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 March 31, 2024
or

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

Commission file number 001-04321

American Oncology Network, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**85-3984427**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
14543 Global Parkway, Suite 110, Fort Myers, Florida	**33913**
(Address of Principal Executive Offices)	(Zip Code)

(833) 886-1725
Registrant's telephone number, including area code

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Class A common stock, par value $0.0001, per share	AONC	The Nasdaq Stock Market LLC
Warrants, each whole warrant exercisable for one share of Class A common stock at an exercise price of $11.50 per share	AONCW	The Nasdaq Stock Market LLC

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 and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting 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 Act). Yes ☐ No ☒

As of May 14, 2024, the registrant had outstanding 13,046,342 shares of Class A common stock, inclusive of the Sponsor Earnout shares, and 23,725,998 shares of Class B common stock.

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Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q (this “Form 10-Q”), including, without limitation, statements under the headings “Management's Discussion and Analysis of Financial Condition and Results of Operations,” contains forward-looking statements for purposes of the safe harbor provisions under the United States Private Securities Litigation Reform Act of 1995, including statements about the financial condition, results of operations, earnings outlook and prospects of American Oncology Network, Inc. (“AON”, “New AON”, “AON Inc.”, or the “Company”). Any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. Forward-looking statements are typically identified by words such as “plan,” “believe,” “expect,” “anticipate,” “intend,” “outlook,” “estimate,” “forecast,” “project,” “continue,” “could,” “may,” “might,” “possible,” “potential,” “predict,” “should,” “would” and other similar words and expressions, but the absence of these words does not mean that a statement is not forward-looking. The forward-looking statements are based on current expectations and projections about future events and various assumptions. AON cannot guarantee that it will actually achieve the plans, intentions, or expectations disclosed in its forward-looking statements and you should not place undue reliance on AON’s forward-looking statements.

These forward-looking statements involve a number of risks, uncertainties (many of which are beyond the control of AON), or other assumptions that may cause actual results or performance to differ materially from those expressed or implied by these forward-looking statements. The forward-looking statements contained herein are also subject generally to other risks and uncertainties that are described from time to time in AON’s filings with the Securities and Exchange Commission, including “Risk Factors” in the Company’s most recent Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. The risks described in the “Risk Factors” sections are not exhaustive. New risk factors emerge from time to time, and it is not possible to predict all such risk factors, nor can AON assess the impact of all such risk factors on the business of AON, or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement. The statements made herein are made as of the date of this press release and, except as may be required by law, AON undertakes no obligation to update them, whether as a result of new information, developments, or otherwise.

Part I - Financial Information

Item 1. Financial Statements

American Oncology Network, Inc.

Condensed Consolidated Balance Sheets

(Unaudited)

($ in thousands, except share and per share data)

		As of March 31, 2024		As of December 31, 2023
Assets				
Current assets				
Cash and cash equivalents	$	74,944	$	28,539
Short-term marketable securities		30,105		35,389
Patient accounts receivable, net		132,300		129,151
Inventories		44,288		44,569
Other receivables		34,799		34,274
Prepaid expenses and other current assets		5,029		4,277
Current portion of notes receivable - related parties		2,498		1,604
Total current assets		323,963		277,803
Property and equipment, net		40,997		40,439
Operating lease right-of-use assets, net (1)		43,358		43,349
Notes receivable - related parties		157		1,150
Other assets		12,216		7,588
Goodwill and intangibles, net		1,230		1,230
Deferred tax asset, net		-		2,894
Total assets	$	421,921	$	374,453
Liabilities, Mezzanine Equity, and Stockholders' Equity				
Current liabilities				
Accounts payable (2)	$	188,329	$	127,645
Accrued compensation related costs		12,628		11,410
Accrued other		25,186		22,327
Income tax payable		971		971
Current portion of operating lease liabilities (3)		6,715		6,692
Total current liabilities		233,829		169,045
Long-term debt, net		80,856		80,641
Long-term operating lease liabilities (4)		39,786		39,803
Other long-term liabilities		11,342		14,251
Total liabilities		365,813		303,740
Mezzanine equity				
Series A convertible preferred stock; $0.0001 par value; 7,500,000 shares authorized; 6,651,610 issued and outstanding at March 31, 2024 and December 31, 2023, with an aggregate liquidation preference of $69,369,195 and $68,009,015 at March 31, 2024 and December 31, 2023, respectively.		64,986		64,986
Redeemable noncontrolling interest		157,716		167,025
Stockholders' equity				
Class A Common Stock; $0.0001 par value; 200,000,000 shares authorized; 10,334,734 and 9,517,816 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively.		1		1
Class B Common Stock; $0.0001 par value; 100,000,000 shares authorized; 23,725,998 and 25,109,551 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively.		3		3
Additional paid-in capital		8,164		-
Treasury stock, at cost, 31,170 shares at March 31, 2024 and 14,729 shares at December 31, 2023		(97)		-
Accumulated other comprehensive income		77		81
Retained deficit		(175,594)		(161,812)
Total AON stockholders' deficit		(167,446)		(161,727)
Noncontrolling interest		852		429
Total deficit	$	(166,594)	$	(161,298)
Total liabilities, mezzanine equity, noncontrolling interest, and stockholders' equity	$	421,921	$	374,453

(1) Includes related party operating right-of-use assets, net of $11,293 and $10,931 at March 31, 2024 and December 31, 2023, respectively

(2) Includes amounts due to related party of $182,697 and $120,857 at March 31, 2024 and December 31, 2023, respectively

(3) Includes related party current portion of operating lease liabilities of $1,971 and $1,888 at March 31, 2024 and December 31, 2023, respectively

(4) Includes related party long-term operating lease liabilities of $9,772 and $9,472 at March 31, 2024 and December 31, 2023, respectively

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

American Oncology Network, Inc.

Condensed Consolidated Statements of Operations and Comprehensive Loss

(Unaudited)

($ in thousands, except share and per share data)

	Three Months Ended March 31,	
	2024	**2023**
Revenue		
Patient service revenue, net	$ 361,508	$ 301,773
Other revenue	2,831	1,958
Total revenue	364,339	303,731
Costs and expenses		
Cost of revenue (1)	354,948	278,534
General and administrative expenses (2)	28,277	23,717
Transaction expenses	352	1,971
Total costs and expenses	383,577	304,222
Loss from operations	(19,238)	(491)
Other income (expense)		
Interest expense	(1,763)	(1,417)
Interest income	793	57
Other (expense) income, net	(1,908)	466
Loss before income taxes, equity loss in affiliate, and noncontrolling interest	(22,116)	(1,385)
Income tax expense	2,894	-
Loss before equity loss in affiliate and noncontrolling interest	(25,010)	(1,385)
Equity in loss of affiliate	49	(101)
Net loss before noncontrolling interest	(24,961)	(1,486)
Net income attributable to noncontrolling interest	43	-
Net loss before redeemable noncontrolling interest	(25,004)	(1,486)
Net loss and noncontrolling interest attributable to Legacy AON Stockholders prior to the reverse recapitalization	-	(1,486)
Net loss attributable to redeemable noncontrolling interest	(17,163)	-
Net loss attributable to Class A Common Stockholders	$ (7,841)	$ -
Loss per share of Class A Common Stock:		
Basic	$ (1.22)	$ -
Diluted	$ (1.22)	$ -
Weighted average shares of Class A Common Stock Outstanding:		
Basic	7,527,882	-
Diluted	7,527,882	-
Other comprehensive income (loss):		
Unrealized gain (loss) on marketable securities	(22)	64
Other comprehensive gain (loss)	(22)	64
Comprehensive loss	$ (25,026)	$ (1,422)
Other comprehensive loss attributable to Legacy AON Shareholders	—	(1,422)
Other comprehensive loss attributable to noncontrolling interests	(17,180)	—
Total comprehensive loss attributable to Class A Common Stockholders	$ (7,846)	$ —

(1) Includes related party inventory expense of $310,877 and $178,166 for the three months ended March 31, 2024 and 2023, respectively.
(2) Includes related party rent of $706 and $679 for the three months ended March 31, 2024 and 2023, respectively.

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

American Oncology Network, Inc.

Condensed Consolidated Statements of Mezzanine and Stockholders' Deficit

(Unaudited)

($ in thousands, except share and per share data)

	Mezzanine Equity - Series A Preferred Stock		NCI[1]	Class A Common Stock		Class B Common Stock							
In thousands (including share and per share data)	Stock	$	$	Stock	$	Stock	$	APIC[1]	Treasury Stock	AOCI[1]	Noncontrolling Interest	Retained Deficit	Total Equity (Deficit)
Three Months Ended March 31, 2024													
Balances at December 31, 2023	6,652	64,986 $	167,025	6,678,441	1	25,109,551	3 $	-	- $	81 $	429 $	(161,812) $	(161,298)
Other comprehensive loss	-	-	(17)	-	-	-	-	-	-	(4)	-	- $	(4)
Equity-based compensation and NCI rebalancing	-	-	399	2,289,181	-	-	-	9,696	-	-	-	- $	9,696
Repurchases of Class A Common Stock	-	-	-	(16,441)	-	-	-	-	(97)	-	-	- $	(97)
Capital contributions from noncontrolling interest member	-	-	-	-	-	-	-	-	-	-	380	- $	380
Net income (loss)	-	-	(17,163)	-	-	-	-	-	-	-	43	(7,842) $	(7,799)
Fair value adjustment to redeemable noncontrolling interest	-	-	15,636	-	-	-	-	(9,696)	-	-	-	(5,940) $	(15,636)
Redemption of Class B Common Stock to Class A Common Stock	-	-	(8,164)	1,383,553	-	(1,383,553)	-	8,164	-	-		- $	8,164
Balances at March 31, 2024	6,652 $	64,986 $	157,716	10,334,734 $	1	23,725,998 $	3 $	8,164 $	(97) $	77 $	852 $	(175,594) $	(166,594)

	Class A		Class A-1		Class B			
In thousands (including share and unit data)	Units	$	Units	$	$	AOCI[1]	Retained Earnings (Deficit)	Total Equity (Deficit)
Three Months Ended March 31, 2023								
Balances at December 31, 2022	19,495	$ 7,725	1,843	$ 28,500	$ 80	$ (117)	$ 25,828	$ 62,016
Net loss attributable to Legacy AON Shareholders	-	-	-	-	-	-	(1,486)	(1,486)
Other comprehensive income attributable to Legacy AON Shareholders	-	-	-	-	-	64	-	64
Balances at March 31, 2023	19,495	$ 7,725	1,843	$ 28,500	$ 80	$ (53)	$ 24,342	$ 60,594

[1] The acronyms in the table above are defined as follows:
- APIC - Accumulated paid in capital
- AOCI - Accumulated other comprehensive income
- NCI - Mezzanine equity classified noncontrolling interest

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

American Oncology Network, Inc.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

($ in thousands, except share and per share data)

	Three Months Ended March 31,	
	2024	**2023**
Cash flows from operating activities		
Net loss	$ (24,961)	$ (1,486)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	2,506	2,207
Amortization of debt issuance costs	215	176
Provision for income taxes	2,894	-
Amortization of operating right-of-use assets (1)	2,040	2,224
Changes in fair value adjustments of warrants and derivative liabilities	(1,611)	-
Equity-based compensation	10,094	-
Equity in loss of affiliate	(49)	101
Gain on sale of property and equipment	393	-
Changes in operating assets and liabilities:		
Patient accounts receivable, net	(3,149)	(16,711)
Inventories (2)	281	4,854
Prepaid expenses and other current assets	(752)	(342)
Other receivables	(525)	3,442
Other assets	(4,579)	(2,826)
Accounts payable (3)	61,675	5,316
Accrued compensation related costs	1,218	2,757
Accrued other	4,241	(296)
Operating lease liabilities (4)	(2,042)	(1,777)
Other long-term liabilities	(2,752)	2,032
Net cash provided by (used in) operating activities	45,137	(329)
Cash flows from investing activities		
Purchases of property and equipment	(4,132)	(2,777)
Purchases of marketable securities	(7,069)	(1,442)
Proceeds from sales of marketable securities	12,624	1,423
Collections on notes receivable - related parties	99	153
Net cash provided by (used in) investing activities	1,522	(2,643)
Cash flows from financing activities		
Repayments on finance lease liabilities	(157)	(105)
Repurchases of Class A Common Stock	(97)	-
Net cash used in financing activities	(254)	(105)
Net increase (decrease) in cash and cash equivalents	46,405	(3,077)
Cash and cash equivalents		
Beginning of period	28,539	26,926
End of period	$ 74,944	$ 23,849
Supplemental noncash investing and financing activities		
Promissory note issued in connection with acquisition	$ 1,420	$ -
Contribution from noncontrolling interest	(380)	-
Right-of-use assets and lease liabilities removed in termination of lease	$ -	$ 1,023
Changes in accounts payable for capital additions to property and equipment	$ (1,055)	$ -

(1) Includes related party amortization of operating right-of-use assets of $2,146 and $528 for the three months ended March 31, 2024 and 2023, respectively.
(2) Includes changes in related party balances of ($7,688) and $4,610 for the three months ended March 31, 2024 and 2023, respectively.
(3) Includes changes in related party balances of $80,584 and $3,669 for the three months ended March 31, 2024 and 2023, respectively.
(4) Includes changes in related party balances of ($2,381) and ($797) for the three months ended March 31, 2024 and 2023, respectively.

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

Notes to Consolidated Financial Statements

1. Business

American Oncology Network, Inc. ("AON", "New AON", "AON Inc.", or the "Company"), through its subsidiary companies and variable interest entities (together, "its subsidiaries"), is an alliance of physicians and seasoned healthcare leaders who provide comprehensive oncology services across 32 oncology practices located in nineteen states (Arizona, Arkansas, Florida, Georgia, Iowa, Idaho, Indiana, Louisiana, Maryland, Missouri, Michigan, North Carolina, Nevada, Nebraska, Ohio, South Carolina, Texas, Virginia, Washington, and the District of Columbia). The Company also provides expertise in drug procurement and payor contracting, along with practice diversification through centralized laboratory and pathology services, as well as specialty pharmacy services, clinical research, radiation oncology, and imaging. During the three months ended March 31, 2024 and 2023, the Company entered into affiliation agreements with or acquired the following oncology practices.

Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
State	State
Maryland (a)	
Texas (a)	

(a) The Company entered into affiliation agreements with the physicians for these respective practices. The Company evaluated each of the affiliation agreements and determined that the transactions did not represent a business combination.

The operations of the practices above have been included in the Company's condensed consolidated financial statements.

Business Combination Agreements

Digital Transformation Opportunities Corp. ("DTOC"), American Oncology Network, LLC ("AON LLC"), GEF AON Holdings Corp. ("AON Class C Preferred Investor"), and DTOC Merger Sub, Inc., a direct, wholly owned subsidiary of DTOC ("Merger Sub") entered into a Business Combination Agreement (the "Business Combination Agreement"), dated as of June 14, 2023 (which further amended and restated the Business Combination Agreement entered into by DTOC and AON as of October 5, 2022, and amended and restated on January 6, 2023, and April 27, 2023), pursuant to which, among other transactions, on September 20, 2023 (the "Closing Date"), DTOC and AON undertook a series of transactions (the "Business Combination" or "Reverse Recapitalization") resulting in the organization of the combined post-business combination company as an umbrella partnership C corporation, in which substantially all of the assets and the business of the combined company are held by AON LLC, and DTOC became a member of AON LLC. In connection with the closing of the Business Combination ("the Closing"), DTOC changed its name to "American Oncology Network, Inc.". The Business Combination was completed on September 20, 2023.

As a result of, and in connection with, the Closing, among other things, (i) AON LLC amended and restated its operating agreement (the "Amended and Restated AON LLC Agreement") to reclassify its existing Class A units, Class A-1 units and Class B units into a single class of AON LLC common units ("AON LLC Common Units") that can be exchanged on a one-to-one basis for shares of New AON Class A common stock ("New AON Class A Common Stock") and its existing AON LLC Class C units into AON LLC Series A preferred units (AON LLC Series A Preferred Units"); (ii) AON LLC converted profit pool units of certain of AON LLC's subsidiaries into an equal number of AON LLC Common Units and shares of New AON Class B common stock ("New AON Class B Common Stock"), which together are exchangeable into shares of New AON Class A Common Stock (together with the New AON Class B Common Stock, the "New AON Common Stock"); (iii) New AON amended and restated its charter (the "Charter") to provide for (a) the conversion of all existing shares of DTOC Class B common stock into shares of New AON Class A Common Stock on a one-to-one basis, (b) amendment of the terms
of New AON Class B Common Stock to provide holders voting rights but no economic rights and (c) designation of a new series of New AON preferred stock as Series A convertible preferred stock (the "New AON Series A
Preferred Stock" or "Series A Preferred Stock") with such rights and preferences as provided for in the certificate of designation of the New Aon Series A Preferred Stock (the "New AON Series A Certificate of Designation"); and (iv) among other things, (a) AON LLC issued common units to New AON in exchange for a combination of cash

and shares of New AON Class B Common Stock and warrants to acquire shares of New AON Class B Common Stock (the "Class B Prefunded Warrants"), (b) New AON was admitted as a member of AON LLC, (c) AON LLC distributed shares of New AON Class B common stock or Class B Prefunded Warrants, as applicable, to AON LLC equity holders, (d) New AON reserved a specified number of additional shares of New AON Class A Common Stock after the Closing for issuance to eligible participants, (e) Merger Sub merged with and into the AON Class C Preferred Investor whereby the separate existence of Merger Sub ceased and New AON issued a number of shares of New AON Series A Preferred Stock equal to the number of AON LLC Series A preferred units held by the AON Class C Preferred Investor to AEA Growth Management LP, the parent of AON Class C Preferred Investor ("AEA Growth") in exchange for all the shares of common stock held by AEA Growth in the AON Class C Preferred Investor (the "First Step"), (f) promptly after the First Step, the AON Class C Preferred Investor merged with and into New AON whereby the separate existence of the AON Class C Preferred Investor ceased and New AON held all the AON LLC Series A preferred units and (g) from and after the Closing (but subject to lock-up restrictions), the AON LLC common equity holders (other than New AON), referred to herein as "Legacy AON Shareholders" (former AON LLC Class A, Class A-1, and Class B unit holders), will have the right (but not the obligation) to exchange AON LLC Common Units together with an equal number of shares of New AON Class B Common Stock (whether held directly or indirectly through Class B Prefunded Warrants) for shares of New AON Class A Common Stock.

In addition, in connection with the Closing, DTOC completed the offer to the holders of AON LLC Class B-1 units to exchange their AON LLC Class B-1 units for such number of newly issued shares of New AON Class A Common Stock equal to the ratio set forth in the Business Combination Agreement (such offer, the "Exchange Offer"). DTOC and AON LLC solicited consents from the holders of AON LLC Class B-1 units to make certain amendments to the terms of the awards and the unit grant agreements pursuant to which the AON LLC Class B-1 units were granted, which provided for the automatic exchange, as of immediately prior to the adoption of the Amended and Restated AON LLC Agreement, of all outstanding AON LLC Class B-1 units into shares of New AON Class A Common Stock (collectively, the "Proposed Amendments"). The requisite number of holders of Class B-1 units provided their consent to the Proposed Amendments, and as a result, in connection with the Closing, all AON LLC Class B-1 units were exchanged for an aggregate of 1,047,343 shares of New AON Class A Common Stock.

Upon the consummation of the Business Combination, the outstanding membership units in AON LLC and the outstanding shares in AON Inc. (New AON) are as follows:

- AON LLC Common Units held by the Legacy AON Shareholders - 28,109,796
- AON LLC Common Units held by New AON - 9,532,354
- AON LLC Series A Preferred Units held by New AON - 6,651,610

- Class A Common Stock held by the former AON LLC Class B-1 unit holders - 1,047,343
- Class A Common Stock held by the DTOC unredeemed shareholders - 147,511
- Class A Common Stock held by the DTOC Sponsor and their permitted transferees - 5,498,125[a]
- Class B Common Stock held by Legacy AON Shareholders - 25,109,551[b]
- New AON Series A Preferred Stock held by AEA Growth Management LP - 6,651,610

[a] Sponsor Earnout Shares of 2,839,375 are subject to vesting and forfeiture provisions and are not outstanding for GAAP purposes as of the Closing Date.

[b] Certain Legacy AON Shareholders hold 3,000,245 Class B Prefunded Warrants, which underlying shares of Class B common stock are not outstanding as of the Closing Date.

Warrants

As of the Closing Date, New AON assumed the outstanding warrants (Public Warrants and Private Placement Warrants) that were issued by DTOC as part of DTOC's IPO. Further, New AON issued the Class B Prefunded Warrants to former Class A-1 unit holders, in lieu of New AON Class B Common Stock. The accounting treatment for the Public Warrants, the Private Placement Warrants, and the Class B Prefunded Warrants, collectively referred to as "the Warrants", is disclosed in Note 2.

Public Warrants

As of the Closing Date, New AON assumed 8,337,500 public warrants (the "Public Warrants") issued by DTOC in its IPO. Each whole warrant entitles the holder to purchase one share of New AON Class A Common Stock at a price of $11.50 per share, subject to adjustment. The warrants will become exercisable on the later of 12 months from the closing of the DTOC Initial Public Offering or 30 days after the completion of its initial business combination and will expire five years after the Closing of the Business Combination, or earlier upon redemption or liquidation.

Private Warrants

As of the Closing Date, New AON assumed 6,113,333 Private Placement Warrants held by the DTOC Sponsor (the "Private Placement Warrants" or "Private Warrants"). The Private Placement Warrants will be non-redeemable in certain circumstances so long as they are held by the Sponsor or its permitted transferees. The Private Placement Warrants may also be exercised by the Sponsor and its permitted transferees for cash or on a cashless basis. Otherwise, the Private Placement Warrants have terms and provisions that are identical to those of the Public Warrants, including as to exercise price, exercisability, and exercise period.

Class B Prefunded Warrants

As of the Closing Date, New AON issued 3,000,245 of Class B Prefunded Warrants to former AON Class A-1 unitholders. Because the Class B Warrants are prefunded, there was not any cash consideration exchanged as part of the Class B Warrant issuance. Each Class B Prefunded Warrant entitles the holder to purchase one share of New AON Class B common stock at a price of $0.01 per share. The exercise term of the Class B Warrant shall continue indefinitely so long as the holder of the Class B Warrant is also the holder of an AON LLC Common Unit, provided that the number of shares of Common Stock that this Warrant is exercisable for shall not exceed the number of AON LLC Common Units held by holder.

Transaction Expenses

In connection with the Reverse Recapitalization, AON LLC and New AON incurred costs of $0.4 million and $1.9 million during the three months ended March 31, 2024 and 2023, respectively, which were reported as transaction expenses in the condensed consolidated statements of operations and comprehensive loss.

2. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company were prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and in accordance with the rules and regulations of the U.S. Securities and Exchange Commission ("SEC") regarding interim financial reporting. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. Management believes the unaudited condensed consolidated financial statements for the interim periods presented contain all necessary adjustments, of a normal recurring nature, to state fairly, in all material respects, the Company's financial position, results of operations and cash flows for the interim periods presented. These unaudited condensed consolidated financial statements were prepared on the same basis as and should be read in conjunction with such audited consolidated financial statements and related notes thereto of AON Inc. and its wholly-owned subsidiaries, included in the Annual Report on Form 10-K, dated and filed on March 28, 2024 with the SEC (the "Annual Report 2023"). Operating results for the three months ended March 31, 2024 are not necessarily indicative of the results the Company expects for the entire year.

For the three months ended March 31, 2024, these unaudited condensed consolidated financial statements reflect the consolidated results of operations, comprehensive loss, cash flows and changes in equity of AON Inc. and its wholly-owned subsidiaries. The condensed consolidated balance sheet at March 31, 2024 presents the financial condition of AON Inc. and its consolidated subsidiaries.

For the three months ended March 31, 2023, these unaudited condensed consolidated financial statements present the consolidated results of operations, comprehensive loss, cash flows and changes in equity of AON LLC. The condensed consolidated balance sheet as of December 31, 2023 presents the financial condition of AON Inc. and its consolidated subsidiaries after the Reverse Recapitalization. All intercompany balances and transactions of AON LLC have been eliminated.

In accordance with Accounting Standards Codification ("ASC") Topic 805, *Business Combinations,* the historical equity of AON LLC has been recasted in all periods up to the Closing Date, to reflect the number of shares of New AON's Class A Common Stock and Class B Common Stock issued to Legacy AON Shareholders in connection with the Reverse Recapitalization. The Company recasted the units outstanding related to the historical AON LLC Class A, Class A-1, and Class B units prior to the Reverse Recapitalization ("Historical AON LLC Equity") as common equity of New AON, equal to the Per Company Class Unit Exchange Ratio, pursuant to the Business Combination Agreement.

The Per Company Unit Exchange Ratio at which AON LLC Class A units and Class A-1 units were reclassified is equal to 2,524 AON Common Units. The Per Company Unit Exchange Ratio at which AON LLC Class B units were reclassified varied depending on participation threshold, and is equal to 2,524, 2,453, or 1,976, AON Common Units. The Per Company Unit Exchange Ratio at which Class C units were reclassified is equal to 2,705 AON LLC Series A Preferred Units.

The condensed consolidated financial statements and related notes thereto give effect to the conversion for all periods presented, without any change to par value or per unit amounts. The condensed consolidated financial statements do not necessarily represent the capital structure of New AON had the Reverse Recapitalization occurred in prior periods. The Company has not made retroactive adjustments related to the historical book values of Historical AON LLC Equity as the adjustments were considered immaterial.

For the three months ended March 31, 2024, $7.8 million of the consolidated net loss of AON LLC were attributable to the Class A Common Stockholders, and reflects the Class A Common Stockholders' absorption of 23.0% of the consolidated net loss of AON LLC. For the three months ended March 31, 2024, $17.2 million of the consolidated net losses of AON LLC were attributable to noncontrolling interest, and reflects the Legacy AON Stockholders' absorption of 77.0% of the consolidated net losses of AON LLC.

For the three months ended March 31, 2023, $1.5 million of the consolidated net losses of AON LLC were attributable to the Legacy AON Stockholders, to reflect their absorption of 100% of the consolidated net losses of AON LLC pertaining to the days prior to the Reverse Recapitalization.

Principles of Consolidation

For the period of January 1, 2024 through March 31, 2024, the condensed consolidated financial statements include the accounts of the Company, American Oncology Network, LLC ("AON LLC"), and its wholly owned subsidiary American Oncology Management Company, LLC ("AOMC"), and its consolidated variable interest entities ("VIEs") American Oncology Partners, P.A. ("AON Partners"), American Oncology Partners of Maryland, P.A. ("Partners of Maryland"), AON Central Services, LLC ("AON Central Services"), and Meaningful Insights Biotech Analytics, LLC ("MIBA"). All intercompany accounts and transactions between the entities have been eliminated in consolidation.

The accounting treatment of the Business Combination was a Reverse Recapitalization.

For the periods prior to the Reverse Recapitalization, the consolidated financial statements of the Company comprise the accounts of AON LLC and its wholly-owned subsidiaries. All intercompany accounts and transactions among AON LLC and its consolidated subsidiaries were eliminated.

The Company accounts for American Oncology Network, LLC, AON Partners, Partners of Maryland, AON Central Services, and MIBA in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 810, *Consolidations*. The Company determines whether it has a controlling financial interest in an entity by first evaluating whether the entity is a VIE. A VIE is broadly defined as an entity that has any of the following three characteristics: (i) the equity investment at risk is insufficient to finance the entity's activities without additional subordinated financial support; (ii) substantially all of the entity's activities either involve or are conducted on behalf of an investor that has disproportionately few voting rights; or (iii) the equity investors as a group lack any of the following, the power through voting or similar rights to direct the activities of the entity that most significantly impact the entity's economic performance, the obligation to absorb the expected losses of the entity, or the right to receive the expected residual returns of the entity. The Company consolidates a VIE if it has both the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and an obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. Management performs ongoing reassessments of whether changes in the facts and circumstances regarding the Company's involvement with a VIE will cause the consolidation conclusion to change. Changes in consolidation status are applied prospectively, if any.

AON LLC has contractual relationships with AON Partners, Partners of Maryland and AON Central Services and the physician owners through management service agreements ("MSAs") and other contractual agreements to provide all practice management services outside of medical services provided by the physicians. In addition, despite not being required by the contractual relationships, AON LLC regularly provides funding to support AON Partners and Partners of Maryland's operations and acquisitions of physician practices. AON Central Services was formed July 15, 2022 and, effective January 1, 2023, entered into an agreement with AOMC to provide qualified non-clinical and non-medical employees to AOMC to support the operation of the physician practices. MIBA was established during the first quarter of 2023 for the purpose of developing intellectual property to synergize the collection, de-identification, and dissemination of the Company's patient data for sale to external parties for research, development, and clinical decisions. In May 2023, the Company contributed $0.2 million for a 56% interest in the equity of MIBA. As of March 31, 2024, MIBA had no significant operating activity. The Company concluded that AON LLC had a controlling financial interest in MIBA and has consolidated the entity at March 31, 2024 and recorded the noncontrolling interest in equity.

The Company has concluded that AON Partners, Partners of Maryland, AON Central Services, and MIBA are all VIEs in which AON LLC has the characteristics of a controlling financial interest and is deemed to be the primary beneficiary. The variable interest subjects AON LLC to all potential losses in the entities and, therefore, requires AON LLC, and in turn AON Inc., to consolidate the results of AON Partners, Partners of Maryland, AON Central Services, and MIBA in its condensed consolidated financial statements.

Refer to Note 4 for further information on the VIEs.

Significant Accounting Policies

The accounting policies included below should be read in conjunction with the annual consolidated financial statements.

Accounting Estimates and Assumptions

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Segments

Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision-maker (the "CODM"). The Company's CODM is its chief executive officer who reviews financial information together with certain operating metrics principally to make decisions about how to allocate resources and to measure the Company's performance. The Company has one operating segment and one reportable segment that are structured around the organizational management of oncology practice operations. All revenue and assets are in the United States.

Revenue Recognition

Revenue is recognized under Accounting Standards Update ("ASU") 2014-09 *Revenue from Contracts with Customers* ("Topic 606"). The Company determines the transaction price based upon standard charges for goods and services with anticipated consideration due from patients, third-party payors (including health insurers and government agencies) and others. The Company's revenue is primarily derived from patient service revenues, which encompass oncology services provided during patient visits and shipments of pharmacy prescriptions. Performance obligations for the Company's services provided to patients and most procedures, are satisfied over the time of visit which is the same day services are performed. Performance obligations relating to pharmacy revenue are considered fully satisfied at a point in time upon the customer receiving delivery of the prescription. Accordingly, the Company does not anticipate a significant amount of revenue from performance obligations satisfied (or partially satisfied) in previous periods, and any such revenue recognized during the three month periods ended March 31, 2024 and 2023 was immaterial. Additionally, the Company does not expect to recognize material revenue in the future related to performance obligations that are unsatisfied (or partially satisfied) as of March 31, 2024 and December 31, 2023. Approximately $246.1 million and $214.3 million and of the Company's revenues are generated from services performed during patient visits with the remainder primarily generated from shipments of pharmacy prescriptions for the three month periods ended March 31, 2024 and 2023, respectively.

As services are performed and prescriptions are shipped, timely billing occurs for services rendered and prescriptions shipped less discounts provided to uninsured patients and contractual adjustments to third-party payors based upon prospectively determined rates and discounted charges. Payment is requested at the time of service for self-paying patients and for patients covered by third-party payors that are responsible for paying deductibles and coinsurance.

The Company monitors revenue and receivables to prepare estimated contractual allowances for the anticipated differences between billed and reimbursed amounts. Payments from third-party payors and Government programs including Medicare and Medicaid may be subject to audit and other retrospective adjustments. Such amounts are considered on an estimated basis when net patient revenue is recorded and are adjusted as final adjustments are determined. For the three month periods ended March 31, 2024 and 2023, such resulting historic adjustments have been immaterial to the condensed consolidated financial statements.

In assessing who is the principal in providing patient services and pharmacy prescriptions, the Company considered who controls the provision of services and prescriptions. The Company has determined they are acting as a principal in these relationships.

In April 2022, the Company entered into a long-term arrangement to sponsor and manage a clinical trial. The Company subsequently contracted with a third-party to provide the clinical research services and is the principal in this arrangement. The performance of clinical research services are considered a single performance obligation because the Company provides a highly-integrated service. Revenue is recognized for the single performance obligation over time due to the Company's right to payment for work performed to date. The contract provides for invoices based on predetermined milestones.

The Company uses the cost-to-cost measure of progress for the Company's contract because it best depicts the transfer of control to the customer as the performance obligation is fulfilled. For this method, the Company compares the contract costs incurred to date to the estimated total contract costs through completion. As part of the client proposal and contract negotiation process, the Company develops a detailed project budget for the direct costs and reimbursable costs based on the scope of the work, the complexity of the study, the geographical location involved and the Company's historical experience. The estimated total contract costs at the project level are reviewed and revised periodically throughout the life of the contract, with adjustments to revenue resulting from such revisions being recorded on a cumulative basis in the period in which the revisions are identified. Contract costs consist primarily of direct labor and other reimbursable project-related costs such as travel, third-party vendor costs and investigator fees. The Company establishes pricing based on the Company's internal pricing guidelines, discount agreements, if any, and negotiations with the client. The transaction price is the contractually defined amount. Revenue related to the clinical trial, which is included within other revenue, was $0.5 million and $0 million for the three months ended March 31, 2024 and 2023, respectively.

The Company has a system and estimation process for recording Medicare net patient service revenue and estimated recoupments as it relates to value-based care ("VBC") revenue included in patient service revenue in the condensed consolidated statements of operations and comprehensive loss. The Company's VBC revenue is primarily generated through its participation in the CMS Oncology Care Model ("OCM") which is an episode-based payment model to promote high-quality cancer care. Participants enter six-month episode periods, and the Company bills a monthly fee during the six-month period based on a fixed rate per participant per month and the total number of participants. Certain quality and compliance metrics are tracked as part of the program and submitted to CMS at the end of the episode period which may result in recoupment of funds. The Company estimates the recoupment amount by developing a recoupment percentage for each period based on historical known recoupment from CMS and applies the recoupment percentage against total fees for the period. Based on the estimate, the Company accrues a liability representing the expected final recoupments based on historical settlement trends.

Short-term Marketable Securities

Investments in marketable securities consist of corporate bonds and U.S. Treasury securities.

Management determines the appropriate classification of investments at the time of purchase and reevaluates such determination at each balance sheet date. Marketable securities are classified as available-for-sale and are carried at fair value in the consolidated balance sheets. The marketable securities are classified as short-term based on management's intent to convert such securities within one year and the ability to convert them within two to three days.

Certain of our available-for-sale securities are debt securities. For an available-for-sale debt security with an amortized cost that exceeds its fair value, the Company first determines if it intends to sell or will more-likely-than-not be required to sell the security before the expected recovery of its amortized cost. If it intends to sell or will more-likely-than-not be required to sell the security, then the Company recognizes the impairment as a credit loss in the condensed consolidated statements of operations and comprehensive loss by writing down the security's amortized cost to its fair value. If it does not intend to sell or it is not more-likely-than-not that it will be required to sell the security before the expected recovery of its amortized cost, the Company recognizes the portion of the impairment that is due to a credit loss, if any, in the condensed consolidated statements of operations and comprehensive loss through an allowance. The portion of the impairment that is due to factors other than a credit loss is recognized in other comprehensive income (loss) in the condensed consolidated statements of operations and comprehensive loss as an unrealized loss.

Equity Investment in Affiliate

In January 2023, the Company contributed noncash consideration, with a fair value of approximately $2.3 million, in return for a 49% equity interest in OCP Management Arizona, LLP. Investments in entities over which the Company has the ability to exercise significant influence but does not control the entity are accounted for using the equity method. Equity method investments are included with other assets in the condensed consolidated balance sheets. The carrying amount of the investment is adjusted to reflect the Company's proportionate share of the net earnings or losses and reduced by any dividends received. The Company's share of income or loss related to this investment is reported as an equity in loss of affiliate in the condensed consolidated statements of operations and comprehensive loss.

Noncontrolling Interests

The Company consolidates the results of entities in which it has a controlling financial interest. Refer to Note 15 for additional considerations and presentation for noncontrolling interest.

Mezzanine Equity

New AON Series A Preferred Stock is redeemable for cash or the value of the property, rights or securities to be paid or distributed in the event of a Deemed Liquidation Event (which is outside of the Company's control). As a result, Management has determined that the New AON Series A Preferred Stock should be classified as mezzanine equity. As of March 31, 2024, the Preferred Stock are recorded at their initial carrying value, net of offering costs of $0.8 million. The Series A Preferred Stock are not being accreted to redemption value, as the redemption is not probable. The Series A Preferred Stock are classified outside of members' equity on the consolidated balance sheets. Refer to Note 14 for mezzanine equity presentation considerations for redeemable noncontrolling interest.

Treasury Stock

We account for treasury stock purchased under the cost method and include treasury stock as a component of accumulated paid in capital. Treasury stock purchased with intent to retire (whether or not the retirement is actually accomplished) is charged to common stock. The company repurchased 14,729 shares of class A common stock at the spot rate as of each transaction date for a total cost of less than $0.1 million for the year ended December 31, 2023. For the three months ended March 31, 2024 the Company repurchased an additional 16,441 shares of class A common stock at the spot rate as of each transaction date for a total cost of less than $0.1 million. To date, the Company has repurchased a total of 31,170 shares.

Equity-Based Compensation

The Company issues stock-based awards to employees and directors in the form of stock options and restricted stock units. The Company measures and recognizes compensation expense for its stock-based awards granted to its employees and directors based on the estimated grant date fair value in accordance with ASC 718, Compensation-Stock Compensation, and determines the fair value of restricted stock units based on the fair value of its common stock. The Company measures all share-based options granted to employees and directors based on the fair value on the date of grant using the Black-Scholes option-pricing model. Compensation expense of those awards is recognized over the requisite service period, which is generally the vesting period of the respective award. The Company records the expense for awards with service-based conditions using the straight-line method over the requisite service period, net of any actual forfeitures. The Company classifies share-based compensation expense in its consolidated statements of operations and comprehensive loss in the same manner in which the award recipient's payroll costs are classified or in which the award recipient's service payments are classified.

Business Combinations

The Company evaluates acquired practices in accordance with ASU 2017-01*, Business Combinations (Topic 805)-Clarifying the Definition of a Business*. This standard clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals of assets or businesses. Because substantially all of the value of each acquired practice did not relate to a similar group of assets and as each acquired practice contained both inputs and processes necessary to provide economic benefits to the Company, it was determined that each acquisition represents a business combination. Therefore, the transactions have been accounted for using the acquisition method of accounting, which requires, with limited exceptions, that assets acquired, and liabilities assumed be recognized at their estimated fair values as of the acquisition date. Any excess of the consideration transferred over the estimated fair values of the net assets acquired is recorded as goodwill. Transaction costs related to business combinations are expensed in the period in which they are incurred.

Offering Costs

The Company defers specific incremental costs directly attributable to proposed offerings of securities. These costs consist of legal, accounting, and other similar expenses incurred through the balance sheet date that are directly related to a potential offering. If the offering is completed, these costs will be charged against the gross proceeds of the offering. These offering costs will be allocated to the separable financial instruments issued in the transaction on a relative fair value basis of the securities issued, compared to total proceeds received. Offering costs associated with any instruments classified as liabilities will be expensed as incurred, presented as non-operating expenses in the condensed consolidated statement of operations and comprehensive loss.

Professional Liability

The Company maintains insurance policies for exposure to professional malpractice insurance risk. The limits of malpractice insurance provide each physician/advanced practice provider with a dedicated $1.0 million limit per claim and a $3.0 million limit in the aggregate per policy period – on a first dollar basis, as no deductible applies. The policy further then extends coverage to the Company, by providing a $2.0 million limit per claim and a $4.0 million limit in the aggregate per policy period - on a first dollar basis, additionally, as no deductible applies. Reserves are established for estimates of the loss that will ultimately be incurred on claims that have been reported but not paid and claims that have been incurred but not reported. These reserves are established based on consultation with a third-party actuary. The actuarial valuations consider a number of factors, including historical claims payment patterns, changes in case reserves and the assumed rate of increase in healthcare costs. Management believes the use of actuarial methods to account for these reserves provides a consistent and effective way to measure these subjective accruals. However, due to the sensitive nature of this estimation technique, recorded reserves could differ from ultimate costs related to these claims due to changes in claims reporting, claims payment and settlement practices and differences in assumed future cost increases. Accrued unpaid claims and expenses that are expected to be paid within the next twelve months are classified as current liabilities and included in accrued other. All other accrued unpaid claims and expenses are classified as long-term liabilities and included in other long-term liabilities. Insurance recoveries associated with the unpaid claims are classified as long-term assets included in other assets.

Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date.

Accounting guidance establishes a three-level hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date. The three levels are defined as follows:

Level 1	Inputs to the valuation methodology are quoted prices (unadjusted) for an identical asset or liability in an active market.
Level 2	Inputs to the valuation methodology include quoted prices for a similar asset or liability in an active market or model-derived valuations in which all significant inputs are observable for substantially the full term of the asset or liability.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement of the asset or liability. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement of assets and liabilities being measured within the fair value hierarchy.

Our financial instruments include cash, short-term marketable securities, accounts receivable, notes receivable, accounts payable, accrued expenses, long-term debt and contractual agreements that resulted in derivative liabilities. Our nonfinancial assets such as property and equipment are not measured at fair value on a recurring basis; however, they are subject to fair value adjustments in certain circumstances, such as when there is evidence that impairment may exist.

The carrying amounts of cash, accounts receivable, accounts payable, notes receivable, and accrued expenses approximate their fair value because of the short-term maturity and highly liquid nature of these instruments. We determine the fair value of long-term debt and marketable securities based on various factors including maturity schedules and current market rates.

See Note 6 for a discussion of the Company's Level 1 and Level 2 Marketable Securities as of March 31, 2024. See below for a discussion of the Company's Level 1 and Level 3 warrant liabilities as of March 31, 2024. As of March 31, 2024 and December 31, 2023, there were no Level 3 financial instruments. There were no transfers between any levels of the hierarchy during any periods presented.

Warrant Liabilities

Upon Closing of the Business Combination, on September 20, 2023, the Company evaluated the Public Warrants and Private Placement Warrants and the Class B Prefunded Warrants, collectively referred to herein as "Warrants", in accordance with ASC 815-40, "Derivatives and Hedging —- Contracts in Entity's Own Equity", and concluded that a provision in the warrant agreements related to potential net cash settlement of the warrants upon an exchange or tender offer that may not result in a change in control of the entity precludes the warrants from being accounted for as components of equity. As the Warrants meet the definition of a derivative as contemplated in ASC 815, the Warrants are recorded as current liabilities within accrued other on the condensed consolidated balance sheets and measured at fair value at inception and at each reporting date in accordance with ASC 820, "Fair Value Measurement", with changes in fair value recognized in other income (expense), net on the condensed consolidated statements of operations and comprehensive loss in the period of change.

As of March 31, 2024, the Public Warrants were trading separately from the Class A Common Stock and the quoted market price was used to establish fair value. As such, the Public Warrants fair value was determined using a Level 1 input. The fair value of the Public Warrants as of March 31, 2024 is $2.8 million and recorded in other long-term liabilities on the condensed consolidated balance sheets.

Management has utilized the public warrant price to value the private warrants and believes the public and private warrants have materially consistent fair values given the existence of the make-whole redemption feature. As of March 31, 2024, a valuation of the private warrants was performed which confirmed the private warrant value was materially consistent with the public warrants. The details of this valuation are included in the paragraph below.

The fair value of the Private Placement warrants was determined using Level 3 inputs. As of March 31, 2024, the fair value of the Private Placement Warrants was estimated to be $2.1 million and recorded in other long-term liabilities on the condensed consolidated balance sheets. The fair value was estimated at March 31, 2024, using the Black-Scholes Option Pricing model using the following assumptions:

Expected annual dividend yield – 0.0%
Expected volatility – 26.40%
Risk-free rate of return – 4.31%
Expected Option Term – 5.0 years

The AON Class B Prefunded Warrants are exercisable into one share of New AON Class B Common Stock. A share of New AON Class B Common Stock, together with an AON LLC Common Unit, may be exchanged for one share of New AON Class A Common Stock. Considering New AON Class B Common Stock has no economic rights and limited liquidity or value if the holder does not also possess an AON LLC Common Unit, and because the AON Class B Prefunded Warrants are exercisable into New AON Class B Common Stock, the Company has estimated fair value of the Class B Prefunded Warrants to be immaterial.

Earnings Per Share

The Company recast Historical AON LLC Equity as AON Inc. common equity for all periods prior to the Reverse Recapitalization, refer to Note 2. However, as 100% of the net losses of AON LLC prior to the Reverse Recapitalization were absorbed by the Legacy AON Shareholders, basic and diluted earnings (loss) per share is zero for the three months ended March 31, 2023. Basic and diluted earnings (loss) per share for the three months ended March 31, 2024 represents the period where the Company had earnings (loss) attributable to Class A Common Stockholders. Class B Common Stock does not have economic rights in AON Inc., including rights to dividends or distributions upon liquidation, and as a result, is not considered a participating security for basic and diluted earnings (loss) per share. As such, basic and diluted earnings (loss) per share of Class B Common Stock has not been presented.

The Company has issued and outstanding Sponsor Earnouts, which are subject to forfeiture if the achievement of certain stock price thresholds are not met. In accordance with ASC Topic 260, "Earnings Per Share," the Sponsor Earnouts are excluded from weighted-average shares outstanding to calculate basic earnings (loss) per share as they are considered contingently issuable shares due to their potential forfeiture. Sponsor Earnouts will be included in weighted-average shares outstanding to calculate basic earnings (loss) per share as of the date of their stock price thresholds are met and they are no longer subject to forfeiture.

Basic and diluted earnings (loss) per share is computed by use of the two-class method as a result of outstanding Series A Preferred Stock, which accrue dividends at the annual rate of 8% of the original price per share, participate with common stock on all other dividends, and accordingly have participation rights in undistributed earnings as if all such earnings had been distributed during the period (see Note 12). Under such method income available to common shareholders is computed by deducting both dividends declared or, if not declared, accumulated on Series A Preferred Stock from net income. Loss attributable to common shareholders is computed by increasing net loss by such dividends. Since the participating Series A Preferred Stock has no contractual obligation to share in the losses of the Company, there is no loss allocation between Class A Common Stock and Series A Preferred Stock.

Basic earnings (loss) per share is based on the weighted-average number of shares of Class A Common Stock outstanding during the period. Diluted earnings (loss) per share is based on the weighted-average number of shares of Class A Common Stock used for the basic earnings (loss) per share calculation, adjusted for the dilutive effect of the Public and Private Warrants and Sponsor Earnout, if any, using the "treasury stock" method and the convertible Series A Preferred Stock and, exchangeable Class B Common Stock and Class B Prefunded Warrants, if any, using the "if-converted" method. Net earnings (loss) for diluted loss per share is adjusted for the Company's share of AON LLC's consolidated net earnings (loss), net of AON Inc. taxes, after giving effect to the Class B Common Stock and Class B Prefunded Warrants that are exchanged into potential shares of Class A Common Stock, Public and Private Warrants that are liability classified, and Series A Preferred Stock, to the extent it is dilutive.

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *"Financial instruments-Credit Losses"* ("ASU 2016- 13"). ASU 2016-13 requires entities to report ''expected'' credit losses on financial instruments and other commitments to extend credit rather than the current ''incurred loss'' model. These expected credit losses for financial assets held at the reporting date are to be based on historical experience, current conditions, and reasonable and supportable forecasts. This ASU will also require enhanced disclosures relating to significant estimates and judgments used in estimating credit losses, as well as the credit quality. ASU 2016-13 is effective for the Company for annual reporting periods beginning after December 15, 2022. ASU 2016-13 was adopted by the Company effective January 1, 2023, with no material impact on the Company's consolidated financial statements and related disclosures.

In October 2021, the FASB issued ASU 2021-08, "*Business Combinations: Accounting for Contract Assets and Contract Liabilities from Contracts with Customers",* which provides that an acquirer must recognize, and measure contract assets and contract liabilities acquired in a business combination in accordance with ASC 606. The guidance is effective for the Company for annual reporting periods beginning after December 15, 2023, with early adoption permitted. The adoption of this standard as of January 1, 2024, did not have a material impact on the Company's consolidated financial statements and related disclosures.

Recently Issued Accounting Pronouncements

In November 2023, the FASB issued ASU 2023-07, *"Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures."* The amendments in this update are intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant expenses. The ASU requires disclosures to include significant segment expenses that are regularly provided to the chief operating decision maker, a description of other segment items by reportable segment, and any additional measures of a segment's profit or loss used by the chief operating decision maker when deciding how to allocate resources. The ASU also requires all annual disclosures currently required by Topic 280, "Segment Reporting," to be included in interim periods. This update is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted and retrospective application is required for all periods presented. The Company is evaluating the impact this will have on the Company's consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, *"Income Taxes (Topic 740): Improvements to Income Tax Disclosures."* The amendments in this upgrade enhance the transparency and decision usefulness of income tax disclosures. This ASU requires disclosures of specific categories and disaggregation of information in the rate reconciliation table. The ASU also requires disclosure of disaggregated information related to income taxes paid, income or loss from continuing operations before income tax expense or benefit, and income tax expense or benefit from continuing operations. The requirements of the ASU are effective for annual periods beginning after December 15, 2024. Early adoption is permitted and the amendments should be applied on a prospective basis. Retrospective application is permitted. The Company is currently evaluating the effect that ASU 2023-09 will have on its disclosures.

3. Reverse Recapitalization

As discussed in Note 1, AON LLC merged with DTOC, with AON LLC surviving the Merger. AON LLC is governed by a board of managers composed of three (3) persons that were designated by New AON and two (2) persons that were designated by holders of a majority of the AON LLC Common Units, held by members of AON LLC other than New AON. Management determined AON LLC was not a variable interest entity (Refer to Note 2), and as result, identified AON LLC as the accounting acquirer of the Merger in accordance ASC Topic 805. Management concluded that AON LLC was the accounting acquirer due to (i) the Legacy AON Shareholders, defined as the former AON Class A, Class A-1, and Class B unit holders, receiving the largest portion of the voting rights in the combined company, New AON, (ii) significantly all of the Legacy AON Shareholders retained their equity interest as stockholders in New AON, (iii) AON LLC's operations prior to the Reverse Recapitalization comprising the only ongoing operations of New AON, (iv) the Legacy AON Shareholders have the right to appoint a majority of the directors of New AON, (v) the executive management of AON LLC will become the executive management of New AON and (vi) AON LLC is significantly larger than New AON in terms of revenue, total assets, and employees. Therefore, the Merger was accounted for as a reverse recapitalization, with no goodwill or other intangible assets recorded, in accordance with ASC Topic 805. New AON was treated as the "acquired" company for financial reporting purposes, and for accounting purposes, the Reverse Recapitalization was treated as the equivalent of AON LLC issuing stock for the net assets of New AON, accompanied by a recapitalization. The net assets of New AON were recorded at historical cost on the condensed consolidated balance sheet as of September 20, 2023, the Closing Date of the Reverse Recapitalization, with no goodwill or other intangible assets recorded. For additional information on the capitalization of New AON and AON LLC immediately following the Closing of the Reverse Recapitalization, see Note 1.

The following table provides the historical cost of assets and liabilities of AON Inc. as of September 20, 2023.

		As of September 20, 2023
Cash and Cash Equivalents	$	1,493
Current Liabilities		(13,295)
Long Term Liabilities		(6,791)
Total Net Liabilities	$	(18,593)

The Company recorded a Day 1 expense as of the Closing of the Business Combination equal to $18.2 million. Of that total amount, $13.0 million was recorded in transaction expenses on the condensed consolidated statement of operations and comprehensive loss. The remaining $5.2 million was recorded in other income (expense) net on the condensed consolidated statement of operations and comprehensive loss. This amount represented the loss on the issuance of Public and Private Warrants, as of the Closing, net of cash received. The Company also recorded a $4.3 million gain in other income (expense), net related to the change in the fair value of the Public and Private Warrants during the period of September 21, 2023 through September 30, 2023.

4. Variable Interest Entities

AOMC is a wholly owned subsidiary of AON LLC and neither AOMC nor AON LLC has ownership interest in AON Partners and Partners of Maryland. Both AON Partners and Partners of Maryland are fully owned by physicians. AON LLC operates its physician practices through the MSAs and other contractual agreements between AOMC, AON Partners, and Partners of Maryland. The responsibilities of AOMC include, but are not limited to, negotiating provider and payor contracts, employment and compensation decisions, billing and collections, furnishing all supplies and equipment necessary for the respective practice's operations as well as, necessary real estate, contracting on behalf of AON Partners and Partners of Maryland, entering into leases, holding a power of attorney to perform the above activities, preparing, maintaining and administering all accounting records (including financial reporting), expense payment, and maintenance of all information systems/software. AON LLC is paid a management fee to compensate AOMC for the services provided. AON Central Services is 80% physician owned and 20% owned by AON LLC. AOMC entered into an agreement with AON Central Services, effective January 1, 2023, to provide qualified non-clinical and non-medical employees to AOMC to support the operation of the physician practices. AOMC pays a monthly management fee to AON Central Services equal to the aggregate cost of compensation, benefits and all other costs related to these employees. AON LLC invested $0.2 million in MIBA, a newly formed LLC, during the second quarter of 2023 in exchange for 56% equity ownership. The Company evaluated AON LLC's relationship with MIBA under the VIE model and determined it was a VIE and the Company is the primary beneficiary based on its financial controlling interest.

Based on various quantitative and qualitative factors, including assessment of certain services performed and relationships held above, management has determined that AON Partners, Partners of Maryland, AON Central Services, and MIBA are all variable interest entities and AOMC is the primary beneficiary who holds the decision-making rights over the activities that most significantly impact the economic performance of AON Partners, Partners of Maryland, AON Central Services, and MIBA through the MSAs and other contractual agreements. Accordingly, the results of AON Partners, Partners of Maryland, AON Central Services, and MIBA have been consolidated with the Company for the three month period ended March 31, 2024. The results of AON Partners, Partners of Maryland, and AON Central Services have been consolidated with the Company for the three month period ended March 31, 2023.

The assets of AON Partners, Partners of Maryland, AON Central Services, and MIBA as of March 31, 2024 and December 31, 2023, are as follows:

	As of March 31, 2024	As of December 31, 2023
Assets		
Cash and cash equivalents	$ 75,796	$ 26,574
Accounts receivable	132,300	129,151
Inventories	44,288	44,569
Prepaid expenses and other current assets	1,157	895
Goodwill and intangibles, net	180	180
Other receivables	34,297	33,809
Other assets	7,880	2,091
Total assets	$ 295,898	$ 237,269

The liabilities of AON Partners, Partners of Maryland, AON Central Services, and MIBA as of March 31, 2024 and December 31, 2023, are as follows:

	As of March 31, 2024	As of December 31, 2023
Liabilities		
Accounts payable	$ 184,314	$ 122,324
Accrued compensation and benefits	25,713	21,380
Accrued other	14,972	16,723
Other long-term liabilities	1,078	273
Due to AON LLC and subsidiaries, net	107,144	117,194
Total liabilities	$ 333,221	$ 277,894

All intercompany transactions and balances with the VIEs are eliminated in consolidation.

5. Business Combinations

2024 Acquisitions

The Company did not have any ASC 805 acquisitions during the three months ended March 31, 2024.

2023 Acquisitions

The Company did not have any ASC 805 acquisitions during the three months ended March 31, 2023.

6. Marketable Securities

The following table summarizes the Company's marketable securities financial assets that are measured at fair value on a recurring basis:

	As of March 31, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Cash equivalents (1)				
Level 1:				
Overnight repurchase agreements (2)	$ 73,938	$ -	$ -	$ 73,938
Money market funds	529	-	-	529
U.S. Treasury Bills	993	-	-	993
Level 1 total	$ 75,460	$ —	$ —	$ 75,460
Marketable securities				
Level 2:				
Corporate bonds	14,267	172	(3)	14,436
U.S. Treasury securities	15,467	205	(4)	15,668
Level 2 total	29,734	377	(7)	30,104
Total	$ 105,194	$ 377	$ (7)	$ 105,564

	As of December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Cash equivalents (1)				
Level 1:				
Overnight repurchase agreements (2)	$ 28,593	$ -	$ -	$ 28,593
Money market funds	$ 723	$ -	$ -	$ 723
Level 1 total	29,316	—	—	29,316
Marketable securities				
Level 2:				
Corporate bonds	13,678	191	(9)	13,860
U.S. Treasury securities	21,318	211		21,529
Level 2 total	34,996	402	(9)	35,389
Total	$ 64,312	$ 402	$ (9)	$ 64,705

(1) Included in cash and cash equivalents in the consolidated balance sheets at March 31, 2024 and December 31, 2023.
(2) Cash equivalents as of March 31, 2024 included U.S. Treasury Bills with an initial maturity of 3 months or less and overnight repurchase agreements in which cash from the Company's main operating checking account is invested overnight in highly liquid, short-term investments sponsored by a large financial institution. The company had overnight repurchase agreements as of March 31, 2024 and December 31, 2023.

The Company uses quoted prices in active markets for identical assets to determine the fair value of its Level 1 investments. The fair value of the Company's Level 2 investments is determined using pricing based on quoted market prices or alternative market observable inputs.

The fair value of the Company's marketable securities as of March 31, 2024, by remaining contractual maturities, were as follows:

	Corporate Bonds	U.S. Treasuries	Total
Due in one year or less	$ 5,886	$ 11,972	$ 17,858
Due in one to five years	8,550	3,696	12,246
Total	$ 14,436	$ 15,668	$ 30,104

7. Supplemental Condensed Balance Sheet Information

Other receivables

Other receivables consisted of the following at March 31, 2024 and December 31, 2023:

	As of March 31, 2024	As of December 31, 2023
Rebates receivable	$ 34,112	$ 33,708
Other	687	566
Total other receivables	$ 34,799	$ 34,274

Inventory

Inventory consisted of the following at March 31, 2024 and December 31, 2023:

	As of March 31, 2024	As of December 31, 2023
Intravenous drugs	$ 33,972	$ 32,388
Oral pharmaceuticals	10,316	12,181
Total inventories	$ 44,288	$ 44,569

Property and Equipment, net

Property and equipment, net consisted of the following at March 31, 2024 and December 31, 2023:

	As of March 31, 2024	As of December 31, 2023
Leasehold improvements	$ 33,985	$ 32,490
Furniture, fixtures and equipment	2,750	2,607
Medical equipment	16,310	15,666
Computer equipment	3,395	3,285
Signs	176	153
Automobiles	110	59
Software	9,231	7,829
Construction-in-progress	1,847	2,985
Property and equipment, gross	67,804	65,074
Accumulated depreciation and amortization	(26,807)	(24,635)
Property and equipment, net	$ 40,997	$ 40,439

Accrued Other

Accrued other consisted of the following at March 31, 2024 and December 31, 2023:

	As of March 31, 2024	As of December 31, 2023
Refund liability	$ 12,879	$ 15,078
Warrant liability	4,913	-
Excise taxes payable	2,700	2,700
Current portion of finance lease liabilities	1,205	1,189
Other	3,489	3,360
Total accrued other	$ 25,186	$ 22,327

8. Long-term Debt

Debt consisted of the following at March 31, 2024 and December 31, 2023:

	As of March 31, 2024	As of December 31, 2023
PNC Facility	$ 81,250	$ 81,250
Total	81,250	81,250
Unamortized debt issuance costs	(394)	(609)
Total debt	$ 80,856	$ 80,641

Credit Facilities

On April 30, 2021, the Company entered into a Loan Facility with PNC ("PNC Loan Facility") collateralized by the Company's assets and outstanding patient accounts receivable. The PNC Loan Facility is guaranteed on a limited basis by the Company and shareholder of AON Partners and Partners of Maryland. $34.6 million of proceeds from the PNC Loan Facility was used to pay off the Company's previous term loans and revolver with Truist Bank. The remaining funds were made available for working capital and acquisition of additional physician practices.

The PNC Loan Facility is interest-only with total principal due at an initial maturity on April 30, 2024. Interest originally accrued at one-month LIBOR or an alternate base rate plus 1.45%. The maximum balance of the PNC Loan Facility ("Borrowing Base") is limited to the lesser of the Facility Limit ($65.0 million) or the fair value of the Company's patient accounts receivable. The Company must maintain a balance of the lesser of the Borrowing Base or 65% of the Facility Limit in the first year and 75% of the Facility Limit in subsequent years ("minimum funding threshold"). The Company can repay the PNC Loan Facility up to the minimum funding threshold at any time without penalty. In accordance with the PNC Loan Facility, the Company pledged $10.0 million of collateral as restricted cash to be released quarterly in increments of $2.5 million. The restricted cash was fully released as of March 31, 2024 and December 31, 2023.

On April 30, 2021, the Company entered into a $5.0 million revolving line of credit agreement ("PNC Line of Credit"). The PNC Line of Credit has an expiration date of April 30, 2024 and originally bore interest at a rate per annum equal to the sum of the daily LIBOR rate plus 1.65% or an alternate base rate plus 0.65% and is due on the first day of each month beginning June 1, 2021. Any outstanding principal and accrued interest will be due on the expiration date. Beginning July 1, 2021, quarterly bank fees equal to 1.65% per day per annum are due in arrears and will continue on the first day of each quarter thereafter. All debt related to the PNC Line of Credit is collateralized by the Company's assets. As of March 31, 2024 and December 31 2023, no draws had been made on the PNC Line of Credit. The Company is also subject to a 0.20% unused line fee calculated per annum on the unused balance of the PNC Line of Credit.

On July 29, 2021, the Company amended the PNC Loan Facility increasing the Facility Limit to $75.0 million. On February 14, 2022, the Company further amended the PNC Loan Facility and Line of Credit agreements. The primary changes included an increase of the Facility limit from $75.0 million to $125.0 million, an increase of the PNC Line of Credit availability from $5.0 million to $10.0 million, interest charges to be calculated based on the Bloomberg Short-Term Bank Yield Index plus 1.65% and certain financial covenants. As part of the amendment, the Company drew an additional $16.3 million in proceeds under the Loan Facility. On August 15, 2022, the PNC Loan Facility and Line of Credit agreements were amended again to reduce the availability under the PNC Line of Credit from $10.0 million to $1.0 million.

Effective November 23, 2022, the Company entered into Waiver and Amendment No. 6 ("Waiver and Amendment") under its PNC Loan Facility as the Company was not in compliance with the Delinquency Ratio financial covenant for the period ending October 31, 2022 and the requirement to provide certain annual financial statements. The Waiver and Amendment waives each event of default and also revised future delinquency percentages and financial statement requirements.

On June 30, 2023, the Company entered into Amendment No. 7 ("Amendment 7") to its PNC Loan Facility which extended the maturity date from April 30, 2024 to June 30, 2026. In connection with Amendment 7, the Company paid additional debt issuance costs of $0.4 million which will be amortized over the revised remaining life of the

Loan Facility. In addition, Amendment 7 revised the definition of the minimum funding threshold to limit the threshold multiplier to 65% of the Facility Limit.

On January 1, 2024, the Company entered into Amendment No. 8 (“Amendment 8”) to its PNC Loan Facility to modify certain definitions such as “change in control”. In addition, the Amendment 8 also amended the delinquency ratio threshold used to calculate certain debt covenants. The effective date of Amendment 8 was January 16, 2024.

On January 16, 2024, the Company also entered into Amendment No. 3 (“Amendment 3”) to its PNC Line of Credit to modify certain definitions such as “change in control”. In addition, the Amendment 3 also amended certain debt covenants, such as EBITDA thresholds. The effective date of Amendment 3 was December 31, 2023.

The PNC Loan Facility and PNC Line of Credit nonfinancial covenants include restrictions related to unpermitted property liens and the requirement of audited financial statements. Both agreements also contain several financial covenants, including the following ratios: accounts receivable default, delinquency, dilution, days sales outstanding, leverage, and fixed charge coverage. As of March 31, 2024, the Company was in compliance with all financial and nonfinancial debt covenants as required by both loan agreements.

9. Income Taxes

The Company is a member of American Oncology Network, LLC, which is treated as a partnership for U.S. federal and certain state and local income taxes. As a partnership, American Oncology Network, LLC is not subject to U.S. federal and certain state and local income taxes. Any taxable income or loss generated by American Oncology Network, LLC is passed through to and included in the taxable income or loss of its members, including the Company.

The Company is subject to U.S. federal income taxes, in addition to state and local income taxes with respect to the allocable share of any taxable income of American Oncology Network, LLC. Additionally, other corporate entities within the Company's structure are subject to income taxes. These corporate entities continue to generate losses and continue to maintain a valuation allowance against their net deferred tax assets.

The Company’s effective income tax rate was (13.1)% and —% for the three months ended March 31, 2024 and 2023, respectively. The provision for income taxes was $2.9 million and $0 for the three months ended March 31, 2024 and 2023, respectively.

The change to the income tax provision for the three months ended March 31, 2024 compared to the income tax provision for the three months ended March 31, 2023 was primarily a result of the transaction closing on September 20, 2023, resulting in a portion of the Company's consolidated pre-tax earnings, which were previously not subject to income taxes, flowing into a taxable corporation included in the Company's post transaction structure. As of December 31, 2023, the Company recognized a deferred tax asset related to its investment in the American Oncology Network, LLC partnership. As of March 31, 2024, the Company updated its valuation allowance assessment based on new factors including its year-to-date loss and forecasted loss at the American Oncology Network, LLC partnership legal entity. Based on its updated valuation allowance assessment, the Company recorded a discrete valuation allowance against its investment in partnership deferred tax asset during the three months ending March 31, 2024.

The effective income tax rate for the three months ended March 31, 2024 and 2023 differed from the federal statutory rate primarily due to certain legal entities in the Company's structure being treated as partnerships for income tax purposes and, therefore, a significant portion of its income not being subject to income tax. Additionally, certain corporate entities within the Company's structure continue to maintain a full valuation allowance against their net deferred tax assets.

10. Leases

The Company currently leases office facilities and equipment for its practices under noncancelable operating and finance lease agreements expiring on various dates through 2038. Certain of the leases contain renewal options which are exercisable at the Company's discretion. These renewal options are considered in determining the lease term if it is reasonably certain that the Company will exercise such options. Additionally, the Company leases certain other office and medical equipment under month-to-month lease agreements.

Right-of-use assets and lease liabilities consist of the following at March 31, 2024 and December 31, 2023:

	As of March 31, 2024	As of December 31, 2023
Assets		
Operating lease right-of-use assets, net	$ 43,358	$ 43,349
Finance lease right-of-use assets, net (included in property and equipment, net)	5,513	5,794
Total right-of-use assets	$ 48,871	$ 49,143
Liabilities		
Current		
Current portion of operating lease liabilities	$ 6,715	$ 6,692
Current portion of finance lease liabilities (included in accrued other)	1,205	1,189
Long-term	7,920	7,881
Long-term operating lease liabilities	39,786	39,803
Long-term finance lease liabilities (included in other long-term liabilities)	4,239	4,548
Total lease liabilities	$ 51,945	$ 52,232

The components of lease costs recognized in the condensed consolidated statements of operations and comprehensive loss consist of the following for the three month periods ended March 31, 2024 and 2023 and are included in selling, general, and administrative expenses unless otherwise noted:

	Three Months Ended March 31,	
	2024	2023
Operating lease costs	$ 2,795	$ 2,870
Finance lease costs		
Amortization of finance lease right-of-use assets	281	110
Interest on finance lease liabilities (included in interest expense)	86	17
Variable lease costs	586	578
Total lease costs	$ 3,748	$ 3,575

The following table reconciles the undiscounted cash flows expected to be paid in each of the next five years and thereafter recorded in the condensed consolidated balance sheets for operating and finance leases as of March 31, 2024:

	Operating Leases	Finance Leases
2024 (remainder of year after March 31, 2024)	$ 6,959	$ 1,132
2025	10,014	1,487
2026	9,620	1,249
2027	8,370	1,185
2028	6,271	948
Thereafter	19,147	261
Total lease payments	60,381	6,262
Less: amount representing interest	(13,880)	(818)
Present value of lease liabilities	46,501	5,444
Less: current portion of lease liabilities	(6,715)	(1,205)
Long-term lease liabilities, net of current portion	$ 39,786	$ 4,239

The weighted-average remaining lease term as of March 31, 2024 and December 31, 2023 was 4.54 years and 6.93 years for operating leases and 6.84 years and 4.76 years for finance leases, respectively. The weighted-average discount rate as of March 31, 2024 and December 31, 2023 was 6.33% and 6.64% for operating leases and 6.71% and 6.30% for finance leases, respectively.

The cash paid for amounts included in the measurement of lease liabilities for the three months ended March 31, 2024 and 2023 is as follows:

	Three Months Ended March 31,	
	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 2,799	$ 2,845
Operating cash flows from finance leases	86	17
Financing cash flows from finance leases	291	105
ROU assets obtained in exchange for new operating lease liabilities	2,048	4,326

11. Related Parties

Transactions Notes Receivable

The Company enters into promissory notes with physicians of the Company. The notes receivable balances are satisfied through cash payments or settlements through the physicians' compensation as part of their employee agreement. The notes receivable are amortized over a 60-month period as a reduction of compensation. The notes bear interest at the Company's incremental borrowing rate (7.09% at March 31, 2024 and 7.18% at December 31, 2023, respectively).

	As of March 31, 2024	As of December 31, 2023	Original Principal	Issue Date	Maturity Date
Notes receivable					
Note 2	$ 656	$ 656	$ 5,355	5/1/2019	4/30/2024
Note 3	-	17	491	6/1/2019	5/31/2024
Note 8	1,999	2,081	2,816	5/1/2020	5/1/2025
Total notes receivables	2,655	2,754			
Less: Current portion of notes receivable	$ (2,498)	(1,604)			
Notes receivable, less current portion	$ 157	$ 1,150			

Leases

The Company has operating leases for thirteen of the office facilities owned by employees of the Company. Total cash was approximately $0.7 million and $0.7 million paid for leases to related parties for the three months ended March 31, 2024 and 2023, respectively.

Inventory Purchases/Concentration Risk

The Company purchases the majority of pharmaceuticals inventory from a subsidiary under common control of a Legacy AON Shareholder. During the three months ended March 31, 2024 and 2023, the Company purchased from the related party approximately $311.0 million and $243.0 million, respectively. These purchases were approximately 88% and 87% as a percentage of cost of revenue for the three months ended March 31, 2024 and 2023, respectively. At March 31, 2024 and December 31, 2023, the Company had $183.0 million and $102.1 million, respectively, included in accounts payable for invoices from the related party, representing 97% of accounts payable at each period-end.

12. Equity-Based Compensation

The Company maintains a single equity incentive plan, the “2023 Incentive Equity Plan”, which was adopted by the Board of Directors and approved by stockholders in connection with the Business Combination. A total of 5,300,000 shares were authorized under the 2023 Incentive Equity Plan. The number of shares of common stock available for issuance under the 2023 Incentive Equity Plan will be increased annually on the first day of each fiscal year during the term of the 2023 Incentive Equity Plan by an amount equal to the lesser of (a) 5% of the shares of common stock outstanding on the final day of the immediately preceding calendar year or (b) such smaller number of shares as determined by the Company’s board of directors. At March 31, 2024, 2,044,394 shares were available for grant under the 2023 Incentive Equity Plan. The purpose of the 2023 Incentive Equity Plan is to attract and retain personnel for positions with the Company, to provide additional incentive to employees, directors, and consultants, and to promote the success of the Company’s business. The Plan permits the grant of Incentive Stock Options (“ISO”) to any ISO Employee and the grant of Non statutory stock options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, and Performance Awards to any Service Provider.

Restricted Stock Units

The Company granted 3,759,459 Restricted Stock Units (“RSUs”) to employees during the three months ended March 31, 2024.

A summary of the RSU activity during the three month period ending March 31, 2024 is as follows:

	Restricted Stock Units	Weighted Average Grant Date Fair Value
Outstanding as of December 31, 2023	—	$ —
Granted	3,759,459	$ 5.73
Vested	(2,289,181)	$ 5.80
Forfeited	—	$ —
Outstanding as of March 31, 2024	1,470,278	$ 5.67

The Company recognized $13.3 million in stock-based compensation expense related to outstanding RSUs during the three months ended March 31, 2024.

As of March 31, 2024, there was approximately $8.2 million of total unrecognized compensation expense related to RSUs, which is expected to be recognized over a weighted-average period of approximately 1.7 years.

The fair value of the RSUs is determined on the date of the grant based on the market price of the Company’s common stock on that date. Each RSU represents the right to receive one share of the Company’s common stock, upon vesting. Portions of the RSUs granted vest immediately with others vesting over one to two years following the grant date, subject to the individual’s continued service to the Company through the applicable vesting date, and are subject to the terms and conditions on the Company’s form of RSU agreement under the 2023 Incentive Equity Plan.

13. Equity

Prior Period Presentation

For periods prior to the Reverse Recapitalization, AON LLC had equity and stock-based compensation described below authorized, issued and outstanding. As discussed in Note 1, upon the Closing of the Business Combination, Legacy AON Shareholders received Class A Common Stock, Class B Common Stock, or Class B Prefunded Warrants and AON LLC reclassified their existing Class A, Class A-1, and Class B Units into AON LLC Common Units, pursuant to the terms of the Business Combination Agreement.

The Company recasted Historical AON LLC Equity outstanding for the periods prior to the Reverse Recapitalization, equal to the Per Company Unit Exchange Ratio, pursuant to the Business Combination, that was applied to the Class A, Class A-1, and Class B Units. The historical AON LLC units disclosed in this note give effect to the conversion for all periods presented, as follows.

Class A Units

AON LLC had authorized 19,495,376 units of Class A Units, of which 19,495,376 units were issued and were outstanding as of December 31, 2022.

Class A-1 Units

AON LLC had authorized 3,000,245 units of Class A-1 Units, of which 1,842,520 units were issued and were outstanding as of December 31, 2022.

Class B Units (Profit Interest)

The Class B units were issued through the 2017 Profits Interest Plan adopted by the Company in October 2017. The Class B Units represented a non-voting equity interest in AON LLC that entitled the holder to appreciation in the equity value of AON LLC arising after the date of grant and after such time as an applicable hurdle amount is met. AON LLC recognized the cost of services received in exchange for Class B Units based on the grant-date fair value. That cost was recognized over the period during which the service provider is required to provide service in exchange for the award over the requisite service period or based on performance. AON LLC used the Black-Scholes-Merton pricing model to estimate the fair value of profits interest unit awards. On an as converted basis, as of December 31, 2022, AON LLC issued 5,614,176 Class B Units, of which 4,703,628 were vested and outstanding; the remaining 910,548 of Class B units vested upon consummation of the Business Combination.

The following table summarizes the changes to AON LLC's Class A, Class A-1, and Class B Units for the three months ended March 31, 2023.

in thousands, except for share and per share amounts		Three Months Ended March 31, 2023
Class A Units, value		
Beginning of Period	$	7,725
Issuance of Units		—
Impact of the Reverse Recapitalization		—
End of Period	$	7,725
Class A Units, units		
Beginning of Period		19,495,376
Issuance of Units		—
Impact of the Reverse Recapitalization		—
End of Period		19,495,376
Class A-1 Units, value		
Beginning of Period	$	28,500
Issuance of Units		—
Impact of the Reverse Recapitalization		—
End of Period	$	28,500
Class A-1 Units, units		
Beginning of Period		1,842,520
Issuance of Units		—
Impact of the Reverse Recapitalization		—
End of Period		1,842,520
Class B Units, value		
Beginning of Period	$	80
Equity based compensation		—
Impact of the Reverse Recapitalization		—
End of Period	$	80
Class B Units, units		
Beginning of Period		4,703,628
Units Vested		—
Impact of the Reverse Recapitalization		—
End of Period		4,703,628

Class B-1 Units

In June and July of 2023, the Company granted a total of 415 AON LLC Class B-1 Units to certain employees under the 2017 Profits Interest Plan (the "Plan"). Upon the closing of the Business Combination, the vested Class B-1 Units were reclassified to AON LLC Common Units and exchanged for newly issued shares of Class A Common Stock equal to the Per Company Unit Exchange Ratio, pursuant to the Business Combination Agreement, which resulted in the issuance of 1,047,343 shares of New AON Class A Common Stock.

Mezzanine Equity Class C Units

As described in Note 1, the AON LLC Class C Units were converted into AON LLC Series A Preferred Units as of the Closing Date. Concurrently, New AON issued a number of shares of New AON Series A Preferred Stock equal to the number of AON LLC Series A Preferred Units held by the AON Class C Preferred Investor to AEA Growth Management LP, the parent of AON Class C Preferred Investor ("AEA Growth") in exchange for all the shares of common stock held by AEA Growth in the AON Class C Preferred Investor. Promptly after the First Step, the AON Class C Preferred Investor merged with and into New AON whereby the separate existence of the AON Class C Preferred Investor ceased and New AON held all the AON LLC Series A Preferred Units. On an as converted basis, as of September 20, 2023, 6,651,610 Series A Preferred Stock were issued to AEA Growth Management LP.

The AON LLC Class C Units were contingently redeemable convertible preferred units and classified as mezzanine equity on the condensed consolidated balance sheet as of June 30, 2023 because the units were redeemable five years from the issuance date, at the option of the holder. As of June 30, 2023, the AON LLC Class C Units were recorded at their initial carrying value, net of offering costs. The Class C Units were not being accreted to redemption value, as the redemption was not probable due to the removal of the redemption right pursuant to the Business Combination. See discussion below.

The Class C Units had materially the same rights as the Series A Preferred Stock issued by the Company to AEA Growth Management LP, the parent of the AON Class C Preferred Investor, with the exception of the "AON LLC Class C Unit Redemption Right" and the "Class C Option to Purchase Additional Shares", discussed below. Further, the Class C Units did not contain a mandatory conversion feature that allowed AON LLC to force the Class C Investor to convert the Class C Units into another equity unit in AON LLC and the Class C Units did not have a one time conversion price adjustment.

Class C Unit Redemption Right

After the fifth anniversary of the Effective Date (June 7, 2028), the holders of a majority of the Class C Units had the right to cause the Company to redeem all of the Class C Units. The redemption price per Class C Unit was equal to the greater of (i) the Class C Liquidation Preference and (ii) the Fair Market Value of a Class C Unit (the "Class C Redemption Price"). The Class C Liquidation Preference is defined as an amount equal to the sum of (a) the Class C Preferred Return of such Class C Member and (b) the amount of such Class C Member's Net Invested Capital Contributions of $65.0 million. The Class C Unit Preferred Return is defined as the cumulative, semiannually-compounded return of 8% per annum based on the original Net Invested Capital Contributions of $65.0 million. The Class C Unit Redemption Right was removed as of the Closing of the Business Combination.

Series A Preferred Stock (Mezzanine Equity)

New AON Series A Preferred Stock is redeemable for cash or the value of the property, rights or securities to be paid or distributed in the event of a Deemed Liquidation Event (which outside of the Company's control). As a result, the Company has determined that the New AON Series A Preferred Stock should be classified as mezzanine equity. At the closing of the Business Combination, the Company exchanged existing AON LLC Class C Units for Series A Preferred Stock in the Company. Based on the qualitative changes to the instrument, this exchange is considered an extinguishment for accounting purposes, with the Company recording a deemed dividend of $2.1 million to account for the difference between the carrying value of the Class C Units and the fair value of the Series A Preferred Stock at the transaction date. This amount is reflected in the December 31, 2023 condensed consolidated statements of mezzanine and stockholders' equity as part of the reverse recapitalization, net. See further discussion on the PIK Dividend discussed below.

The Series A Preferred Stock are not being accreted to redemption value, as the Series A Preferred Stock are not redeemable, nor are they probable of becoming redeemable.

Dividends

The Series A Preferred Stock accrue dividends at a cumulative, semiannually-compounded return of 8% per annum based on the original Net Invested Capital Contributions from the Class C Units of $65.0 million. These dividends may be paid in cash or accumulate into the Accrued Value at the option of New AON. The accrual shall be calculated on June 30 and December 31 and with respect to the semiannually-compounded return, no interest is required to be paid on any present or future Series A Preferred Stock accrued dividends. The Series A Preferred Stock also participate in distributions with the Class A Common stockholders.

On September 20, 2023, the Company issued 6,651,610 Series A Preferred Stock to AEA Growth Management LP. The number of Series A Preferred Stock shares issued at the Closing of the Business Combination was equal to the aggregate Class C Liquidation Preference pursuant to the Business Combination Agreement. As a result, the issuance of the Series A Preferred Stock effectively included an in-kind payout ("PIK") of the accrued dividend since the calculation of the amount issued was based on the Class C Liquidation Preference. As of the Closing, the Company recorded a dividend of 151,610 Series A Preferred Stock PIK shares with respect to the accrued dividends on the Series A Preferred Stock (the "PIK Dividend") in the December 31, 2023 condensed consolidated statements of mezzanine and stockholders' equity.

Voting

The holders of the Preferred Stock are entitled to elect and appoint one of the directors ("Series A Director") to the Board of Directors. All other directors are appointed by the Class A and Class B Common stockholders. There are no restrictions on which matters the Series A Preferred stockholders are entitled to vote. The Series A Preferred stockholders are entitled to the number of votes equal to the number of shares of Common Stock into which the Series A Preferred Stock would be convertible on the record date of the vote.

Conversion Rights

The Series A Preferred Stock is convertible, at the option of the holder, at any time, and without the payment of additional consideration by the holder, into such number of fully-paid Class A Common Stock as is determined by dividing the Accrued Value by the Conversion Price in effect at the time of conversion ("Conversion Ratio"). The Accrued Value is the Original Issue Price (which is $10.00 per share of Preferred Stock, as adjusted for any stock split, stock dividend, combination, or other recapitalization) plus any unpaid dividends, compounded semi-annually. The Conversion Price is initially $10.00 per Preferred Share subject to adjustment for dilutive issuances of additional shares, dividends to common stockholders, stock splits, mergers, and a five-year anniversary special adjustment based on the volume weighted average price of the common stock. These dividends may be paid in cash or accumulate into the Accrued Value, at the option of New AON, on June 30 and December 31 of each year. The Conversion Rights shall terminate at the close of business on the day prior to the date of a Change of Control.

If at any time on or after the 30th day after the five-year anniversary of the issue date, any of the Series A Preferred Stock remain outstanding and the 30-Day VWAP of the Common Stock is less than $10.00 (as adjusted for any stock split, stock dividend, combination, or other recapitalization or reclassification), then the Conversion Price shall be adjusted to the greater of (x) the 30-Day VWAP on such date of determination and (y) $5.00 (as adjusted for any stock split, stock dividend, combination, or other recapitalization or reclassification).

New AON also has the right on or after the third-year anniversary of the date of issuance to cause all (but not less than all) of the outstanding shares of Series A Preferred Stock to be converted into shares of Class A Common Stock for each share of Series A Preferred Stock at the Conversion Ratio detailed above. The Company may only convert shares of Series A Preferred Stock into shares of Common Stock if the 30-Day VWAP of the Common Stock immediately prior to the Company Conversion Date is greater than $16.00 (as adjusted for any stock split, stock dividend, combination, or other recapitalization).

Liquidation Preferences

In the event of voluntary or involuntary liquidation, dissolution or winding up of the Company or an Initial Public Offering (IPO) or Exit Event, the Series A Preferred Stock have preferential liquidation rights. If a Deemed Liquidation Event were to occur, each Series A Preferred stockholder is entitled to be paid out of the assets of the Company available for distribution, equal to the greater of the following:

(i) The Original Issue Price of $10 per Series A Preferred Stock multiplied by the Applicable Percentage plus any Accrued Dividends on such share of Series A Preferred Stock; or

(ii) Such amount per share as would have been payable had all shares of Series A Preferred Stock been converted into Common Stock immediately prior to such Deemed Liquidation Event.

The Series A Preferred Stock Applicable Percentage is defined as a percentage equal to (a) one hundred twenty-five percent (125%) if an Exit Event, dissolution, liquidation, or winding-up occurs prior to June 7, 2024, (b) one hundred twenty percent (120%) if an Exit Event, dissolution, liquidation, or winding up occurs after June 7, 2024, but prior to June 7, 2025, (c) one hundred fifteen percent (115%) if an Exit Event, dissolution, liquidation, or winding-up occurs after June 7, 2025, but prior to June 7, 2026, (d) one hundred ten percent (110%) if an Exit Event, dissolution, liquidation, or winding up occurs after June 7, 2026, but prior to June 7, 2027, (e) one hundred five percent (105%) if an Exit Event, dissolution, liquidation, or winding-up occurs after June 7, 2027, but prior to June 7, 2028, (f) one hundred percent (100%) if an Exit Event, dissolution, liquidation, or winding-up occurs after June 7, 2028.

Distributions to Class A and Class A-1 Members

On March 4, 2020, the AON LLC entered into the Second Amended and Restated Limited Liability Agreement ("Second Operating Agreement") which established another class of equity, Class A-1 Units. The Second Operating Agreement provided, among other things, that the Class A and A-1 Units would receive a cumulative, annually-compounded, preferred return of 8.0% and 4.0%, respectively, on capital contributions when and if distributions are declared by the Board of the Company.

Prior to the issuance of the Class C Units on June 7, 2023 as discussed above, the Class A and A-1 unitholders were paid a cash distribution of $4.0 million and $4.1 million, respectively, representing the cumulative accrued preferred return to June 7, 2023.

On June 7, 2023, in connection with the issuance of the Class C Units, AON LLC entered into the Third Amended and Restated Limited Liability Agreement ("Third Operating Agreement") which, among other things, eliminated any provisions for future preferred returns on Class A and A-1 units.

14. Net Loss Per Share

The following table sets forth the computation of basic and diluted net loss per share of Class A Common Stock and represents the period from January 1, 2024 to March 31, 2024, the period where the Company had Class A and Class B common stock outstanding. Class B Common Stock does not have economic rights in AON Inc., including rights to dividends or distributions upon liquidation, and as a result, is not considered a participating security for basic and diluted loss per share. As such, basic and diluted loss per share of Class B Common Stock has not been presented. Series A Preferred Stock are considered participating securities for basic and diluted loss per share, but do not participate in losses. As such, basic and diluted loss per share is computed using the two-class method. For additional information, see Notes 1 and 2.

Basic loss per share is based on the weighted-average number of shares of Class A Common Stock outstanding during the period. Diluted loss per share is based on the weighted-average number of shares of Class A Common Stock used for the basic loss per share calculation, adjusted for the dilutive effect of Public and Private Warrants, Restricted Stock Units, and Sponsor Earnouts, if any, using the “treasury stock” method and the convertible Series A Preferred Stock, Class B Common Stock, and Class B Prefunded Warrants, if any, using the “if-converted” method. Net loss for diluted loss per share is adjusted for the Company’s share of AON LLC’s consolidated net loss, net of AON Inc. taxes, after giving effect to Class B Common Stock and Class B Prefunded Warrants that are exchanged into potential shares of Class A Common Stock, Public and Private Warrants that are liability classified, and Series A Preferred Stock that accrue dividends, to the extent it is dilutive.

Net loss attributable to Class A Common Stockholders for basic and diluted earnings per share	$	(7,841,000)
Series A Preferred Cumulative Dividends		(1,360,180)
Undistributed loss for basic earnings per share	$	(9,201,180)
Weighted-average shares for basic earnings per share		7,527,882
Basic and Diluted loss per share of Class A Common Stock	$	(1.22)

The following table details the securities that have been excluded from the calculation of weighted-average shares for diluted loss per share for the period presented as they were anti-dilutive. Note that the Sponsor Earnouts are excluded from the calculation of weighted-average shares for diluted loss per share as the contingency had not been met as of the period end.

Series A Preferred Stock	6,651,610
Class B Common Stock	23,725,998
Class B Prefunded Warrants	3,000,245
Public and Private Warrants	14,450,833
Restricted Stock Units	1,470,278

15. Redeemable Noncontrolling Interest

Legacy AON Shareholders own 26,726,243 AON LLC Common Units, equal to a 61.1% of the economic interest in AON LLC. Legacy AON Shareholders also own 23,725,998 shares of Class B Common Stock and 3,000,245 Class B Prefunded Warrants, which, together with the AON LLC Common Units, may be redeemed at the option of the Legacy AON Shareholder on a one-for-one basis for shares of Class A Common Stock or the cash equivalent thereof (based on the market price of the shares of Class A Common Stock at the time of redemption) as determined by New AON. If New AON elects the redemption to be settled in cash, the cash used to settle the redemption must be funded through a private or public offering of Class A Common Stock no later than ten (10) business days after the redemption notice date. Upon the redemption of the AON LLC Common Units and Class B
Common Stock for shares of Class A Common Stock or the equivalent thereof, all redeemed shares of Class B Common Stock will be cancelled. The redemption value is determined based on a five-day volume weighted average price ("VWAP") of the Class A common shares, subject to customary conversion rate adjustments for share splits, share dividends, and similar events affecting Class A Common Stock.

When applying SEC guidance concerning mezzanine classification, the Company understands that due to the NCI holders having control of the Board, if there is a sequence of remotely possible events that could trigger a redemption, this requires the instrument to be classified as temporary equity, without any regard to probability. Accordingly, though the redemption would require such a remotely possible sequence of events, and such remote sequence of events would also require, in management's view, the Company to take extraordinary actions in order to allow such sequence of events to be remotely possible, the noncontrolling interest is currently classified as temporary equity. In the event that the Legacy AON Shareholders own less than 50% of the outstanding economic interest in AON LLC Common Units due to future redemptions, the noncontrolling interest will be presented as permanent equity.

The redeemable noncontrolling interest is recognized at the greater of (1) its initial fair value plus accumulated earnings/(losses) associated with the noncontrolling interest or (2) the redemption value as of the balance sheet date. At March 31, 2024, the redeemable noncontrolling interest was recorded based on its redemption value of $157.7 million which exceeded its carrying value by $15.6 million. This measurement adjustment decreased additional paid in capital by $9.7 million and retained deficit by $5.9 million. At the end of each reporting period, AON LLC equity attributable to AON Inc. and the Legacy AON Shareholders is rebalanced to reflect AON Inc.'s and the Legacy AON Shareholder's ownership in AON LLC.

The following table summarizes the economic ownership of AON LLC, for the period beginning December 31, 2023 and ending March 31, 2024.

	Period beginning December 31, 2023 and ending March 31, 2024		
		AON LLC Units	
	AON Inc.	Legacy AON Shareholders	Total
Beginning of Period	13,330,051	28,109,796	41,439,847
Issuances	2,289,181	—	2,289,181
Repurchases	(16,441)	—	(16,441)
Redemptions	1,383,553	(1,383,553)	—
Total Units Issued	16,986,344	26,726,243	43,712,587
End of Period	16,986,344	26,726,243	43,712,587
Allocation of income to controlling and noncontrolling interests	38.9 %	61.1 %	100 %
Allocation of losses to controlling and noncontrolling interests (1)	23.0 %	77.0 %	100 %

(1) As discussed in Note 13, Series A Preferred Stock are considered participating securities for basic and diluted loss per share, but do not participate in losses. As a result, the consolidated net loss of AON LLC, during the period of January 1, 2024 through March 31, 2024, were

allocated to the NCI to reflect the absorption of the Legacy AON Shareholders to a portion of the consolidated net loss of AON LLC. Net losses were not attributed to Series A Preferred Stock.

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

The following discussion and analysis provides information which AON's management believes is relevant to an assessment and understanding of AON's results of operations and financial condition. You should read the following discussion and analysis of AON's financial condition and results of operations together with AON's condensed consolidated unaudited financial statements as of March 31, 2024 and for the three months ended March 31, 2024 and 2023 that are included in this Quarterly Report. This discussion should be read in conjunction with our audited consolidated financial statements as of and for the years ended December 31, 2023, 2022 and 2021, together with the related notes thereto, found in our Annual Report on Form 10-K, dated and filed with the SEC on March 28, 2024 and which is available on the SEC's website at www.sec.gov.

In addition, the following discussion and analysis of AON Inc.'s financial condition and results of operations also contains forward-looking statements that involve risks, uncertainties and assumptions. Actual results may differ materially from those anticipated in these forward-looking statements as a result of a variety of factors. The following should be read in conjunction with the sections titled "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors."

Unless otherwise indicated or the context otherwise requires, references in this AON Management's Discussion and Analysis of Financial Condition and Results of Operations section to "AON,", "AON, Inc.", "New AON", "we," "us," "our," the "Company," and other similar terms refers to American Oncology Network, Inc., its consolidated subsidiaries and variable interest entities.

Overview

Since its inception in 2018, AON has offered an innovative model of physician-led, community-based oncology management. AON preserves and elevates community oncology by helping its physicians navigate the complex healthcare landscape, providing them an efficient platform to work autonomously and thrive, and most importantly, improving the quality of patient care that is being delivered. We are an alliance of physicians and veteran healthcare leaders partnering to ensure the long-term success and viability of oncology diagnosis and treatment in community-based settings. As of March 31, 2024, we have approximately 220 physicians and advanced practice providers across 91 locations in 19 states and the District of Columbia. Our robust platform provides oncology practices with comprehensive support, access to revenue- diversifying adjacent services and practice management expertise to empower physicians to make cancer care better for every patient.

Our mission is to provide high quality, cost effective cancer care close to where patients live and work. We believe the key to accessible and equitable healthcare lies in the strength of community healthcare practices and we are committed to closing the gap in cancer care to ensure every patient has access to the optimal, comprehensive care needed to help in their fight against cancer. To accomplish this, we have practices in some of the most densely populated cities as well as rural areas where medical resources are scarce. We deliver cancer care innovation by bringing new treatments to the forum and also by ensuring access to the necessary adjacent services to provide comprehensive quality cancer care and preserving the delivery of personalized cancer care in the community oncology setting.

Through access to care-enhancing patient services such as a centralized specialty pharmacy, wide ranging clinical lab and pathology services, clinical research, diagnostic imaging, a fully integrated technology platform anchored by an oncology- specific electronic medical record system, as well as a caring management team and a variety of financial assistance programs, our patients receive expert cancer care at each of our clinics.

We provide patients a variety of services to enhance patient care throughout the healthcare journey: high-quality and timely laboratory services for routine and specialized testing; in-house professional and technical pathology services providing complete, accurate and timely pathology reports; in-house specialty pharmacy with patient education, financial assistance, and 24/7 patient assistance; and care management support services including nutrition guidance.

As the future of healthcare continues to transition from volume to value, we are at the forefront of this initiative by ensuring we remain focused on care quality over care quantity and maintaining a patient-first mentality. Through an integrated system of seamless communication, coordination and patient care for better health outcomes, AON practices benefit from decreased expenditures through the implementation of centralized administrative services, processes, and technologies designed to support effective decision- making such as optimal pricing on drugs and medical supplies. Our patients benefit through our 24/7 clinical care support leading to a reduction in unnecessary emergency room visits and admissions and enhanced care quality. Ultimately, the payors benefit from more efficient delivery of high-quality, comprehensive services comparable to any hospital system at a lower cost point.

Though our network spans the country, our clinicians are interconnected and focused on driving change not just at their local clinics, but throughout our network. Our Network Practices not only unite in collaboration through a physician advisory board, but they also remain at the forefront of new discoveries and findings by expanding and improving cancer treatment options for every patient through a Pharmacy and Therapeutics Committee that continuously updates its formulary in real time as advanced therapeutics come to market and through participating in clinical research to ensure we remain on the cutting edge of cancer protocols. Patients benefit from convenient access to clinical trials that we participate in without the need to travel to large cities or tertiary cancer care facilities, and personalized care by matching a patient's cancer to a tailored therapy using molecular profiling.

We have invested significantly in a resilient, integrated technology platform to support the practices which includes a fully integrated electronic health record and a robust decision support tool and analytics engine. Our development of compliance materials ensures consistency and optimal patient experiences that meets or exceeds the Office of Inspector General ("OIG") guidelines.

We believe that our position in the market and focus on elevating the state of oncology care with our affiliated providers bodes well for future growth. Our proprietary technology platform supports this growth and enables the Network Practices to standardize and deliver consistent care at scale. We believe that our model will support growth into new markets and allow us to continue to service more patients across the United States.

The Business Combination

Digital Transformation Opportunities Corp. ("DTOC"), American Oncology Network, LLC ("AON LLC"), GEF AON Holdings Corp. ("AON Class C Preferred Investor"), and DTOC Merger Sub, Inc., a direct, wholly owned subsidiary of DTOC ("Merger Sub") entered into a Business Combination Agreement (the "Business Combination Agreement" or "Reverse Recapitalization"), dated as of June 14, 2023 (which further amended and restated the Business Combination Agreement entered into by DTOC and AON as of October 5, 2022, and amended and restated on January 6, 2023, and April 27, 2023), pursuant to which, among other transactions, on September 20, 2023 (the "Closing Date"), DTOC and AON undertook a series of transactions (the "Business Combination") resulting in the organization of the combined post-business combination company as an umbrella partnership C corporation, in which substantially all of the assets and the business of the combined company are held by AON LLC, and DTOC became a member of AON LLC. In connection with the closing of the Business Combination ("the Closing"), DTOC changed its name to "American Oncology Network, Inc.". The Business Combination was completed on September 20, 2023.

As a result of, and in connection with, the Closing, among other things, (i) AON LLC amended and restated its operating agreement (the "Amended and Restated AON LLC Agreement") to reclassify its existing Class A units, Class A-1 units and Class B units into a single class of AON LLC common units ("AON LLC Common Units") that can be exchanged on a one-to-one basis for shares of New AON Class A common stock ("New AON Class A Common Stock") and its existing AON LLC Class C units into AON LLC Series A preferred units (AON LLC Series A Preferred Units"); (ii) AON LLC converted profit pool units of certain of AON LLC's subsidiaries into an equal number of AON LLC Common Units and shares of New AON Class B common stock ("New AON Class B Common Stock"), which together are exchangeable into shares of New AON Class A Common Stock (together with the New AON Class B Common Stock, the "New AON Common Stock"); (iii) New AON amended and restated its charter (the "Charter") to provide for (a) the conversion of all existing shares of DTOC Class B common stock into shares of New AON Class A Common Stock on a one-to-one basis, (b) amendment of the terms of New AON Class B Common Stock to provide holders voting rights but no economic rights and (c) designation of a new series of New AON preferred stock as Series A convertible preferred stock (the "New AON Series A Preferred Stock" or "Series A Preferred Stock") with such rights and preferences as provided for in the certificate of designation of the New Aon Series A Preferred Stock (the "New AON Series A Certificate of Designation"); and (iv) among other things, (a) AON LLC issued common units to New AON in exchange for a combination of cash and shares of New AON Class B Common Stock and warrants to acquire shares of New AON Class B Common Stock (the "Class B Prefunded Warrants"), (b) New AON was admitted as a member of AON LLC, (c) AON LLC distributed shares of New AON Class B common stock or Class B Prefunded Warrants, as applicable, to AON LLC equity holders, (d) New AON reserved a specified number of additional shares of New AON Class A Common Stock after the Closing for issuance to eligible participants, (e) Merger Sub merged with and into the AON Class C Preferred Investor whereby the separate existence of Merger Sub ceased and New AON issued a number of shares of New AON Series A Preferred Stock equal to the number of AON LLC Series A preferred units held by the AON Class C Preferred Investor to AEA Growth Management LP, the parent of AON Class C Preferred Investor ("AEA Growth") in exchange for all the shares of common stock held by AEA Growth in the AON Class C Preferred Investor (the "First Step"), (f) promptly after the First Step, the AON Class C Preferred Investor merged with and into New AON whereby the separate existence of the

AON Class C Preferred Investor ceased and New AON held all the AON LLC Series A preferred units and (g) from and after the Closing (but subject to lock-up restrictions), the AON LLC common equity holders (other than New AON), referred to herein as "Legacy AON Stockholders" (former AON LLC Class A, Class A-1, and Class B unit holders), will have the right (but not the obligation) to exchange AON LLC Common Units together with an equal number of shares of New AON Class B Common Stock (whether held directly or indirectly through Class B Prefunded Warrants) for shares of New AON Class A Common Stock.

In addition, in connection with the Closing, DTOC completed the offer to the holders of AON LLC Class B-1 units to exchange their AON LLC Class B-1 units for such number of newly issued shares of New AON Class A Common Stock equal to the ratio set forth in the Business Combination Agreement (such offer, the "Exchange Offer"). DTOC and AON LLC solicited consents from the holders of AON LLC Class B-1 units to make certain amendments to the terms of the awards and the unit grant agreements pursuant to which the AON LLC Class B-1 units were granted, which provided for the automatic exchange, as of immediately prior to the adoption of the Amended and Restated AON LLC Agreement, of all outstanding AON LLC Class B-1 units into shares of New AON Class A Common Stock (collectively, the "Proposed Amendments"). The requisite number of holders of Class B-1 units provided their consent to the Proposed Amendments, and as a result, in connection with the Closing, all AON LLC Class B-1 units were exchanged for an aggregate of 1,047,343 shares of New AON Class A Common Stock.

Basis of Presentation

For the three months ended March 31, 2024, these condensed consolidated financial statements reflect the consolidated results of operations, comprehensive income (loss), cash flows and changes in equity of AON Inc. and its wholly-owned subsidiaries. The consolidated balance sheet at March 31, 2024 presents the financial condition of AON Inc. and its consolidated subsidiaries, including AON LLC, and reflects the initial recording of the assets and liabilities of AON Inc. at their historical cost. All intercompany balances and transactions of AON LLC prior to the Reverse Recapitalization have been eliminated. All intercompany balances and transactions of AON Inc. after the Reverse Recapitalization have been eliminated.

For the three months ended March 31, 2024, $7.8 million of the consolidated net loss of AON Inc. were attributable to the Class A Common Stockholders, and reflects the Class A Common Stockholders' absorption of 23.0% of the consolidated net loss of AON LLC.

For the three months ended March 31, 2024, $17.2 million of the consolidated net losses of AON LLC were attributable to noncontrolling interest, and reflects the Legacy AON Stockholders' absorption of 77.0% of the consolidated net losses of AON LLC.

For the three months ended March 31, 2023, $1.5 million of the consolidated net losses of AON LLC were attributable to the Legacy AON Stockholders, to reflect their absorption of 100% of the consolidated net losses of AON LLC pertaining to the days prior to the Reverse Recapitalization.

Key Factors Affecting Performance & Non-GAAP Measures

Factors Affecting Our Revenues

There are many factors that drive patient service revenues; however, we focus on certain key metrics such as:

- Total patient encounters which include initial consultations and treatments, new patient encounters, recurring patient encounters and treatments, and cancer vs non cancer patients.
- Patient referrals which are also an important driver of patient service revenue; we manage the referral pipeline locally through the coordinated efforts of our physician liaisons working with our physicians to market our practices by visiting referral sources such as, primary care providers and other medical specialties.

Factors Affecting Our Operating Costs

Operating costs are primarily dependent upon factors such as:

- The cost of prescription drugs used in our treatment plans which include both intravenous and oral oncolytics. The management of these costs are a critical component of our business as it is our single largest expense. We manage this cost by strategic volume purchases and continuously evaluating the most clinically effective drug for cancer type through our Pharmaceutical and Therapeutics Committee.

- Clinical compensation and benefits, including non-medical personnel, represent our second largest operating expense. These costs are impacted by both micro and macro-economic factors as well as local competition for personnel that could impact costs associated with personnel. In particular, in all of our markets, we have seen significant increases in compensation for qualified nursing resources. We continuously monitor wages period over period to mitigate the impact of variations in industry and macro-economic labor conditions.

- We lease all of our facilities, therefore real-estate costs are a significant component of our operating costs. We continuously monitor local and national real estate conditions to actively manage our exposure to fluctuating occupancy costs.

Key Non-GAAP Financial Measures We Use to Evaluate Our Performance

Adjusted EBITDA

This filing includes the non-GAAP financial measure “Adjusted EBITDA”. Management views this metric as a useful way to look at the performance of our operations between periods and to exclude decisions on capital investment and financing that might otherwise impact the review of profitability of the business based on present market conditions. Management believes this measure provides an additional way of viewing aspects of the Company’s operations that, when viewed with the GAAP results, provides a more complete understanding of the Company’s results of operations and the factors and trends affecting the business.

Adjusted EBITDA is defined as net income prior to interest income, interest expense, income taxes, and depreciation and amortization, as adjusted to add back certain other non-cash charges that we may record each year, such as stock-compensation expense, as well as non-recurring charges such as expenses incurred related to major operational transitions and transaction costs. We believe these expenses and non-recurring charges are not considered an indicator of ongoing company performance. The measures are used as a supplement to GAAP results in evaluating certain aspects of our business, as described below. We believe Adjusted EBITDA is useful to investors in evaluating our performance because the measure considers the performance of our operations, excluding decisions made with respect to capital investment, financing, and other non-recurring charges as outlined above.

The Company includes Adjusted EBITDA because it is an important measure upon which our management uses to assess the results of operations, to evaluate factors and trends affecting the business, and to plan and budget future periods. However, non-GAAP financial measures should be considered a supplement to, and not as a substitute for, or superior to, the corresponding measures calculated in accordance with GAAP. Non-GAAP financial measures used by management may differ from the non-GAAP measures used by other companies, including the Company’s competitors. Management encourages investors and others to review the Company’s financial information in its entirety, and not to rely on any single financial measure. Adjusted EBITDA should not be considered as an alternative to net income as an indicator of our performance or as an alternative to any other measure prescribed by GAAP as there are limitations to using such non-GAAP measures. We compensate for these limitations by providing disclosure of the differences between Adjusted EBITDA and GAAP results, including providing a reconciliation to GAAP results, to enable investors to perform their own analysis of our operating results.

Components of Results of Operations

Patient Service Revenue, net

The Company receives payments from the following sources for services rendered: (i) commercial insurers; (ii) pharmacy benefit managers (“PBMs”); (iii) the federal government under the Medicare program administered by the Centers for Medicare and Medicaid Services (“CMS”); (iv) state governments under Medicaid and other programs, including managed Medicare and Medicaid; and (v) individual patients.

The primary elements of patient service revenue are from fee for service (“FFS”) revenue which includes revenue from required patient infusion and injection treatments, as well as oral prescription drugs. FFS revenue comprise revenues in which we bill and collect for medical services rendered by our physicians or nurse practitioners including office visits and consults. FFS revenue also includes infusion therapies and treatment. FFS revenue consists of fees for medical services provided to patients. Payments for services provided are generally less than billed charges. The Company records revenue net of an allowance for contractual adjustments, which represents the net revenue expected to be collected from third-party payors (including managed care, commercial, and governmental payors such as Medicare and Medicaid), and patients.

These expected collections are based on fees and negotiated payment rates in the case of third-party payors, the specific benefits provided for under each patient's healthcare plan, mandated payment rates in the case of Medicare and Medicaid programs, and historical cash collections (net of recoveries). The recognition of net revenue (gross charges less contractual allowances) from such services is dependent on certain factors, such as, the proper completion of medical charts following a patient encounter, proper medical coding of the charts, and the verification and authorization of each patient's eligibility at the time services are rendered as to the payor(s) responsible for payment of such services.

Oral prescription drugs comprise revenues from prescriptions written by our doctors to their patients which are dispensed directly by AON's specialty pharmacy. Revenue for the oral prescription is based on fee schedules set by various PBMs and other third-party payors. The fee schedule is often subject to direct and indirect remuneration ("DIR") fees, which are based primarily on adherence and other metrics. DIR fees may be significant and may be assessed in the periods after payments are received against future payments. The Company recognizes revenue, net of estimated DIR fees, at the time the patient takes possession of the oral drug.

Other Revenue

Other revenue is primarily generated from service arrangements with various hospitals systems and data contracts as well as through clinical trials.

Cost of Revenue

Cost of services primarily includes chemotherapy drug costs, clinician salaries and benefits, medical supplies, and clinical occupancy costs. Clinicians include oncologists, advanced practice providers such as physician assistants and nurse practitioners, and registered nurses. Specialty pharmacy costs primarily include the cost of oral medications dispensed from the specialty pharmacy including overhead costs for running a free-standing pharmacy and shipping costs to patients.

General and administrative

Our general and administrative expenses include corporate occupancy costs, technology infrastructure, operations, clinical and quality support, finance, legal, human resources, and business development. Depreciation and amortization expenses are also included in general and administrative expenses. The Company expects its general and administrative expenses to increase over time following the consummation of the Business Combination due to the additional legal, accounting, insurance, investor relations and other costs that the Company will incur as a public company, as well as other costs associated with continuing to grow the business. While we expect general and administrative expenses to increase in the foreseeable future, such expenses on average are expected to decrease as a percentage of revenue over the long term, as the company continues to scale its operations.

Transaction Expenses

Transaction expenses consist of legal services, professional fees and other due diligence expenses that were incurred in connection with the Business Combination. These transaction expenses are considered non-recurring and as a result are included as an add-back in the Company's Adjusted EBITDA calculation.

Results of Operations

Comparison of the Three Months Ended March 31, 2024 and 2023 Revenue

	Three Months Ended March 31,		**Change**	
(dollars in thousands)	**2024**	**2023**	**$**	**%**
Patient service revenue, net	$ 361,508	$ 301,773	$ 59,735	19.8 %
Other revenue	2,831	1,958	873	44.6 %
Total revenue	$ 364,339	$ 303,731	$ 60,608	20.0 %

For the three months ended March 31, 2024 and 2023 revenue increased $60.6 million, or 20.0%, primarily due to a $59.7 million increase in patient service revenue and a $0.9 million increase in other revenue.

Patient service revenue, net

For the three months ended March 31, 2024 and 2023 the $59.7 million increase in revenue is largely attributable to an increased revenue per encounter of 12.8% driving $41.0 million of the revenue increase. $18.7 million of increase in patient service revenue was due to increase of patient encounters of 7.1% seen within the period. This revenue growth was constrained in part by approximately $4.1 million of incremental implicit price concessions associated with accounts receivable in our legacy billing system as the Company transitioned its billing and collection efforts to a new billing system in the fourth quarter of 2023.

Other revenue

For the three months ended March 31, 2024 and 2023 other revenue increased $0.9 million due to an increase in service arrangements and data contracts.

Operating Expenses

	Three Months Ended March 31,		Change	
(dollars in thousands)	**2024**	**2023**	**$**	**%**
Cost of revenue	$ 354,948	$ 278,534	$ 76,414	27.4 %
General and administrative expenses	28,277	23,717	4,560	19.2 %
Transaction expenses	352	1,971	(1,619)	*
Total costs and expenses	$ 383,577	$ 304,222	$ 79,355	26.1 %

* — % not meaningful

For the three months ended March 31, 2024 and 2023, operating expenses increased $79.4 million, or 26.1%, due to a $76.4 million increase in cost of revenue, and a $4.6 million increase in general and administrative expenses offset by a $1.6 million decrease in transaction expenses.

Cost of revenue

For the three months ended March 31, 2024 and 2023, cost of revenue increased $76.4 million which was primarily driven by drug and medical supply costs, due to both increased patient encounters and cost per encounter. The volume of patient encounters at our practices increased cost of revenue by $14.9 million, and the cost per encounter drove a $42.8 million increase. The increased cost of patient encounters was driven by a combination of higher drug and supply costs as well as the drug and service mix patients required. In March 2024, the Company issued Restricted Stock Units (“RSUs”) under the 2023 Equity Incentive Plan to employees of the Company with various vesting periods including RSUs that vest immediately, over a period of one year, and over a period of two years. The Company recognized $13.3 million of equity-based compensation expense associated with the March 2024 grant of RSUs, substantially all of which was related to RSUs that vested immediately upon grant. There was no stock-based compensation expense recognized during the three months ended March 31, 2023. Refer to Note 12, Equity-Based Compensation, for further discussion.

General and administrative expense

For the three months ended March 31, 2024 and 2023, the $4.6 million increase in general and administrative expenses was driven by a $1.1 million increase in revenue cycle costs associated with the Company’s growth and optimization of our revenue cycle function as well as $0.9 million of increase seen in computer expense as a result of Company’s AthenaIDX RCM conversion and dual RCM costs within the quarter. The company saw an increase of $1.4 million in insurance and accounting fees as a result of being publicly traded as well as $1.5 million increase in operating costs related to legal costs, office expenses, contract labor, licenses, and travel expenses relative to Company growth.

Transaction expense

For the three months ended March 31, 2024 and 2023, the Company saw a $1.6 million decrease in transaction expenses driven by the legal, accounting, and consulting fees incurred by the Company due to the Business Combination that closed in September of 2023.

Other Income (Expense)

(dollars in thousands)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	Change $	Change %
Interest expense	$ (1,763)	$ (1,417)	$ (346)	24.4 %
Interest income	793	57	736	*
Other (expense) income, net	(1,908)	466	(2,374)	*
Total other expense	$ (2,878)	$ (894)	$ (1,984)	*

* — % not meaningful

Interest expense

The increase in interest expense for the three months ended March 31, 2024 was due to an increase in interest rates resulting from an increase in the federal funds rate from 4.75% in the first quarter of 2023 to 5.50% in the first quarter of 2024.

Interest income

The increase in interest income for the three months ended March 31, 2024 was due to interest Company earned as a result of investment activity.

Other (expense) income, net

For the three months ended March 31, 2024 and 2023 the increase in other expense is attributable to a non-cash charge of $1.6 million related to the fair value adjustment of the Public and Private Warrant liabilities.

Income taxes

(dollars in thousands)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	Change $	Change %
Provision for income taxes	$ 2,894	$ —	$ 2,894	*
Effective tax rate	(13.1)%	— %		*

* — % not meaningful

The change to the income tax provision for the three months ended March 31, 2024 compared to the income tax provision for the three months ended March 31, 2023 was primarily a result of the transaction closing on September 20, 2023, resulting in a portion of the Company's consolidated pre-tax earnings, which were previously not subject to income taxes, flowing into a taxable corporation included in the Company's post transaction structure. As of December 31, 2023, the Company recognized a deferred tax asset related to its investment in the American Oncology Network, LLC partnership. As of March 31, 2024, the Company updated its valuation allowance assessment based on new factors including its year-to-date loss and forecasted loss at the American Oncology Network, LLC partnership legal entity. Based on its updated valuation allowance assessment, the Company recorded a discrete valuation allowance against its investment in partnership deferred tax asset during the three months ending March 31, 2024.

Our Adjusted EBITDA for recent comparative periods is presented as follows:

Comparison of the Three Months Ended March 31, 2024 and 2023

The following table provides a reconciliation of net income, the most closely comparable GAAP financial measure, to Adjusted EBITDA:

	Three Months Ended March 31,		Change	
(dollars in thousands)	**2024**	**2023**	**$**	**%**
Net loss	$ (24,961)	$ (1,486)	$ (23,475)	*
Interest expense, net	970	1,360	(390)	(28.7 %)
Depreciation and amortization	2,506	2,207	299	13.5 %
Income tax expense	2,894	—	2,894	*
Equity-based compensation	13,353	—	13,353	*
Revenue cycle transformation (a)	4,736	—	4,736	*
Gain/loss on derivative liabilities	1,590	—	1,590	*
Transaction expenses (b)	352	1,971	(1,619)	(82.1 %)
Acquisition related costs (c)	522	—	522	*
Adjusted EBITDA	$ 1,962	$ 4,052	$ (2,090)	(51.6 %)

* — % not meaningful
(a) During the three months ended March 31, 2024, represents approximately $4.1 million of incremental implicit price concessions associated with exiting a legacy billing system which commenced in the fourth quarter, and approximately $0.6 million of duplicative billing system costs as the legacy system is sunset.
(b) Transaction expenses are one-time non-recurring and are a result of expenses incurred in connection with the Business Combination.
(c) Costs associated with activity related to M&A deals that have been completed and/or are to be completed.

Liquidity and Capital Resources

General

To date, the Company has financed its operations principally through the issuance of membership units and long-term debt, and to a lesser extent, cash flows from operations. As discussed below, on June 7, 2023, the Company entered into an agreement to issue Class C Preferred Units for net proceeds of approximately $64.5 million. As of March 31, 2024, the Company had $74.9 million of cash and cash equivalents, $30.1 million of short-term marketable securities, $80.9 million in outstanding long-term indebtedness, and $1.0 million of availability under its PNC Line of Credit.

The Company may incur operating losses and generate negative cash flows from operations for the foreseeable future due to the investments management intends to continue making in expanding operations and sales and marketing and due to additional general and administrative expenses management expects to incur in connection with operating as a public company. As a result, the Company may require additional capital resources to execute strategic initiatives to grow the business.

Management believes that the cash on hand, operating cash flows, and availability under PNC Facility will be sufficient to fund the Company's operating and capital needs for at least the next 12 months. The Company's actual results may vary due to, and its future capital requirements will depend on, many factors, including its organic growth rate and the timing and extent of acquisitions of new clinics and expansion into new markets. The Company may in the future enter into arrangements to acquire or invest in complementary businesses. The Company could use its available capital resources sooner than management currently expects. The Company may be required to seek additional equity or debt financing.

Reverse Recapitalization

The Company closed the Business Combination on September 20, 2023 ("the Closing" or the "Closing Date"). As of the Closing, the Company received $1.4 million of the remaining cash held in the Trust Account after all redemptions. On the Closing Date, the Company paid $7.1 million of DTOC transaction expenses incurred as a result of the Business Combination. The Company assumed an additional $6.1 million in liabilities, of which $3.4 million were related to an excise tax and $2.7 million related to unpaid transaction expenses incurred by DTOC as a result of the Business Combination.

Significant Financing Transactions

2022 Debt Financing Activity

In 2022, the Company amended the PNC Facility and Line of Credit agreements. The primary changes included an increase of the Facility limit from $75.0 million to $125.0 million, a decrease of the PNC Line of Credit amount from $5.0 million to $1.0 million, interest charges to be calculated based on the Bloomberg Short-Term Bank Yield Index plus 1.65% and certain financial covenants. As part of the amendments, the Company drew an additional $16.3 million in proceeds under the Facility.

The total amount outstanding under the PNC Facility as of December 31, 2023 was $81.3 million at an interest rate of 7.19%. No amounts were drawn down on the PNC Line of Credit as of December 31, 2023.

2023 Sale of Class C Equity

On April 27, 2023, AON LLC and the AON Class C Preferred Investor entered into a Unit Purchase Agreement, which they subsequently amended and restated on June 7, 2023 (as amended, the “Unit Purchase Agreement”), which provides for an investment of at least $65.0 million with an option to increase the investment to $75.0 million in connection with the issuance of AON Class C Convertible Preferred Units (“AON Class C Units”) to the AON Class C Preferred Investor.

Pursuant to the Unit Purchase Agreement, on June 7, 2023, the AON Class C Preferred Investor purchased, and AON LLC issued and sold to the AON Class C Preferred Investor, 2,459 AON Class C Units at an aggregate purchase price of $65.0 million. Under the Unit Purchase Agreement, the AON Class C Preferred Investor has an option to purchase an additional 378 AON LLC Class C Units until the closing of the Business Combination (the “Closing”), at a purchase price of $26,432 per Unit. This option was not exercised and expired as of the Closing of the Business Combination. In connection with the Class C Unit sale, AON LLC amended and restated its operating agreement, to among other things, authorize 2,837 AON LLC Class C Units of which 2,459 were outstanding as of June 30, 2023 to the AON Class C Preferred Investor. The AON LLC Class C Units were reclassified into AON LLC Series A Preferred Units as of September 20, 2023, the Closing Date. Concurrently, New AON issued a number of shares of New AON Series A Preferred Stock equal to the number of AON Series A Preferred Units held by the AON Class C Preferred Investor to AEA Growth Management LP, the parent of AON Class C Preferred Investor (“AEA Growth”) in exchange for all the shares of common stock held by AEA Growth in the AON Class C Preferred Investor. Promptly after the First Step, the AON Class C Preferred Investor merged with and into New AON whereby the separate existence of the AON Class C Preferred Investor ceased and New AON held all the AON Series A Preferred Units.

2023 Debt Financing Activity

On June 30, 2023, AON entered into Amendment No. 7 to its PNC Loan Facility which primarily extended the maturity date of the Facility from April 30, 2024 to June 30, 2026.

On December 31, 2023, AON entered into Amendment No. 3 to its Line of Credit agreement to modify certain definitions such as “change in control”. In addition, this also amended certain debt covenants, such as the EBITDA thresholds.

2024 Debt Financing Activity

On January 16, 2024, AON entered into Amendment 8 to its PNC Loan Facility in order to modify the agreement to reflect that transfers of AON LLC units between AON LLC members to AON Inc. or the holder of a majority of AON Inc.’s Series A Preferred Stock, do not trigger a change of control, as defined therein, consistent with the intention of the parties to the PNC Loan Facility. In addition, Amendment 8 also amended the delinquency ratio threshold used to calculate certain debt covenants.

Cash Flows

Historical information regarding sources of cash and capital expenditures in recent periods and analysis of those sources and uses is provided below.

Cash flows for the three months ended March 31, 2024 and 2023 were as follows:

	Three Months Ended March 31,		Change	
(dollars in thousands)	2024	2023	$	%
Net cash (used in) provided by operations	$ 45,137	$ (329)	$ 45,466	*
Net cash (used in) provided by investing activities	1,522	(2,643)	4,165	*
Net cash used in financing activities	(254)	(105)	(149)	*

* — % not meaningful

Cash flows from operating activities

The primary sources and uses of our operating cash flow are operating income or operating losses, net of any non-cash items such as stock-based compensation, and depreciation and amortization. The timing of collections of accounts receivable and the payment of accounts payable, and other working capital items can also impact and cause fluctuations in our operating cash flow. Cash provided by operating activities increased by $45.5 million during the three-month period ended March 31, 2024 compared to the three month period ended March 31, 2023, primarily due to:

- The comparative provision of cash of $56.4 million from accounts payable, primarily associated with the timing of $48.3 million of vendor payments for drug purchases during the first quarter of 2024 that were deferred until the second quarter of 2024.

- The comparative provision of cash of $13.6 million associated with the timing of collections of patient accounts receivable, net.

- An increase in loss from operations during the three month period ended March 31, 2024, net of changes in non-cash items such as stock compensation, as well as the comparative usage of cash related to other working capital items.

Cash flows from investing activities

Net cash provided by investing activities was $1.5 million for the three months ended March 31, 2024 compared to $2.6 million used in for the comparable period for 2023. The increase in cash provided period over period was primarily attributable to the following:

- Purchases of marketable securities for the three months ended March 31, 2024 of $7.1 million were offset by sales of marketable securities of $12.6 million. Purchases of marketable securities for the three months ended March 31, 2023 were $1.4 million offset by sales of $1.4 million during this period. This difference resulted in approximately a $5.6 million increase in cash provided between periods.

- The $1.4 million increase in purchases of property and equipment during the three months ended March 31, 2024, compared to 2023 further increased the cash provided between periods.

Cash flows from financing activities

Net cash used in financing activities was $0.3 million for the three months ended March 31, 2024 compared to net cash used in financing activities of $0.1 million for the comparable period for 2023.

Off Balance Sheet Arrangements

As of the date of this Quarterly Report on Form 10-Q, AON does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors. The term “off-balance sheet arrangement” generally means any transaction, agreement or other contractual arrangement to which an entity unconsolidated with AON is a party, under which it has any obligation arising under a guarantee contract, derivative instrument or variable interest or a retained or contingent interest in assets transferred to such entity or similar arrangement that serves as credit, liquidity or market risk support for such assets.

AON does not engage in off-balance sheet financing arrangements.

Material Cash Requirements

Based on the Company’s borrowings under the long-term debt arrangement as of March 31, 2024, the Company expects future cash outflows related to interest expense (based on Bloomberg Short-Term Bank Yield Index rate of 7.09% as of March 31, 2024) of $4.3 million for the remainder of 2024 and $5.8 million in 2025.

The Company also expects a cash outflow of $81.3 million related to the repayment of principal when the PNC Loan Facility matures in June of 2026.

The Company expects the following cash flows related to operating leases with third parties: $4.9 million in 2024, $7.4 million in 2025, $6.9 million in 2026, $5.8 million in 2027, $4.4 million in 2028, and $17.4 million thereafter.

The Company expects the following cash flows related to operating leases with related parties: $2.1 million in 2024, $2.7 million in 2025, $2.7 million in 2026, $2.5 million in 2027, $1.8 million in 2028, and $1.7 million thereafter.

Cash outflows related to certain vendor contracts with committed expenditures are expected to total approximately $1.6 million. The timing of the expenditures is as follows: $1.6 million in 2024.

The Company does not have any significant supply or other arrangements which result in material cash requirements other than as described above.

Critical Accounting Policies and Estimates

The accompanying consolidated financial statements have been prepared in accordance with GAAP. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Revenue Recognition

Revenue is recognized under Accounting Standards Update (“ASU”) 2014-09 Revenue from Contracts with Customers (“Topic 606”). The Company determines the transaction price based upon standard charges for goods and services with anticipated consideration due from patients, third-party payors (including health insurers and government agencies) and others. The Company’s revenue is primarily derived from patient service revenues, which encompass oncology services provided during patient encounters and shipments of pharmacy prescriptions. Performance obligations for the Company’s services provided to patients and most procedures, are satisfied over the time of visit which is the same day services are performed. Performance obligations relating to pharmacy revenue are considered fully satisfied at a point in time upon the customer receiving delivery of the prescription. Accordingly, the Company does not anticipate a significant amount of revenue from performance obligations satisfied (or partially satisfied) in previous periods.

As services are performed and prescriptions are shipped, timely billing occurs for services rendered and prescriptions shipped less discounts provided to uninsured patients and contractual adjustments to third-party payors based upon prospectively determined rates and discounted charges. Payment is requested at the time of service for self-paying patients and for patients covered by third-party payors that are responsible for paying deductibles and coinsurance.

The Company monitors revenue and receivables to prepare estimated contractual allowances for the anticipated differences between billed and reimbursed amounts. Payments from third-party payors and Government programs including Medicare and Medicaid may be subject to audit and other retrospective adjustments. Such amounts are considered on an estimated basis when net patient revenue is recorded and are adjusted as final adjustments are determined.

The Company has a system and estimation process for recording Medicare net patient service revenue and estimated recoupments as it relates to value-based care (“VBC”) revenue included in patient service revenue on the Consolidated Statements of Operations and Comprehensive Income (Loss). The Company’s VBC revenue is primarily generated through its participation in the Enhancing Oncology Model (“EOM”) which is an episode-based payment model to promote high-quality cancer care. Participants enter six-month episode periods, and the Company bills a monthly fee during the six-month period based on a fixed rate per participant per month and the total number of participants. Certain quality and compliance metrics are tracked as part of the program and submitted to CMS at the end of the episode period which may result in recoupment of funds. The Company estimates the recoupment amount by developing a recoupment percentage for each period based on historical known recoupment from CMS and applies the recoupment percentage against total fees for the period. Based on the estimate, the Company accrues a liability representing the expected final recoupments based on historical settlement trends.

Accounts Receivable

Accounts receivable from patients are carried at the original charge for the services provided, and an adjustment is made to the receivable in a contra account based on the historical collection rate for the provider and payor combination. This adjustment takes into consideration any allowance for doubtful accounts. Management determines the allowance for uncollectible accounts based on historical experience.

Business Combinations

The Company evaluates acquired practices in accordance with ASU 2017-01, Business Combinations (Topic 805) — Clarifying the Definition of a Business. This standard clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals of assets or businesses. Because substantially all of the value of each acquired practice did not relate to a similar group of assets and as each acquired practice contained both inputs and processes necessary to provide economic benefits to the Company, it was determined that each acquisition represents a business combination. Therefore, the transactions have been accounted for using the acquisition method of accounting, which requires, with limited exceptions, that assets acquired, and liabilities assumed be recognized at their estimated fair values as of the acquisition date. Any excess of the consideration transferred over the estimated fair values of the net assets acquired is recorded as goodwill. Transaction costs related to business combinations are expensed in the period in which they are incurred.

Professional Liability

The Company maintains an insurance policy for exposure to professional malpractice insurance risk beyond selected retention levels. Reserves are established for estimates of the loss that will ultimately be incurred on claims that have been reported but not paid and claims that have been incurred but not reported. These reserves are established based on consultation with a third-party actuary. The actuarial valuations consider a number of factors, including historical claims payment patterns, changes in case reserves and the assumed rate of increase in healthcare costs. Management believes the use of actuarial methods to account for these reserves provides a consistent and effective way to measure these subjective accruals. However, due to the sensitive nature of this estimation technique, recorded reserves could differ from ultimate costs related to these claims due to changes in claims reporting, claims payment and settlement practices and differences in assumed future cost increases. Accrued unpaid claims and expenses that are expected to be paid within the next twelve months are classified as current liabilities and included in accrued other. All other accrued unpaid claims and expenses are classified as long-term liabilities and included in other long-term liabilities. Insurance recoveries associated with the unpaid claims are classified as long-term assets included in other assets.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of exposure due to potential changes in inflation or interest rates. We do not hold financial instruments for trading purposes.

Interest Rate Risk

Certain of AON's outstanding indebtedness bears interest at a floating rate. As a result, AON may be exposed to fluctuations in interest rates to the extent of its borrowings under these arrangements. AON does not currently engage in any hedging or derivative instruments to attempt to offset this risk. Based on the total amount of variable debt outstanding as of March 31, 2024, if the Bloomberg Short-Term Bank Yield Index increased by 1.0% due to normal market conditions, AON's interest expense will increase by approximately $0.8 million per annum.

AON had $81.3 million of borrowings under loans with variable rates as of March 31, 2024.

Inflation Risk

The healthcare industry is very labor intensive and salaries and benefits are subject to inflationary pressures, as are drug and medical supplies costs, medical equipment and other costs. The nationwide shortage of nurses and other clinical staff and support personnel has been a significant operating issue facing us and other healthcare providers. In particular, like others in the healthcare industry, we have experienced a shortage of nurses and other clinical staff and support personnel in certain geographic areas, which was largely driven by the COVID-19 pandemic. Nationally, the increase demand for healthcare workers has in some regions, required us to offer one-time retention bonuses, pay premium wages above standard compensation for essential workers, and even utilize higher cost temporary labor. This staffing shortage may require us to further enhance wages and benefits to recruit and retain nurses and other clinical staff and support personnel or require us to hire expensive temporary personnel. We have also experienced cost increases related to the procurement of medical supplies and equipment as well as construction of new facilities and additional capacity added to existing facilities. Our ability to pass on increased costs associated with providing healthcare to Medicare and Medicaid patients is limited due to various federal, state and local laws which have been enacted that, in certain cases, limit our ability to increase prices.

We minimize the impact of inflation on our labor, drug, and supply costs primarily through maintaining strong relationship with our suppliers and GPO and renegotiated contracts with our payors. In addition, AOP has a Pharmacy and Therapeutics Committee ("P&T Committee") that meets biweekly to evaluate and modify the preferred drug formulary. The P&T Committee considers the following in its formulary recommendations: 1) evidence-based research demonstrating favorable clinical outcomes of such treatment; 2) potential adverse events or side effects of such treatment; and 3) cost of such treatment to the applicable stakeholder (patient and payor).

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2024. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company on the reports that it files or submits under the Exchange Act is accumulated and communicated to management, including, our principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure.

Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgement in designing and evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of March 31, 2024, our Chief Executive Officer and Chief Financial Officer concluded that, as a result of material weaknesses identified in our internal control over financial reporting, as previously disclosed in our Annual Report on Form 10-K, filed with the SEC on March 28, 2024, our disclosure controls and procedures were not effective as of March 31, 2024. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting as defined under the Exchange Act and by the Public Company Accounting Oversight Board (United States), such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. We are in the process of implementing measures designed to improve our internal control over financial reporting to remediate these material weaknesses.

Changes in Internal Control

There has been no change in our internal control over financial reporting as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act during our most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II - Other Information

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report on Form 10-Q (the “Quarterly Report”), you should carefully consider the risk factors previously disclosed in our Annual Report on Form 10-K, dated and filed with the SEC on March 28, 2024, as of and for the year ended December 31, 2023 (the “2023 Annual Report”).

As of the date of the Quarterly Report, there have been no material changes to the risk factors previously disclosed in our 2023 Annual Report. Any of the risks discussed in these reports, as well as additional risks and uncertainties not currently known to us or that we currently deem immaterial, could materially and adversely affect our results of operations, financial condition or prospects.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

31.1	Certification of Chief Executive Officer (Principal Executive Officer) Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of Chief Financial Officer (Principal Financial and Accounting Officer) Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of Chief Executive Officer (Principal Executive Officer) Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
32.2	Certification of Chief Financial Officer (Principal Financial and Accounting Officer) Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
101.INS	Inline XBRL Instance Document.*
101.SCH	Inline XBRL Taxonomy Extension Schema Document.*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.*
104	Cover Page Interactive Data File (Embedded within the Inline XBRL document and included in Exhibit)

** Filed herewith*
*** Furnished herewith*

Signatures

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

AMERICAN ONCOLOGY NETWORK, INC.

By:	/s/ Todd Schonherz
Name:	Todd Schonherz
Title:	Chief Executive Officer
Dated:	May 15, 2024

Exhibit 31.1

CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Todd Schonherz, certify that:

I have reviewed this Quarterly Report on Form 10-Q of American Oncology Network, Inc.;

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;

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;

The registrant's other certifying officer(s) 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

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

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting

May 15, 2024

By: /s/ Todd Schonherz

Todd Schonherz
Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David Gould, certify that:

I have reviewed this Quarterly Report on Form 10-Q of American Oncology Network, Inc.;

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;

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;

The registrant's other certifying officer(s) 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

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

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting

May 15, 2024

By: /s/ David Gould

David Gould
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Todd Schonherz, certify that:

To my knowledge, the Quarterly Report on Form 10-Q for the quarter ended March 31, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of American Oncology Network, Inc.

May 15, 2024

By: /s/ Todd Schonherz

Todd Schonherz
Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, David Gould, certify that:

To my knowledge, the Quarterly Report on Form 10-Q for the quarter ended March 31, 2024 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of American Oncology Network, Inc.

May 15, 2024

By: /s/ David Gould

David Gould
Chief Financial Officer