

## Ryan Schmidt, Investor Relations

Good afternoon, everyone. Joining me on our call today to discuss the company's fourth quarter and full year 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](https://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 turn the call over to Andrew.

## Andrew Toy, Chief Executive Officer

Thank you, Ryan, and a warm welcome to everyone joining us today. 2024 was a pivotal year for Clover. We set out with a clear mission to drive sustainable growth, achieve Adjusted EBITDA profitability, and reinforce our differentiation in Medicare Advantage, and I feel we have executed very well in delivering on these goals.

Firstly, during 2024, we delivered meaningful full-year Adjusted EBITDA profitability. We've previously shared that achieving this would position us to return to growth during a period where our competitors would be retreating. This profitability and return to growth has happened as anticipated, and we believe our profitable core of returning membership cohorts sets us up well to invest in bringing on significant new membership every year.

Secondly, we surpassed 100,000 Medicare Advantage members this year during AEP, reflecting well above-market year-over-year 27% growth, and a 95% AEP retention rate, proving that when members experience the Clover model, they stay. And more importantly, we achieved this growth while improving clinical outcomes and cohort performance – all of which are a testament to our discipline in managing the total cost of care and driving to better outcomes.

Thirdly, we've again strengthened our Star Ratings. We now have over 95% of our members in 4-Star rated PPO plans for the 2025 Star Rating year, with nation-leading clinical measures

highlighting our commitment to delivering higher-quality care. As a reminder, the financial effect of this 4 Star Rating will be enjoyed next year in 2026. Practically speaking, this means higher benchmarks for our plans, which will flow through to top line PMPM revenue, even more competitive benefits, and long-term stability for our members.

Fourthly, we successfully launched Counterpart Health, our software business that houses Clover Assistant for third-party partnerships, where we brand it as Counterpart Assistant. We signed and implemented our first external partners, built a scalable multi-tenancy cloud platform, and established a pipeline of additional potential customers spanning both providers and payors. The market is validating what we've known all along: technology-driven care management isn't just the future of MA – it's the key to making it sustainable.

These achievements reflect the exceptional dedication and hard work of every Clover team member, as we collectively strive to enhance healthcare for seniors, via the earlier identification, management, and treatment of chronic diseases. While we are very proud of our results, we're even more enthusiastic about what's to come on our journey to care for more-and-more of the Medicare population.

As we step into 2025, having established meaningful full year Adjusted EBITDA profitability in 2024, we're not just carrying momentum – we're operating from a position of strength. The core drivers of our business are aligned and accelerating, and we're well positioned to execute upon our strategic goals during our next phase of growth.

We will continue to actively manage care, while lowering costs, via our differentiated technology-first care model. Our wide-network, PCP-led, technology-driven approach remains our core advantage. Unlike traditional MA models that rely on health system-based risk-sharing, we enable PCPs to succeed in value-based care while remaining on a fee for service chassis. This ensures broad access for seniors, stronger physician engagement, and better cost performance over time.

Clover Assistant technology will, of course, be the core of our strategy. Our proprietary software platform delivers real-world clinical and financial impact. Advances in data interoperability and AI only serve to accelerate our platform - because our results are built upon delivering AI driven insights to physicians, the tremendous rate of improvement in these technologies create tailwinds to Clover in a way that traditional health plans do not experience. During 2024, more than two-thirds of our members received proactive, data-driven, and personalized care through Clover Assistant, which continued to deliver over 1,000 basis points of MCR improvement for returning MA members whose PCPs use CA as compared to those who do not. In 2025, we'll continue to invest in enhancements to evolve CA with AI-powered automation and further enhanced EHR integrations, making it even more impactful for physicians at the point of care.

While CA helps enhance the performance of our wide network PCPs, Home Care remains a critical and distinctive component of our differentiated care model, and complements those wide network PCPs with CA powered care directly in the home. Designed to engage with our highest-

risk members, our home care program does everything from gap closure to post-acute care to integrated care for polychronic patients at the end of life. When we do this, our data also shows that our highest acuity cohort of members receiving home care experience significantly improved MCRs over time. This demonstrates that intensive, proactive care delivered in the home is a highly effective strategy for keeping members healthier and out of the hospital, and blunting the medical cost trend for our most acute and comorbid members. This is precisely why during 2025 we intend to further scale our home services to ensure that care for our members is delivered at the right time, in the right setting, and with measurable impact.

And lastly, Counterpart Health is no longer a concept – it's an emerging business with significant upside potential. We have a growing pipeline of partners, including payors and health systems evaluating CA. They see CA as a strong tool to help them improve value based performance for their wide network but we also see health systems evaluating it for their own employed physicians. We have invested for years in building a software product that drives clinical quality and we feel that our core technology DNA, plus years spent iterating and improving within our own Medicare Advantage plan, have created a unique and differentiated offering. We believe the opportunity here is great, and in 2025, we'll focus on closing additional deals in varied markets that validate the broader scalability of our model.

Overall, in 2025 we're committed to maintaining Adjusted EBITDA profitability as we also invest deeply in further increasing total lives under management and meaningfully growing top-line revenue. We will also be investing in growing our Clover Assistant Reach within our markets, and in new markets, as this lays the groundwork for managing that larger membership. We believe that this balance of strong profitability from returning member cohorts, together with our strategic investments in new member growth, Clover Assistant Technology, growing Clover Assistant's reach, and expanding both our Home Care services as well as the Counterpart Health go-to-market strategy, positions us well for acceleration of profitability in 2026 and beyond.

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

## **Peter Kuipers, Chief Financial Officer**

Thank you, Andrew.

I am very pleased with our strong 2024 results and I am excited about our growth and momentum in 2025.

Our 2024 results demonstrate our capacity to execute effectively, achieve our objectives, and generate strong business momentum. In short, we accomplished precisely what we promised, and more. I will begin with our 2024 results covering:

- Our strong revenue growth.
- Achieving meaningful profitability with industry-leading loss ratios.

- Our progress on cost optimization efforts.
- And lastly our strong balance sheet position.

Clover's fundamentals are strong. We continued to achieve strong Insurance revenue growth during the year, growing 9% in both the fourth quarter and full year 2024 to \$331 million dollars and \$1 billion \$345 million dollars, as compared to the prior year periods, respectively.

Complementing our strong top-line revenue growth was continued year-over-year margin improvement. During the fourth quarter of 2024, our Insurance Benefit Expense Ratio, or BER, improved to 82.8%, compared to 87.4% in the same period of 2023, and our Insurance MCR improved to 73.5% in the fourth quarter this year from 82.4% last year. We also experienced modestly favorable prior period development, or PPD, during the fourth quarter, which is similar to what we experienced during the third quarter, and this favorable development has effectively lowered our full year BER. That said, BER for the full year 2024 was 81.2%, and MCR was 75.1%, both of which represent strong improvements of more than 500 basis points year-over-year.

Overall, our results were driven by strong cohort economics and returning member retention, as well as our ability to deliver earlier and better care outcomes for our members. Our technology-first care model has continued to manage medex in our results.

Additionally, the meaningful incremental impact from Clover Assistant and our Home Care platform in our results this year occurred slightly earlier than anticipated, and led to strong MA plan margin outperformance during the year. This resulted in an immaterial minimum MLR rebate in 2024 for 2024 dates of service, which effectively lowered our revenues. As a reminder, any payment related to the rebate would not occur until all claims have been fully incurred in the future. That said, we believe our full-year BER, adjusting for the aforementioned favorable impacts of PPD, is a good representation of the underlying performance of our business, and a solid foundation for the Company heading into 2025.

Focusing next on SG&A. Consistent with the expectations we signaled in last quarter's call, SG&A expenses were higher than usual in the fourth quarter given the strategic choice we made to support the recent AEP season, as well as various quality-focused investments aimed at improving member outcomes. These investments paid off and drove strong growth in the recent AEP season resulting in 27% membership growth in the AEP period itself. We believe that this growth is driven by the strength of our benefits, Star Ratings, and our care platform.

As such, during the fourth quarter, total SG&A increased by 7% year-over-year to \$115 million dollars, and Adjusted SG&A for the fourth quarter of 2024 increased by 9% year-over-year to \$86 million dollars. For the full year 2024, total SG&A decreased 7% year-over-year, and Adjusted SG&A of \$295 million dollars decreased 1% as compared to the same period in 2023. While we did have increased costs to support our growth and strategic reinvestments in the fourth quarter, our full year 2024 results benefitted from the cost savings initiatives we have discussed throughout this last year.

Taking all of this into account, GAAP Net Loss from continuing operations for the fourth quarter improved by \$46 million dollars to a loss of \$21 million dollars, as compared to the same quarter last year. Similarly, Adjusted EBITDA significantly improved to a profit of \$8 million dollars this quarter, compared to a loss of \$17 million dollars in the fourth quarter of 2023. For the full year, we meaningfully improved our Adjusted EBITDA profitability by \$112 million dollars compared to 2023, achieving over \$70 million dollars of Adjusted EBITDA in 2024, driven by our well managed returning member cohorts, elevated favorable PPD amounts that we do not expect to recur, our differentiated ability to better manage the total cost of care via technology, and a continued focus on SG&A optimization.

Turning next to the balance sheet, we ended the fourth quarter of 2024 with restricted and unrestricted cash, cash equivalents, and investments totaling \$438 million dollars on a consolidated basis, with \$152 million dollars at the parent entity and unregulated subsidiary level. Consolidated and unregulated balances during the fourth quarter were impacted by the final \$39 million dollar cash payment to CMS for the final settlement related to our ACO Reach participation in 2023. As a reminder, this was the final payment related to this discontinued business, and we expect no future impacts to our financials.

Cash flow used in operating activities from continuing operations for the fourth quarter was \$47 million dollars, and was impacted by various working capital dynamics as well as a continued normalization of our IBNR levels, which continued to decrease in the fourth quarter by approximately \$11 million dollars quarter-over-quarter from the third quarter 2024, bringing our full-year cash flow from operating activities to \$82 million dollars. Our strong business momentum continues to improve our already strong balance sheet this year, allowing us to operate from a position of strength and invest in growth.

Next, I will provide commentary on our full year 2025 guidance.

- Revenue for the Insurance business is expected to be between \$1 billion \$800 million dollars and \$1 billion \$875 million dollars, reflecting continued strong year-over-year top line growth of 37% at the midpoint of the range.
- Medicare Advantage membership is expected to average between 103,000 - 107,000 members, reflecting 30% growth year-over-year at the midpoint as compared to 2024.
- We expect Adjusted SG&A to be between \$355 million dollars and \$365 million dollars. This represents Adjusted SG&A as a percentage of total revenue of 19% to 20% and is an approximate 200 basis point improvement year-over-year at the midpoint of the range.
- We expect full year 2025 Adjusted EBITDA to be between \$45 million dollars and \$70 million dollars.
- Additionally, beginning this year, we are guiding to Adjusted Net income of between \$45 million dollars and \$70 million dollars. We believe that this is a useful metric for investors, and it is also used by others in the industry.

- Lastly, we expect Insurance BER for the full year 2025 to be within a range of 87% to 88%. As a reminder, we believe our Insurance BER is a solid representation of the total cost of care for our MA members, and it includes our proactive investments in quality improvement.

Going from 2024 to 2025 profitability, here are the bridging items that I will cover in more detail later in this call:

- First, 2024 results included elevated favorable PPD amounts that we do not expect to recur.
- Second, investments in new membership growth year-over-year of 30% will reduce year-over-year Adjusted EBITDA and Adjusted Net Income, as year 1 members typically have an over 1,000 basis point higher loss ratio than returning members.
- Third, we expect an increase in Adjusted EBITDA and Adjusted Net Income contribution from existing member cohorts as they continue to show an expanded profitability profile, despite broader industry headwinds.
- Fourth, as a result of our new membership growth, we will experience increased variable and growth SG&A accordingly. We are also increasing our investments in Clover Assistant technology and Clover Assistant reach. These increases in SG&A will partially be offset by our cost efficiency program, that I will discuss in more detail later in this call.

In totality we believe that this balance in 2025 of existing strong profitability from returning member cohorts with our investments in new member growth, Clover Assistant technology and Clover Assistant reach, coupled with our improved 4 Star Rating, positions us strongly for acceleration of profitability in 2026 and beyond.

First on our cohort dynamics, please turn your focus to slide six in the earnings deck posted on our website. Our new member growth during AEP, driving our guidance of 30% year-over-year average membership growth in 2025, primarily occurred within our established core markets where we have strong Clover Assistant coverage and are confident we can deliver strong clinical results. Within the new member cohort from this AEP the vast majority of our growth came in the form of switchers from other MA plans. This nuance is important because MA switchers typically have more health data that we are able to equip physicians with, as compared to other types of new members. Furthermore, we achieved impressive member retention this AEP, and we are very pleased with the dynamics of our returning membership cohort. We also look forward to continuing to execute against our growth engine over the next month during the current OEP period, where we remain on track to deliver a strong OEP season as a result of the previously mentioned disruption that began during AEP, as included in our full year 2025 guidance.

During 2024, we demonstrated a clear ability to achieve profitable existing member cohorts, and we plan to continue to prudently manage these returning member cohorts going forward. In 2025, we will also see the impact of a large cohort of new year 1 members in our financials.

Given that it takes some time for our care management model to be effective with new members, both clinically and financially, we expect to see this new member cohort increase our loss ratio in year one. Given our experience over the last number of years we have strong conviction that the unit economics of the cohort of members that joined this year will have improved loss ratios of around 700 basis points in 2026. We have included a graph of our cohort economics on page 6 in our earnings deck. This illustrates a more than a 700 basis point improvement in MCR between year 1 and year 2 cohorts, and an approximate 1,500 basis point improvement between year 1 and year 3 cohort members. This shows the strength of our model, delivering earlier and better care management at lower total cost of care and higher affordability.

Next, I will give further context to our SG&A expenses. We categorize our SG&A expenses in different buckets, including quality initiatives, growth, variable, and fixed SG&A costs, that we manage accordingly.

- Quality initiative SG&A includes technology-focused R&D innovation to further expand our product roadmap, as well as spend directly tied to enhancing healthcare quality for our members.
- Growth SG&A includes costs that scale with membership growth, such as the costs to acquire new members, including marketing, branding, and broker commission costs.
- Variable SG&A includes costs that scale with a growing member base. This includes costs for our BPaaS partner that optimizes our back-office MA plan operations.
- Fixed SG&A includes spend related to employee, infrastructure, and vendor costs, that we are able to leverage to achieve scale. Our results in 2024 have already started to reflect this, giving us meaningful operating leverage to enjoy as we scale further in the future.

Beginning this year in 2025, we have implemented a new efficiency program for SG&A to streamline our operations and identify further efficiency gains within these different SG&A buckets. Our optimization efforts here will be in tandem with incremental strategic investments to further improve our Clover Assistant capabilities, grow our Home Care program, and expand our Counterpart Health go-to-market efforts. Taking all of this into account, our full year 2025 guidance for Adjusted SG&A represents a decrease, or an improvement, of around 200 basis points for Adjusted SG&A as a percentage of revenues, at the midpoint of the range, in comparison to full year 2024. We have placed additional focus and continued efforts on cost optimization with a goal to further reduce SG&A as a percentage of revenue in the future.

Lastly, we remain excited about Counterpart's ability to bring our model of care into other geographies, in a capital light and efficient manner, where we do not currently have an MA plan established. This initiative is still in its early stages, as we had not even announced general availability yet at this time last year. That said, our priority in 2025 will be first to rapidly expand the total lives covered by Counterpart Health. We were thrilled to announce our multi-year partnership with Southern Illinois Healthcare earlier this month, as well as our partnerships with

The Iowa Clinic and Duke Connected Care in 2024, and we expect momentum for Counterpart Assistant to only increase this year. We look forward to sharing more detailed expectations in the future as we further develop and grow our Counterpart SaaS and tech-enabled services offering.

While we are not providing specific guidance for 2026 today, we are excited about our strong positioning for acceleration of profitability in 2026 and beyond:

- First, we believe we are well positioned for strong and above market membership growth in the upcoming AEP season later this year.
- Second, we believe that we are well positioned with tailwinds going into 2026 due to an increase to a 4 Star payment year in 2026.
- Third, we expect the unit economics of our new cohort of membership added in 2025 to significantly improve into 2026.
- Fourth, continued maturing and improving member cohort economics of members who joined in 2024 and before.
- Fifth, we expect an increased impact of the cost efficiency program in 2026 and beyond.

With that, let me now turn the call back to Andrew for closing comments.

## **Andrew Toy, Chief Executive Officer**

Thanks Peter. Clover is indeed very well positioned for success as we move into our new phase of growth. In the years to come, we're excited to bring our technology-first model to as many people as possible, while maintaining strong profitability. Our investments into growth, Clover Assistant technology, and our differentiated model will be both strategic and judicious to ensure that we have plenty of room to run as we aim to increase overall business value for Clover.

What makes Clover different has, and will continue to remain the same. We aim to actively manage and deliver care as we equip more-and-more physicians with technology to identify, manage, and treat chronic diseases earlier, as early intervention not only benefits the patient via reducing the need for extensive treatment but also helps flatten the medex curve and lowers the total cost of care.

This differentiation is also our fundamental advantage that sets us apart, and why we believe we are positioned better than ever to execute against our vision in the coming years. We'll continue expanding our impact, driving better outcomes for our members, achieving financial discipline for our business, and delivering long-term value for our shareholders.

Now with that, let's open it up for questions.

**[Q&A]**

**Andrew Toy, Chief Executive Officer**

Great, thank you too for the questions there. In closing, I'm proud of the Clover team's many accomplishments this past year, including Adjusted EBITDA profitability and corresponding strong membership growth to start the year, our improved Star Ratings of course, and our efforts with Counterpart. 2024 was a defining year for Clover Health where we continued to reinforce our competitive advantages within MA. And, as I've said before, this is just the beginning. I look forward to updating you all on our progress during our next call. Thanks again for joining today, and everyone have a great evening.