

## Ryan Schmidt, Investor Relations

Good afternoon, everyone. Joining me on our call today to discuss the company's third quarter 2025 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 now turn the call over to Andrew.

## Andrew Toy, Chief Executive Officer

Thank you, Ryan, and welcome everyone to Clover's third quarter earnings call.

There are three main areas I want to focus on today:

Firstly, that our growth engine is running well, and we remain focused on growing sustainably and profitably.

Secondly, taking everyone through the drivers of our lowered guidance for 2025 Adjusted EBITDA profitability and what we're doing to address it. In short, we do see broad systemic utilization pressure, but this is also compounded by our growth. We feel we can address this, but it did hit us significantly in 2025 because of that growth.

And thirdly, talking about our recently announced Star Ratings, and how we intend to ensure we can grow profitably whether at 3.5 or 4 stars.

Overall, I want to say this - we missed our targets on both overall Adjusted EBITDA and Stars. While we will remain profitable and growing, those misses aren't at all acceptable to us. They do not capture our aspiration or bar for the company. We can and will make quick adjustments.

The good news is that Clover Assistant remains incredibly strong as our core driver. Our CA managed returning cohorts improved year-over-year. CA also enabled Clover to be the top PPO

in the country for the second year running on core HEDIS clinical quality scores. The bad news is that while we did plan for growth and utilization headwinds, we clearly didn't factor those in strongly enough or manage those tightly enough in the non-CA population, which definitionally includes the new members. So those areas are where we're going to intensely refocus going into 2026 which I think is going to be a big year for Clover.

Ok going into more detail. For the third quarter we've remained Adjusted EBITDA profitable, on a wide network, while growing membership by 35% and revenue by nearly 50% year-over-year. That does meet our goal of profitable growth - other plans which grew this much on the PPO have been pushed into retreat. That said I want to note that we did originally enter this year intending to have significantly higher overall Adjusted EBITDA, even with the growth.

Ultimately, this Adjusted EBITDA pressure came firstly from the higher-than-expected proportion of new members, and the fact that we didn't bring them under management as quickly as we originally planned. And secondly, we saw increased utilization across both medical expenses and supplemental benefits similar to others in the industry. I'm going to focus on the first and Peter will discuss more on the second.

On an Adjusted EBITDA basis, our returning members continue to have a contribution profit, but this did not fully offset the dilution from our larger than expected new member growth. While we had anticipated this pressure from returning to growth, we captured additional market share as competitors retreated, with the market disruption effectively accelerating our growth. This has led to reduced Adjusted EBITDA profitability as the cost profile of first year members - which we see as a combination of marketing, commissions, and first year Medex - puts pressure on our results.

For the full-year 2025, we now expect to add roughly 44,000 gross new members, within an expected year-end 2025 population of approximately 113,000 net members. This has had a meaningful impact on our 2025 Adjusted EBITDA profitability as we are scaling from a relatively smaller base, and new members are generally loss making for us in the first year. That said, our cohort experience and strong historical retention demonstrates that this large new population will bring a larger contribution profit positive base of returning members in 2026 and beyond.

We also expect 2025 to be the peak year for this kind of effect. In our modeling with our latest cohort data, we expect that we will be able to continue growth and have meaningful Adjusted EBITDA profitability starting in 2026. That was our goal for 2025, but we were extrapolating new member performance as this was our first year of significant growth. Now that we have that under our belt, we feel more confident in our views on 2026 and beyond.

Ultimately, we believe the fundamentals of our business remain strong and the margin pressure we're seeing this year is driven by cohort dynamics. Each new member represents strong long-term value but requires time to come under full Clover Assistant management. While that dynamic compresses margins in the near term, it's exactly what we believe builds the foundation for margin expansion and accelerated growth in the years ahead, where we

anticipate rapid improvement in outcomes and cost performance in our cohorts. Said differently, our returning Clover Assistant-managed members remain strongly profitable and are effectively funding this reinvestment in acquiring and developing new member cohorts.

Our confidence in Clover's trajectory is rooted in a simple truth: we believe that our model delivers better Medicare Advantage results for more seniors. Clover Assistant is designed to identify and manage disease earlier, providing a multiyear improvement to total cost of care. When paired with our care delivery assets and the close partnership of our Clover Assistant-using network providers, we see consistent medical cost management year-over-year.

We're continually focused on increasing physician adoption, and remain on pace with increasing our Clover Assistant coverage across the book, with more than half of our new members already having received a Clover Assistant visit this year, which is consistent with our internal targets. The combination of strong retention, more members, more CA engaged physicians, earlier disease detection leads to strong returning member cohort performance, and reinforces the strength of our model and our ability to help manage conditions earlier and better for our members.

Next, I'd like to discuss the current Annual Enrollment Period. While it's too early to provide an AEP update in detail, I would preliminarily note that we remain on track to once again deliver strong, above-market membership growth and retention within our priority markets. These markets are the ones where we have strong CA network coverage, an existing membership base and our home care capability. Our plan offerings reflect exactly what Clover stands for: low out of pocket costs, physician choice, and real value for seniors. While most of the industry is pulling back and narrowing networks, we've doubled down on maintaining a comprehensive PPO portfolio that prioritizes open access with stable, predictable benefits. We believe seniors deserve choice, access, and simplicity, and our 2026 plans deliver all three.

Turning now to Star Ratings, we received a 3.5 Star rating for the 2026 ratings year. This does not represent our aspiration - we want a 4 Star plan. That said, let me start by explaining how our model is built to perform well even in 3.5 Star payment years.

Firstly, we do not view the Star rating as an inhibitor for growth. Medicare eligibles are attracted to low out of pocket costs with wide physician choice and, based on our experience, we anticipate strong attraction to our plans on that basis, independent of Star rating.

We also don't perceive the Star rating as a true measure of overall healthcare quality. Our focus remains on delivering meaningful improvements in care and outcomes for our members — and one way this commitment shows up is in our HEDIS results. Clover Assistant once again powered Clover to the top of the industry for clinical quality with a HEDIS score of 4.72 for our PPO plans, making us the highest-performing PPO in the country on HEDIS measures. This reflects the consistent, data-driven care delivered through our technology and physician partnerships, which continue to improve members' health in measurable ways.

So while our focus remains on driving better patient outcomes, we believe that the current Star Ratings framework does not fully reflect the clinical quality of care our members receive. We continue to actively engage with CMS to advance how quality is measured, and remain committed to working constructively toward a methodology that better captures true performance.

Ultimately though, we want a 4 star plan. We are walking through all areas that we underperformed on and making sure that we have plans in place, plans that also incorporate the significant growth that we have had and will continue to have. For example, while we were the top rated PPO plan in the country on HEDIS quality, we were greatly let down on our Stars scores because of very low 1 and 2 Star scores on our Pharmacy measures. We are very focused here and are intent on improving our performance in this area going forward.

Now I'll provide a Counterpart Health update. The new organization continues to make strong progress expanding both the reach and capabilities of our technology. During Q3, we've rolled out major new capabilities such as integrated scribing and generative AI tools that help physicians better prepare for visits, reduce administrative burden, and stay focused on patient care. Also powered by CA, and as I mentioned earlier, we've achieved industry-leading clinical quality HEDIS results for the second year in a row, and we've made this capability available as part of Counterpart's new enterprise offering. And lastly, we're seeing good demand and so we've expanded our go-to-market team and leadership to support new partnership opportunities with provider groups, health systems, and both regional and national payors. Together, these advancements further establish Counterpart Health as a leading technology partner for value-based care.

The key for Counterpart is this - since its launch last year, we have seen tremendous resonance with health plans because our technology provides a capability to them that they've never had before. This capability is to engage smaller, independent doctors who typically manage around 20% - 30% of a given plan book. These doctors are often great physicians but do not have the infrastructure to be successful in value based care and almost no plan has a strategy to successfully engage them. Counterpart deployments have now shown, in multiple states and for multiple customers, that we can effectively serve this market, and we've heard that resonance with our target customers. We believe this remains a huge blue ocean opportunity for us and provides us the opportunity to bring our technology far beyond the reach of our owned and operated plans.

In overall summary, our long-term trajectory is unchanged. Our technology is scaling as we aim to empower more-and-more physicians with Clover Assistant, and we're focused on growing our profitable returning member cohorts. We anticipate having a large contribution profit-positive base of returning members in 2026 and beyond, which will fund future new member growth. This year is just the start of that arc, and while we have several areas we need to improve, I feel strongly we are on the right path.

I'll now turn it over to Peter, who will walk through our financial performance in more detail, and how we're positioning the business for Adjusted EBITDA profitable growth in 2026 and beyond.

**Peter Kuipers, Chief Financial Officer**

Thank you, Andrew.

Before getting into the financials, I want to reiterate Andrew's comments that we remain confident on our long-term trajectory to achieve sustained growth and expanding profitability. Despite increased utilization and margin pressure from a higher than expected mix of new members relative to our returning base, our year-to-date underlying incurred medical cost trend, excluding pharmacy, for our entire population remains strong with a 4% increase year-over-year. We are pleased with this strong cost management, but this trend has run above our initial expectations. Combined with 35% membership and 39% Insurance revenue growth year-to-date, we have maintained positive year-to-date Adjusted EBITDA and Adjusted Net Income.

As we move into 2026, we expect to build on our profitability base with several clear tailwinds impacting our model, including: strong member retention, our anticipated larger profitable returning member cohort, financial benefit from our increased payment year 2026 4 Star rating, further enhanced and expanded Clover Assistant capabilities, our ability to increase PCP user adoption of Clover Assistant, and continued operating leverage gains as we scale. We also expect to benefit from a favorable CMS Part C rate update and an increased Part D Direct Subsidy. Taken all together, we believe that Clover is well positioned for above-market growth and increasing profitability through 2026 and beyond.

Most importantly, we expect to benefit from the strength of Clover Assistant and our returning member cohort management, as this year's large group of new members mature into returning members in 2026. Our data has shown meaningful improvement as members mature within our care model, with roughly a 700 basis-point improvement in MCR between year one and year two cohorts, and a 1,400 basis point MCR improvement by year three, on average. Notably, we deliver more contribution profit from our profitable returning member cohorts than our new member cohorts. Returning member cohorts during the third quarter year-to-date 2025 period have generated approximately \$217 dollars of contribution profit per member per month, as compared to a negative contribution of \$110 per member per month, for the new member cohorts, respectively. For this reason, as new members mature into returning cohorts and we get more members under Clover Assistant powered care, we are confident to deliver strong financial performance in the coming years.

We also have conviction in our ability to deliver continued strong returning member retention in 2026. First, due to the continued industry disruption from competitor pullbacks that Andrew discussed. And secondly, we believe that our current 2025 retention rate remains industry leading, above 90%, reflecting the success of last year's AEP period and our ability to continually retain members. Both of these dynamics together reinforce our confidence to better

manage next year's membership mix and continue improving profitability as our cohorts mature under Clover Assistant care management.

Furthermore, our model is designed to perform profitably even in 3.5 Star payment years, with 4 Star years serving as upside rather than a dependency. We continue to see strong member demand for our wide-network PPO offerings with low out-of-pocket costs, and our HEDIS score of 4.72 demonstrates that Clover Assistant consistently drives top-tier clinical quality and outcomes across an open-access PPO network.

Taken in aggregate, driven by Clover Assistant and our differentiated model, our current view is that we expect to achieve full-year positive GAAP Net Income in 2026, as our maturing returning member cohorts and technology centered approach further enhance performance and expand margins.

Now, returning to the third quarter financials. Clover's Medicare Advantage membership grew 35% year-over-year to over 109,000 members, delivering Insurance revenue of \$479 million, an increase of 49% year-over-year. Year-to-date, Insurance revenue was \$1.4 billion, up 39% year-over-year.

Next, I'll discuss the margin pressure we observed in the third quarter. Despite an elevated utilization trend and more new members compared to expectations, our year-to-date underlying incurred medical cost trend, excluding pharmacy, for our entire population remains strong with a 4% increase year-over-year.

On an Adjusted EBITDA basis, returning members continued to be accretive to contribution profit, although this impact was partly offset by a negative contribution profit from our new member cohort. Impacting this trend is stronger than anticipated intra-year new member growth as we're expecting to absorb more than 44,000 gross new members this year from a relatively smaller returning member base. This stronger growth was impacted by other plans dramatically shifting their offerings in 2025 - reducing benefits, shutting down commissions, and fully exiting markets earlier this year, resulting in lower new member cohort performance than initial expectations.

Specifically, medical costs in the third quarter were impacted from unfavorable claims development related to the first half 2025 dates of service. We saw higher medical cost trends across inpatient and outpatient services, related to a number of high cost claims, outpatient oncology, and inpatient cardiac and surgical procedures. This is consistent with broader industry reports related to elevated hospital utilization in recent months. Importantly, we feel that we have adequately accounted for these trend developments in our updated 2025 guidance.

Turning now to Part D, comparing year-over-year performance is structurally difficult given the changes in the IRA this year. That said, the continued Part D pressures that we and others in the industry discussed last quarter are higher versus expectations. We feel that we've performed well on Part D this year, but we expected and intend to do better. In particular, we

have seen pressure in branded and non-formulary pharmacy spend. For this reason, we have launched ongoing initiatives around medication reconciliation, generic substitution, and care coordination to optimize Part D in 2026 while maintaining access, and we feel confident that next year's higher Part D direct subsidy will also help normalize the pressures across the industry.

And lastly, we've seen some abnormal activity within both dental and DME that we're actively addressing and pursuing recovery and improvement activities for. We do not believe that this abnormal activity will persist into 2026.

On a reported basis, year-to-date BER was 89.4%. This is a year-over-year increase of 880 basis points compared to the prior year period. That said, I want to emphasize that after normalizing for prior year developments in both reporting periods, year to date BER increased by 400 basis points.

Moving next to SG&A. We continue to execute well with cost discipline, generating strong operating leverage. Third quarter Adjusted SG&A totaled \$71 million, or 14% of revenue, representing a 440 basis point improvement, or reduction, year-over-year. Year-to-date, Adjusted SG&A was \$237 million, or 17% of revenue, improving 370 basis points year-over-year. As discussed previously, our ongoing vendor contract reviews and negotiations, with a focus on improved SLAs and benefits from pricing at scale, are continuing. Our progress highlights the operating leverage we're achieving, even as we continue to invest in growth, technology, and higher-quality care management.

Despite the aforementioned margin pressures, we have achieved both positive Adjusted EBITDA and positive Adjusted Net Income year-to-date. This underscores the resilience of our model and our ability to manage costs effectively while scaling the business. Both Adjusted EBITDA and Adjusted Net Income for the third quarter were \$2 million, each down \$17 million year-over-year. Year-to-date Adjusted EBITDA and Adjusted Net Income remained positive at \$45 million and \$44 million dollars, respectively. Our year-to-date Adjusted EBITDA profitability, despite a higher proportion of new members relative to returning members, underscores the scalability of our model and our disciplined execution in managing our strong returning cohorts. That said, we do expect the elevated trend we've experienced during the third quarter to continue in the fourth quarter, along with typical fourth quarter Medicare Advantage seasonality.

Moving on to the balance sheet, we ended the third quarter with cash, cash equivalents, and investments totaling \$396 million dollars on a consolidated basis, with \$123 million dollars at the unregulated subsidiary level. During the third quarter 2025, cash flow from operating activities was \$12 million dollars. We expect that our cash balances will remain strong for the remainder of 2025, which will allow us to continue to operate from a position of strength as we invest in our growth model in 2026 and beyond. Importantly, we believe that we will continue to be self-funding as we execute on our growth strategy.

Turning to guidance, we are revising our full-year 2025 outlook to reflect the membership growth and utilization trends we've seen year-to-date.

- We are increasing our Medicare Advantage membership guidance to now average between 106,000 - 108,000 members, reflecting 33 percent growth year over year at the midpoint and continued intra-year growth this year.
- We are increasing our Insurance revenue to be between 1 billion 850 million dollars and 1 billion 880 million dollars, reflecting year over year growth of 39 percent at the midpoint of the range.
- We are improving our Adjusted SG&A guidance to be between 325 million dollars and 335 million dollars. This represents Adjusted SG&A as a percentage of total revenue of 17% to 18%, and is an approximate 400 basis point decrease, or improvement, year over year at the midpoint of the range. This reflects our continued ability to gain operating leverage in our business as we grow.
- We are lowering both Adjusted EBITDA and Adjusted Net Income guidance to be between 15 million dollars and 30 million dollars. This primarily reflects pressures related to our greater proportion of new members relative to our returning member base, and higher utilization trends.
- Lastly, we are updating our Insurance BER guidance to a range of 90% to 91%, which reflects the elevated utilization trends we've seen this year as well as the impact of our strong new membership growth.

Our view of the long-term trajectory of the business and our confidence in our ability to achieve sustainable and increasing profitability is unchanged. We expect a meaningful increase in profitability in 2026, driven by multiple factors:

- First, we anticipate strong returning member retention, with continued improved cohort economics of our expected larger profitable returning member cohorts, along with continued favorable performance from our year 3 and older cohorts.
- Second, a 4 Star payment year for our PPO plans, creates meaningful financial tailwinds as approximately 97% of our members are enrolled in wide-network PPO offerings.
- Third, continued focus on increasing Clover Assistant coverage and PCP adoption, and further investing in enhancing the platform's capabilities.
- Fourth, a focus on more cost efficient growth channels.
- Fifth, a favorable impact from the Part C CMS Final Rate Notice announced earlier this year, as well as from the significantly higher Part D Direct Subsidy.
- Lastly, we expect incremental efficiencies from continued SG&A leverage and optimization across variable, fixed, and growth expense categories.

In summary, we continue to execute well against our long-term strategy. We are growing membership and revenue at an above-market pace while achieving Adjusted EBITDA profitability year-to-date. Combined with our strong returning member cohort performance,

Clover Assistant model differentiation, and multiple tailwinds we believe that Clover is positioned well for meaningful Adjusted EBITDA expansion in 2026 and beyond.

Now, I'll turn the call back to Andrew for closing comments.

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

In closing, despite margin pressure this year, we continue to deliver a stable underlying medical trend, high retention, and strong returning profitable member cohorts. As such, we remain comfortable with our go-forward medical cost trend heading into 2026, and feel confident to deliver continued profitability as our flywheel will spin even harder next year when we expect to have a larger returning member base managed by Clover Assistant. Importantly, Clover Assistant continues to perform exactly as designed, helping physicians identify and manage disease earlier, improving outcomes, and lowering costs over time.

I remain excited about the potential we see for AI to improve the care received by our Clover members and all Medicare beneficiaries. I recently testified to Congress on AI in Healthcare where I emphasized that AI - when used properly - can be a powerful tool to drive clinical results and enhance member's access to personalized care.

You can see this in our results - we recently published another clinical white paper highlighting how Clover Assistant helps PCPs provide better care for members in underserved communities. The analysis reveals more frequent identification of diabetes, CKD, COPD, and CHF among members from disadvantaged areas joining a Clover MA plan from another MA plan in the first year post-enrollment. We also see the diagnosis occur at earlier clinical stages of diabetes and CKD. The analysis also showed that members with any of these diseases of aging who were seeing CA PCPs had less frequent hospitalizations and readmissions.

These results reinforce that Clover Assistant not only helps improve outcomes across our plan, but also uniquely supports smaller, resource-constrained practices in both urban and rural underserved regions, where better data and coordinated care can make the greatest difference.

Taken together, our strong growth, cohort management, disciplined execution, and expanding technology capabilities give us confidence in our ability to continue to achieve profitability in 2026 and beyond while growing above market. With that, let's open it up for questions.

## **[Q&A]**

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

Alright folks, thanks everyone for joining us today and for the questions. We appreciate everyone's continued interest in Clover, and we look forward to updating you all on our progress in the quarters ahead as we go into 2026. Have a great evening, everyone, thank you.