

Ryan Schmidt, Investor Relations

Good afternoon, everyone. Joining me on our call today to discuss the company's third quarter 2024 results are Andrew Toy, Clover Health's Chief Executive Officer, and Peter Kuipers, the Company's Chief Financial Officer. You can find today's press release and the accompanying supplemental slides, as well as the Company's most recent investor deck, in the 'Investor Events & Presentations' section of our website at investors.cloverhealth.com. This webcast is being recorded, and a replay will be available in the Investor Relations section of the Clover Health website.

I'd also like to caution you that we may make forward-looking statements during today's call that are subject to risks and uncertainties, including expectations about future performance. Factors that may cause actual results to differ materially from expectations are detailed in our SEC filings, including in the Risk Factors section of our most recent Annual Report on Form 10-K and other SEC filings.

Information about non-GAAP financial measures referenced, including a reconciliation of those measures to GAAP measures, can be found in the earnings materials available on our website.

With that, I'll now turn the call over to Andrew.

Andrew Toy, Chief Executive Officer

Thanks Ryan, and thank you everyone for joining us today. We have had a tremendous amount of progress at Clover that we're excited to talk through.

Firstly, we delivered another quarter of meaningful Adjusted EBITDA profitability and positive operating cash flow. As such, we are improving our full-year Adjusted EBITDA guidance. We have always emphasized our focus on delivering a profitable Clover and I feel that we have executed very well here.

Secondly, we achieved another quarter of industry leading loss ratios, driven by continued strong performance on both PMPM Revenue as well as medical expense management. We're particularly proud of this, because we see this value being driven largely by the technology powered performance of the independent, fee-for-service physicians in our wide network. This is the part of the network where a lot of other Medicare Advantage plans are struggling to manage total cost of care.

Thirdly, we are proud to have received upgraded Star ratings for our plans, most notably a 4 Star rating for our flagship PPO for plan year 2025, impacting payment year 2026. In fact, for plans with over 2,000 members, our PPO received the highest score in the entire country on

core HEDIS measures, with a score of 4.94, even edging out high performing HMOs. Over 95% of our members are in this 4 Star plan.

The key differentiator with Clover is that these results are driven by physicians using our technology, Clover Assistant. Unlike almost every other high performing MA plan, Clover's plans have almost no traditional value-based contracts or delegated risk. We do not pay traditional quality incentives around gap closure. Instead, what we focus on is having physicians use Clover Assistant, which acts as a GPS for physicians to better manage Medicare Advantage total cost of care and quality. Between our network physicians and our internal Clover Home Care practice, which focuses on managing our most vulnerable members, we've historically delivered Clover Assistant powered care to over two-thirds of our membership.

We've demonstrated that our technology-first model of care, while unconventional, generates differentiated value. We've driven strong clinical and financial performance in our Insurance business, highlighted by meaningful Adjusted EBITDA profitability and strong Insurance loss ratios. I'm very proud that we've significantly increased our Adjusted EBITDA profitability to over \$62 million dollars year-to-date on a membership base of ~81 thousand lives.

These strong financial results position us well to invest in membership growth going into 2025. This AEP, we believe we are offering a highly appealing and competitive product for Medicare eligibles, and we are prioritizing both acquiring new members and maintaining strong retention rates. With this strategy, we believe there is ample opportunity to expand our market share throughout 2025 in our core markets.

We're particularly excited about the timing of our growth opportunity. Other plans have struggled to maintain Star ratings and manage cost of care, and are effectively being forced to make strategic retreats by making plan closures, dropping providers from their networks, and pulling back on benefits. By maintaining our own benefit and network strength, and leveraging our improved Star ratings, we are set up to be in a very good position.

While it's too early to discuss our 2025 posture in detail, our intent is to take advantage of the opportunity in front of us by focusing on growth while maintaining consolidated profitability via strong management of our returning member cohorts. We're demonstrating a clear ability to grow into the strength of our model, with our profitable existing member cohorts fueling growth and having a clear focus on bringing new members onto our care platform.

We'll obviously have more to talk about regarding our Annual Enrollment Period performance in the future, but overall, we feel very good about how we've positioned our business for growth in 2025 on the back of our strong performance in 2024.

To be clear though, we believe this growth opportunity will not be a one-year window. As I mentioned, we are very proud to have recently received a 4 Star rating for our flagship PPO plans. By achieving this rating, we'll have tailwinds going into payment year 2026 that will allow us to continue to invest in our flywheel as we expand profitability while continuing to accelerate

growth. And again, our Stars improvement came at the same time as the broader industry saw Star rating degradation, setting us up to continue to differentiate our products for our members.

In summary, I'm very proud of our team's accomplishments and progress during the quarter, where we again achieved meaningful Adjusted EBITDA, improved our full-year 2024 Adjusted EBITDA profitability guidance, and have positioned the Company well for growth amidst a dynamic market backdrop.

I'll now hand it over to Peter for the Financial update.

Peter Kuipers, Chief Financial Officer

Thanks Andrew.

I am continually impressed with our ability to execute, deliver upon our goals, and drive strong business performance and momentum during this year while managing the total cost of care. I'll begin by covering the third quarter and year-to-date financial highlights and then review our updated guidance for the full-year 2024.

Clover's fundamentals are strong. GAAP Net loss from continuing operations for the third quarter improved significantly by \$25 million dollars to a loss of \$9 million dollars, as compared to the same quarter last year. Similarly, Adjusted EBITDA meaningfully improved to a profit of \$19 million dollars this quarter, compared to \$3 million dollars in the third quarter of 2023.

On a year-to-date basis, we have significantly improved our Adjusted EBITDA profitability by \$87 million dollars as compared to the same year-to-date period for 2023, delivering \$62 million dollars of Adjusted EBITDA so far this year, driven by continued durable MA plan momentum and further SG&A optimization.

We have continued to deliver industry-leading benefit ratios for our Insurance business, driven by our ability to control total cost of care. During the third quarter of 2024, our Insurance Benefits Expense Ratio, or BER, improved to 82.8%, compared to 83.3% in the same period of 2023. Similarly, Insurance MCR improved to 78% in the third quarter this year from 78.5% last year. Specifically, within our medical costs, inpatient, supplemental benefits, and Part D costs trended favorably as compared to last quarter, and are generally in line with our expectations. Our strong margin performance was accompanied by Insurance revenue of \$323 million dollars representing year over year growth of 7% in the third quarter. On a year-to-date basis revenue was \$1,014 million dollars or 9% growth year-over-year. On a year-to-date basis, BER was 80.6%, and MCR was 75.6%, both of which represent strong improvements of over 500 basis points year-over-year.

This strong growth and margin performance was driven by our focus on returning member retention, our ability to deliver earlier and better health outcomes at lower total cost of care,

continued MA plan operational maturation, solid cohort economics, and our ability to manage total cost of care for continued intra-year membership growth.

Similar to last quarter, we have experienced positive prior period development, or PPD, during the third quarter. As a reminder, PPD occurs when real-world performance exceeds our modeling, and it is booked when claims are finalized. Given our continued MA outperformance coupled with the continued normalization of our IBNR to more historical levels, it is logical that we would have varying amounts of PPD. While the underlying business momentum and medical cost trend management that I touched upon earlier is driving our strong margin performance, this favorable development has effectively also lowered our year-to-date BER to lower levels.

Now moving to SG&A. During the third quarter total SG&A decreased 11% year-over-year, and Adjusted SG&A for the third quarter of \$62 million dollars came in 8% lower versus the comparable period. On a year-to-date basis, total SG&A decreased 12% and Adjusted SG&A of \$209 million dollars decreased 4% as compared to the same periods in 2023. Both periods continue to see a favorable impact year-over-year from the cost savings initiatives associated with our new operational ecosystem and our workforce rationalization announced last year, partially offset by increased intra-year investments as a result of our intra-year growth. We are pleased with our optimization of the SG&A framework and will continue to enhance operational efficiencies with a focus on member delight.

That said, given our strong profitability profile, we have decided to strategically evaluate areas of opportunity to reinvest into our business. As Andrew mentioned earlier, we believe that we are strongly positioned to invest in our membership growth opportunity for 2025 and beyond, as a result of our 2024 performance, improved Star ratings, and our ability to outperform during a period of market volatility. For these reasons, we plan to make prudent investments that position us well to increase long-term growth. These investments include additional growth-focused spend to support the Annual Enrollment Period or AEP, as well as quality-focused spend focused on further improving outcomes for our members, including continued R&D to further enhance Clover Assistant's capabilities. We believe that now is the optimal time to do this, in light of our strong performance. As such, you will notice that we have increased our full-year 2024 Adjusted SG&A guidance. Although it's very important to note that we are also increasing our total year 2024 Adjusted EBITDA guidance to reflect our underlying business momentum. We continue to believe that any near-term investment in the long-term trajectory of the business will prove to drive strong returns in the future.

Turning to the balance sheet, we ended the third quarter of 2024 with restricted and unrestricted cash, cash equivalents, and investments totaling \$531 million dollars on a consolidated basis, with \$206 million dollars at the parent entity and unregulated subsidiary level. During the fourth quarter, we anticipate unregulated liquidity levels to be impacted by the final payment of \$39 million dollars related to our 2023 ACO Reach participation. We also expect further normalization of our IBNR levels by year-end.

Cash flow from operating activities for the third quarter was 50 million dollars, bringing our year-to-date cash flow from operating activities to 130 million dollars. I am proud that our strong business momentum continues to further improve our already strong balance sheet, and enables us to continue to operate from a position of strength and invest in growth.

Next, I will provide an update to our full-year 2024 guidance in light of our continued strong business momentum and fundamentals:

- We are reaffirming our 2024 Insurance revenue guidance of between \$1,350 million dollars and \$1,375 million dollars, reflecting continued strong year-over-year top line growth. That said, we are likely tracking towards the lower end of the range driven by intra-year shifts in our member mix.
- We continue to execute very well on unit economics and as a result we are improving our cost ratios as follows:
 - We are improving our 2024 Insurance BER guidance to be between 81% and 82%.
 - We are improving our 2024 Insurance MCR guidance to be between 76% and 77%.
- We are raising our 2024 Adjusted SG&A guide to be between \$290 million dollars and \$295 million dollars reflecting our anticipated investments to drive 2025 growth and quality initiatives.
- We are increasing our full-year 2024 Adjusted EBITDA guidance to be between \$55 million dollars and \$65 million dollars.

In summary:

We have exceeded our profitability goals with industry-leading benefit ratios, and improved our already strong balance sheet and created the ability to execute on our growth opportunity.

We have recently achieved a 4 Star rating during the most recent rating cycle, further validating the strength of our differentiated model. We look forward to receiving the 5% quality bonus to benchmark rates associated with this rating starting for Payment Year 2026, that allows us the opportunity to further invest into our member benefits, quality initiatives, and growth.

Beyond the business momentum in our own Medicare Advantage Insurance business, we have good momentum in our strong pipeline for Counterpart Health, which provides a SaaS and tech-enabled services solution for third party payors and risk-bearing providers. Demonstrating this, during the third quarter, we announced a multi-year partnership with The Iowa Clinic to utilize Counterpart Assistant for MA and MSSP patients, marking our inaugural expansion into the Midwest. While this is exciting, we are still in the early innings, and expect Counterpart's revenue impact this year to be insignificant.

We look forward to sharing more detailed financial guidance and expectations in the future as we further develop and grow our Counterpart SaaS and tech-enabled services offering.

Now let me turn the call back to Andrew for closing comments.

Andrew Toy, Chief Executive Officer

Thanks Peter.

I'm proud of the achievements the Clover team has delivered over the first three quarters of the year.

First, we have been increasing our Adjusted EBITDA profitability and demonstrating our ability to care for our membership cohorts profitably.

Second, we are delivering industry-leading loss ratios and Medicare Advantage performance on a wide network of providers, almost all of whom are still on fee-for-service arrangements.

Third, we have achieved strong Star rating performance on this same network, fueling our go-forward financial momentum, and positioning us with a strong multi-year growth opportunity.

All of this is enabled by our differentiated care platform and technology - Clover Assistant.

We continue to be very excited about the progress and long-term opportunity to bring our technology to other value-based providers and MA plans via our Counterpart Health SaaS and tech-enabled services offering. As a reminder of our core strategy, we plan to grow our own MA plans significantly and profitably within our current markets and we plan to also expand to new geographies. For markets where we don't have an MA plan, Counterpart Health allows us to bring in our model of Medicare Advantage managed care via partnerships with local providers and plans.

Since we launched the offering earlier this year we have had significant interest in the platform. And this interest has accelerated since we announced our Stars results, particularly the fact that our PPO plan received the highest HEDIS score for core HEDIS measures for plans over 2,000 members.

Not only do we offer strong performance, but what others find particularly compelling is that we specialize in improving the performance of wide network, fee for service independent physicians. Most managed care entities have no real solution for this component of the care ecosystem, and so the fact that we are able to drive excellent results in this area gives us unparalleled product market fit.

While this is exciting, we're still in the early innings. We believe that demand for Counterpart Assistant will only increase, as more and more industry players face the market pressures that many insurers and healthcare providers have signaled this year. As we engage with prospective partners, we do expect the larger health organizations to have longer sales cycles, and the

smaller groups to have shorter sales cycles. That said, we're looking to onboard more partners in both 2025 and 2026 when the Industry Stars headwinds will come to fruition.

Stay tuned for more updates about Counterpart, including us signing up additional partners, in the future.

Clover is truly at an exciting inflection point, making it a great time to be along for the ride. With that, let's go to questions.

[Q&A]

Andrew Toy, Chief Executive Officer

All right. Thanks, everyone. Thank you for joining us today. Thank you all for your questions. As I said earlier, I'm very proud of the team and about the result that we've had this quarter. And year-to-date, we feel really good about the care platform and the results that we're generating on our cohorts, feel very much that our investments in quality and Stars performance is excellent and now the phase in front of us is looking forward to the growth opportunity ahead of us that we've outlined today.

So, we look to maintain and continue our strength and our performance on the financial side and to be adding to top line growth, membership growth. Thank you again for joining our call. And we're looking forward to sharing our full-year results and the results of our AEP during our next earnings call. Thanks so much, everyone.