Clover Health

Clover Health's Follow-On Offering AMA:

December 17, 2021

12/17/2021: Hello everyone. We appreciate your patience on hearing from us during the quiet period connected to our follow-on offering (which was due to the fact that our underwriters had 30 days to purchase additional shares). We are more excited than ever in our long-term vision for Clover, with a goal of generating long-term value for shareholders and incredibly positive and massive impact within healthcare.

Before we get into the specific questions that have been asked of us since the launch of the offering, we wanted to provide a general summary of the outcome:

- We raised $300 million in gross proceeds through the offering of our Class A Common Stock.
- We are a technology company that is rapidly growing, and plan to use the proceeds for working capital and general corporate purposes, which includes our continued growth efforts and to have further cushion in the event COVID-19 has a larger impact than we currently expect.
- Over 40 funds invested in our transaction, and we are very pleased with the quality of the investors who bought shares and the fact that several of our existing investors decided to take part and increase their holdings.
- This deal raised our awareness with additional institutional investors. We met with about 30 investors and our banks spoke with about 150 in total. We expect to gain three additional research analysts – Deutsche Bank, SVB Leerink and Canaccord – early next year.

We are very excited entering 2022. We expect another year of strong growth, and we're progressing on making the Clover Assistant even more powerful and extending its capabilities further, while leveraging our platform to drive impressive operating synergies over time.

Thanks for being on this journey with us.

Vivek & Andrew

Why did Clover do a secondary offering?
It's typical for high-growth companies to raise capital in multiple rounds over time (especially those that require to scale operations and marketing). At the end of the third quarter, we had approximately $589 million of cash, cash equivalents and investments on our balance sheet, and we raised an additional $300 million in gross proceeds from the offering. One of our primary motivators, since we are a health insurer, is that we have to put aside capital for our regulated subsidiaries – our insurance companies. As part of that, especially in a year like this one where medical expenses are abnormally high (driven by COVID-19) we have to put aside dollars to cover those costs. And, importantly, we have to make certain assumptions about next year. Something we have spent a lot of time thinking about the last few months is that if COVID doesn't subside as much or as quickly as we hope it will, and say there's another wave and costs rise again, we don't want to be caught flat-footed. It's worth noting that the Omicron variant has already had an impact – both in terms of rising cases and a market pullback. We want to have enough capital in that downside case scenario so that we can continue to pursue aggressive growth and execute thoughtfully. It's a lot harder to be aggressive in growing the business and executing on your mission when you have to be reactive to less cash being available.

Why did Clover do two offerings at the same time?
We didn't. The follow-on to raise $300 million is the only offering we have done since we became a public company in January of 2021. We believe there was some confusion as we initially planned to raise $250 million but upsized the transaction to $300 million based on strong investor demand.

Why did you fundraise at this time when we started to gain momentum and completely ruined that? Why didn't Clover do an offering while the price was much higher?
Our view is the best time to raise capital is when you don't necessarily need it – that's the window of opportunity. We are building for the long-term, and we believe having additional capital positions us better to achieve the outcome we want. Further, there are a lot of factors that determine a near-term stock price, many of which are out of our control. What we are focused on in the short- to intermediate term is showing more proof points that our approach and mission are working. We expect this will include more details around our growth, efforts to become a more efficient organization and how the Clover Assistant can become an even more powerful tool in driving better outcomes for patients and physicians. When we look at the overall picture in general, we believe we'll see a lot of positives. And if COVID-19 ends up being a larger headwind than we expect, we believe we'll be well-positioned ahead of that.

Did Clover raise this money for executive bonuses?
No.

Why wasn't more information provided after secondary was announced?
Until now, we were not able to fully communicate openly because our offering was technically ongoing. However, we did file an S-1 (as is required) that contains significant financial details on the offering.

It would help if you communicated more frequently with information that you can and also why you can not communicate certain information.
We agree! In the future, if regulations prevent us from communicating, we'll plan to let you know, and provide a timeline for when we can.

[Vivek] Finally, I want to reiterate my personal support for the retail community. Recently Spycx shared a tweet showing some ancient activity of mine

on *Silicon Investor* from the 1990's - talk about a blast from the past. I was a freshman in college, and *Silicon Investor* was the first major online retail investor community on the Web. I was a passionate advocate for investing, picking stocks and sharing ideas - I even had a small newsletter that was popular among readers there. Back then, my parents were concerned about the amount of time I was devoting to it, and asked politely for me to concentrate on my studies - which I reluctantly did - but I still have an incredibly strong passion for investing and exploring new ideas.

While timing the market is not something many consistently do well, we believed that waiting until next year to raise capital was too risky given the possibility of a combination of potentially rising interest rates, a potential recession, and a contraction of investor liquidity, leading to a flight from technology-driven growth companies, which in turn would likely depress stock prices for rapidly growing technology companies. We believe there will be a time in the future where the value of the Clover Assistant will be fully recognized, but at the same time, there is a lot we intend to do to help ensure that happens. We're committed to drive incredible value over the long-term, and it's up to us to deliver on that.

Forward-Looking Statements

This post contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include statements regarding future events and Clover Health's future results of operations, financial position, market size and opportunity, business strategy and plans, and the factors affecting our performance and our objectives for future operations. These statements are subject to known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from results expressed or implied in this post. Additional information concerning these risk factors is contained in the Risk Factors section of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2021, filed with the SEC on November 9, 2021. Clover Health assumes no obligation, and does not intend, to update these forward-looking statements as a result of future events or developments.