just by all the excitement and interest in GLP-1. So -- can you talk about the traction you're seeing in those programs and just how you see the runway for growth in the coming years?

Wei-Li Shao - *Omada Health Inc - President*

Yes. Craig, this is Wei-Li, and you get extra points for asking a non-GLP-1 question. So I appreciate that. Yes, we've always said that the GLP-1 moment is actually a cardiometabolic moment, insofar as meaning that the discussion is a gateway into the broader cardiometabolic kind of condition question and challenge that our customers face.

And in fact, when you look at the cardiometabolic landscape, the overwhelming majority of people who suffer from those conditions are not taking a GLP-1. So it actually represents a TAM that is as, if not larger than the current GLP-1 accessible market.

So what does that mean in terms of our performance. We've always said from the get-go that a pillar of our strategy is to understand and realize that people who suffer from, let's say, obesity, also have diabetes, also have hypertension. As we all know, and that's why we provide a multi-condition platform.

In multi-condition sales continues to be something that is strategically important and a huge strategic focus for us. And we talked about our progress on that. It continues -- we continue to make progress on that, and we're happy with that. But maybe a way to talk about the results in our portfolio products is that we saw strong growth, not only across our cardiometabolic suite, but across the individual programs.

And so prevention or weight health, obesity grew more than 50% in both diabetes and hypertension grew 45% or more year-over-year. And we think that breadth of growth really reflects the customers increasingly using Omada as their integrated cardiometabolic partner excuse me, and not just for a single condition. So we're seeing growth in summary, in both diabetes and hypertension, almost directionally similar to the overall growth rate that we saw last year overall in revenue.

Operator

Ryan MacDonald, Needham & Company.

Ryan MacDonald - Needham & Company LLC - Analyst

Congrats on a quarter. Steve, maybe first for you, just so as we're thinking through the 2026 guidance. So obviously, you mentioned sort of no material changes or improvements in sort of enrollment yields and rates from there.

So should we sort of take the guidance as sort of you grew covered lives 25% on a year-over-year basis. And so if you assume that sort of same conversion rate that sort of member count grows about that 25% rate. And then you see then some declines in average revenue per member. And if that's the case, can you help us understand what you're seeing from a program mix perspective that may be driving sort of this continued sort of ARPU declines.

Steve Cook - Omada Health Inc - Chief Financial Officer

Yes, absolutely right. Happy to provide some color there. Again, per some of the prior comments, just to recalibrate on what's in our baseline assumptions. It's just starting with that 886,000 members and then layering on some historical assumptions around enrollment conversion as well as engagement rate.

I think the easiest way to think through the modeling next year is that ARPU stays relatively flat. Historically, it's been roughly just shy of \$300 per ending member. And so -- and then building up your total member base off of that growing roughly in line with revenue guidance at 22%.

What's important is what's not in the guide. And we talked a little bit about this, all which have the ability to drive incremental ARPU throughout the year. The first being some of the new product categories we're entering to the extent we're able to layer on GLP-1 Flex Care prescribing cholesterol. These are all accretive to ARPU throughout the year. We are creating internally some investments around driving more engagement through increased product and feature enhancement.

The longer we can keep folks in program that also has the ability to drive additional ARPU with a little incremental cost as we go throughout the year. So the really way to just take the basis is to grow the member count by 22% and keep revenue roughly flat.

Ryan MacDonald - Needham & Company LLC - Analyst

Super helpful. I appreciate the finer point on that. And then maybe a secondary question for Wei-Li or Sean. Earlier this week, we had a benefits conference and what the conversation really standard around sort of for this year was -- so this idea that your average employee benefits portfolio is about 28 different point solutions today and that the conversation is really around in the current budgetary environment with health care costs continuing to rise at accelerating rates, as more of a consolidation, looking to see where there are duplicate solutions

and then optimizing for outcomes, would love to know if this is something you're seeing sort of in the early stages of the 2026 selling season and how maybe this could potentially favor your multi-condition platform relative to sort of individual point solutions providers.

Sean Duffy - Omada Health Inc - Chief Executive Officer, Co-Founder, Director

Yes, Ryan, thank you for the question. I mean if you serve as a Head of Benefits and were on LinkedIn, you'd have about 50 messages a week coming in from point solution providers, and that does grow tiring, and that's a message we hear frequently about.

And it's one that we respond to. It's been a recurring theme that customers love the fact that they can get quality care across multiple care areas from Omada. We see that across our portfolio suite. And even we see that within GLP-1s, where one buyer is one buyer. And equally, they recognize that tomorrow's strategy specific to their GLP-1s may not be the same as today's.

And so we are thrilled with that. In fact, I think we have a proof of concept of this approach right in front of us in cholesterol. We announced Omada for cholesterol. That's a natural extension of our cardiometabolic suite. We like that. High cholesterol often, as shared in the remarks, coexists with obesity, diabetes hypertension.

And one of the reasons that we got excited to do it is we heard about it from our largest customers who said, this is a clinical area where I care about. Omada, we trust you, we'd love if we could work together on it. And then we're starting out of the gate with a customer lined up there for Omada for cholesterol.

Wei-Li Shao - Omada Health Inc - President

And if I were just to tag on a little bit to that and add and what really drove that particular situation, and we're seeing is repeated across a number of opportunities is exactly what you mentioned around a fatigue around single-point solutions, imagining somebody who suffers from obesity, diabetes, hypertension and now, of course, some dyslipidemia or high cholesterol, they could be on as many four different applications in the consolidation into one multiproduct company, Omada, that has proven evidence-based results and outcomes and ROI, certainly is attracted to buyers, and we're seeing that play through, which is why we continue to see momentum in multiproduct sales and growth across the portfolio of programs.

The last bit I would also mention is that we happen to be in the actual therapeutic areas or disease areas that HR benefits company CEOs, CFOs understand are actually the biggest drivers of their health care spend cardiovascular events, cholesterol, heart attacks, diabetes, obesity, MSK, they always register small company, big company always to the top of the top five, top six areas that are driving spend.

And so as employers and benefit solution providers decide to consolidate away from "you said 28 different point solution providers". They're obviously going to think about Omada, they're going to think about multi-condition platforms, but they're also going to think about those providers that are in the sweet spots that are driving most of their year-over-year health care spend and it happens to be the ones we're in.

Operator

Elizabeth Anderson, Evercore ISI.

Elizabeth Anderson - Evercore Inc - Analyst

Kind of think about improving gross margins. Steve, obviously heard what you said about the contribution to gross margins from the \$2 million, but still improved quite nicely even without that.

So can you talk about that and how you see those flowing through into 2026. I understand that, obviously, you guys have seasonality that will impact particularly the 1Q numbers, but just sort of how to think about that incrementally? And then if there's any more color you can provide on sort of what that adjustment was in the fourth-quarter, that would also be super helpful.

Steve Cook - Omada Health Inc - Chief Financial Officer

Yes. Maybe I'll start there with the adjustment in the fourth-quarter. We did have a \$2 million onetime true-up. This was a negotiation that was cascading throughout the year with one of our larger partners. We also resolved that in the fourth-quarter and as such, released that revenue.

If we had negotiated it and resolved it earlier in the year, you would have seen that revenue recognized ratably throughout the course of the year. We don't expect that to recur on a go-forward basis. With regard to gross margin, again, tremendously proud of our performance in Q4, hitting 73% gross margin. As we've communicated consistently, our terminal annualized target continues to be 70% plus.

So we believe Q4 really demonstrates our ability to hit to March towards that target in the long term. Two main drivers here: the first being ongoing traction with multi-condition customers. So the more diabetes and hypertension revenue that we drive through, those are coming through at our -- those are our highest priced products.

And they drive incremental gross margin dollars and gross profit dollars for us. That was a large contributor. And then the second piece is just more cost efficiencies, and that came in two forms. The first is us just continuing to optimize our labor costs across our care teams.

We've experimented with dozens of staffing models, and we really feel like we fine-tune that over the course of the past several years, which led to additional margin expansion as well as some of the prepared remarks, us continuing just to use AI and using a contact summarization, making our care teams more effective and more efficient.

And we're going to be planning to roll some of those -- that momentum throughout the course of the next year. and we envision 2026 being another key stepping stone on our path to getting to a 70-plus percent gross margin.

Operator

Stan Berenshteyn, Wells Fargo.

Stanley D. Bernstein - Wells Fargo - Analyst

First on retention dynamics, I know you commented that they're pretty steady over 12 and 24 months. I'm curious whether the new products of OmadaSpark and Meal Map, whether they've demonstrated any measurable improvement in engagement that you can point to?

Wei-Li Shao - Omada Health Inc - President

Yes. Thanks a lot, Stan. Wei-Li here. Let me take this one around OmadaSpark. So we launched this in the first half of last year and then fast forward with some enhancements to OmadaSpark. And so we're proud of that, and it allows our members to essentially have a nutritional AI assistant.

Food is such an important part of the behavior change process. And then, of course, the Meal Map allows individuals to either dictate their food, snapshot their food with their camera, log their food in a number of different ways and then the nutritional density of the food is actually registered very accurately and then that information then translates into what meaningful changes can they make.

And so I kind of recuse all of that because you can imagine the value that numbers have in seeing this knowing that nutrition in food and food quality and nutritional density is such an important part of generating a positive outcome, not just in obesity and weight health, but across diabetes, hypertension and now cholesterol and believe it or not, even in MSK as well.

We're encouraged by the early results, members who interact with a lot of Spark, our health AI assistant, along with Meal Map demonstrating higher levels of ongoing engagement. And in fact, because they are returning to the app more frequently compared to those who haven't yet used the tools.

And so we're seeing that lift. Now specifically, the Meal Map, which is the part and parcel of understanding what you eat, and then matching the behavior change. We're also seeing meaningful lifts in actual food tracking behavior, which is one of our strongest predictors of sustained weight management.

And so all of these, of course, drive more activity with the app. And because we bill based upon activity for the majority of our business, we do believe over the long haul, and over time that this should potentially create some meaningful improvement in terms of financial performance.

Stanley D. Bernstein - Wells Fargo - Analyst

And then I just want to follow up on the cover lives. I think you mentioned 25 million. That's about 5 million incremental from your prior disclosures. Can you share with us what is the mix of self-insured versus fully insured within those 5 million that you onboarded.

Sean Duffy - Omada Health Inc - Chief Executive Officer, Co-Founder, Director

Yes, sure. Right. So of the 5 million that we closed, the way to think about it and characterize that is that it was driven by strength across multiple commercial channels and across the product portfolio. So it wasn't densely concentrated in one significantly over the other. But if you were to look at the mix, our PBM channel is the largest contributor followed by strong performance in our self-insured, fully insured and ASO business.

Operator

(Operator Instructions)

Richard Close, Canaccord Genuity.

Richard Close - Canaccord Genuity Corp - Analyst

Great and all the success this year. Sean, maybe on GLPs, welcome your perspective on how you think about GLP prices coming down and how that impacts the growth opportunity for Omada, I do think there's some fears out there as those prices come down, maybe demand for programs like Omada gets impacted?

Sean Duffy - Omada Health Inc - Chief Executive Officer, Co-Founder, Director

Yes, Richard, thank you for the question. It's certainly an important one. And within that, it's also important to share that the way our accounts and customers view Omada is not a cost on top of their medication spend, but rather a value maximizer of their decision to cover GLP-1s for obesity.

And so again, right now, the accounts that cover GLP-1s for obesity, it's roughly 45% of the market. They know the cost of that decision and what they're after is reduced waste. And so Omada Care Tracking capabilities allow us to support them across the entire journey from

helping inform prescription decisions with our new prescribing capabilities to supporting realized outcomes well on therapy and, of course, to safely discontinue when appropriate.

And so net, relative to the price of the meds, we believe these lower price points actually have the potential to increase GLP-1 utilization, which increases access to the medicines and thus, increases the need for Care Track services like Omada. And equally, for the market where employers say, look, I just can't afford these meds, I mean that's where a new GLP-1 Flex Care offering comes in, and that's the 55% of the employer market segment specific to GLP-1s.

Richard Close - *Canaccord Genuity Corp - Analyst*

And then, Steve, maybe as a follow-up. I think you mentioned all the new programs are accretive. Can you put that into perspective in terms of ARPU?

Steve Cook - *Omada Health Inc - Chief Financial Officer*

Yes. That's a great question. We have priced across prescribing cholesterol and our GLP-1 Flex Care above our current rates. So for cholesterol, specifically, that's roughly priced in line with hypertension. But as we view -- as we observe more customers in taking these products, these all have the potential to uplift ARPU above where our current run rates are at \$300 per year per average member.

So as we get more traction in market, again, these are very nascent products. We're just starting out with them. We'll be able to provide more specific guidance on the exact measure of uplift that we're observing as we get traction with some clients.

Operator

Carly Buecker, Barclays.

Carly Buecker - *Barclays Services Corp - Analyst*

You have Carly on for Saket here. If we look back to 2018, when Omada launched its diabetes and hypertension programs, can you walk us through what the adoption curve looks like for those programs over time as we think about kind of a parallel to help frame the launch of the cholesterol program. How long did it take to roll out the diabetes and hypertension modules more broadly? And when did you start to see adoption really pick up steam and drive incremental revenue?

Sean Duffy - *Omada Health Inc - Chief Executive Officer, Co-Founder, Director*

Yes, I can start because again, those are good examples of how we love to innovate, which is on the back of really listening deeply to customer needs and ask and ideally finding kind of a one or multiple marquee customers to start the innovation journey with you.

And so that was a couple of long-standing customers that had said, you know what, Omada, we love what you do in prevention in obesity and weight health. Would you consider diabetes? And so that started the journey.

And then we did highlight the growth rates which are comparable to prevention, which I think is a statement on how that journey has gone. And so we're hoping to rinse and repeat with, of course, cholesterol, hoping to rinse and repeat with that same process of listening intently on things like GLP-1 prescribing GLP-1 Flex Care because we know based on how those grow, how they can be accretive over time. But I don't know, Wei-Li, if you have any comments on top of what I've shared.

Wei-Li Shao - Omada Health Inc - President

Yes. The only thing I would share on top of would be kind of qualitative and just imagining kind of the intent of the question. That was six, seven years ago in the Omada that was then in 2018. We're a very, very different Omada today. Our capabilities are far more evolved across the entire conversion funnel, starting with closing lives with channels and then employers and, of course, enrollment rate and engagement and so on and so forth, activation through the members.

All that to say to me that I think what would have taken us three, four years to eventually sell through a payer or PBM and then build a book of business to employers and then begin to enroll, I think we've gotten better at that. I know we've gotten better at that.

And so we certainly think that we can beat those time curves in terms of full-scale adoption. The last thing I'd also remind everyone to as well is that our approach over the last few years in innovating and expanding new programs has not really just been looking at TAM, but as Sean mentioned, really listening to our customers and oftentimes, the trigger for us which accelerates adoption is actually when a customer says, "Boy, if you do this, we'll buy it." and we're seeing that reflected with our cholesterol program where a large customer came to us and said, hey, we're seeing this being a cost driver in our health care spend. We'd love to partner with you all, and we built that and immediately win in contracting and launched that customer earlier this year. And so the approach there is as such.

Sean Duffy - Omada Health Inc - Chief Executive Officer, Co-Founder, Director

And then last thing here. So just stepping back, what's fun is if you look at all these launches, we believe they really add up. I mean, between GLP-1 prescribing, GLP-1 Flex Care, Omada for Cholesterol, as I reflect on the journey we've been on, we are on pace to roll out more new offerings in 2026 than in any year in the history of our company. And so what this translates into, of course, is the opportunity set, translates into new ways to support specific customer needs and we believe a solid foundation for durable growth.

Operator

Thank you. This concludes today's conference call. Thank you for participating. You may now disconnect.

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