Ryan Schmidt, Investor Relations

Good afternoon, everyone. Joining me on our call today to discuss the company's second quarter 2026 results are Andrew Toy, Clover Health's Chief Executive Officer, and Clay Thornton, the Company's Interim 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

Thank you, Ryan, and thanks everyone for joining our call today.

At Clover, we've always believed the greatest opportunity for AI in healthcare is not simply to make the existing system a little more efficient. It's to help physicians make better decisions for individual patients at the point of care. That's what Clover Assistant does. And our results are increasingly demonstrating that, when you improve those decisions at scale, better care, membership growth, and increasing profitability can happen together.

The first half of 2026 was another important proof point of this. Through the first six months of the year, we delivered market-leading MA membership growth of 48%, while increasing GAAP Net Income by $67 million dollars year-over-year. At the same time, Total Revenue in the first half increased by more than $550 million dollars year-over-year to $1.5 billion dollars. Consolidated Gross Profit increased by $104 million dollars, and we've expanded operating leverage by more than 200 basis points as we've scaled. We believe this performance validates how our AI-powered model not only improves care for members, but also strengthens our underlying business over time.

I'm proud of our results so far this year, and believe we are on a strong path. I want to turn now to where the business is headed. Since our last call, two things have strengthened our confidence in 2027 and beyond. One is the recalculation of our Star rating. The other, and ultimately the more important one, is the continued maturation of our member cohorts under Clover Assistant. It's important not to confuse the role each one plays. We believe the higher

Star rating gives us more flexibility. Cohort maturation is what strengthens the underlying earnings engine.

Following the Court's order and CMS's subsequent recalculation, all of our Medicare Advantage members are now enrolled in plans rated 4.5 Stars for Payment Year 2027. We're pleased with that outcome because we believe it better reflects the quality we have been delivering for years. CMS has filed notice of its intent to appeal the District Court's decision. Because this regards pending litigation, I'll be brief. We believe the District Court's ruling was thorough and well reasoned, and we are prepared to defend it on appeal. In the meantime, we remain focused on bringing affordable, high-quality care to seniors on Medicare in our 4.5 star plans.

To be clear, 4.5 Stars matters. It gives us more room to reinvest in members, maintain a highly competitive product, support growth, and expand profitability. But it does not create the economics of our model. Our confidence in 2027 is grounded in the continued cohort maturation under Clover Assistant, which we believe will allow us to grow membership and meaningfully expand profitability.

The higher Star Rating simply gives us more flexibility, allowing us to extend our differentiated model to more Medicare beneficiaries while remaining disciplined in how we balance member value, growth, and profitability. Put another way, the rating gives us more freedom in how we allocate value. Clover Assistant is what creates the value in the first place.

And that distinction matters. Our strategy has never been to wait for a favorable rate or rating to make the business work. We built a wide-network, full-risk PPO model because we believe seniors should be able to get an affordable product without being forced to give up broad physician choice. But we also believed that if we wanted to make that model work over the long term, we had to solve one of the hardest problems in healthcare first, how to empower physicians to deliver better clinical care for their patients.

That's what Clover Assistant was built to do. It helps physicians use a more complete view of the patient to identify disease earlier, manage chronic conditions more consistently, and make better care decisions over time. Our clinically focused approach has contributed to Clover becoming the top-rated HEDIS PPO plan in the country. And importantly, that same technology not only powers our own Medicare Advantage business, but through Counterpart Health we're extending that same clinically focused model across the healthcare market. We believe the broader industry is only beginning to recognize what's possible when technology is built around the clinical decision.

Now, as we look toward next year, it's too early to provide a specific outlook for 2027, but we feel very good about our growth position heading into next year. The 4.5 Star rating strengthens our ability to put forth a compelling product, particularly across our core New Jersey and Georgia markets. Because we can improve the health outcomes and economics of our members, we believe we have a powerful growth engine within those core markets that will

sustain us well into the future. That's not to say that we won't expand to more geographies, rather that we do not feel compelled to do so just to chase a topline growth number.

The key thing for 2027 is what happens as members mature under our care model. New members do not arrive with every condition neatly managed, every care gap closed, and every part of their care already coordinated. Over time, Clover Assistant helps physicians deliver that individualized care for each patient, to identify disease earlier and make better care decisions. As that happens, we expect the clinical and financial performance of the cohort to improve. And this is exactly what we are seeing, we now have multiple vintages of members who have had CA driven care for many years, and we believe that provides a compounding tailwind to our business.

To set your intuition, we've shared before that our cohorts typically improve by about $70 dollars PMPM in gross profit as they move from Year 1 to Year 2. It's encouraging to see that progression playing out this year, in the large cohort of members that joined in 2025.

By 2027, that same cohort will be in Year 3, and our 2026 cohort will be in Year 2. That means a much larger portion of our membership base will have had at least one year of Clover Assistant-powered care. This is not simply a matter of having more members. It's a matter of having more members whose conditions we understand better, whose physicians have had more time to act, and whose economics have had more time to mature. That gives us increasing confidence in the earnings potential of the business heading into 2027. Clay will discuss the cohort performance in more detail later in the call.

So, while we are not providing formal 2027 guidance today, the setup is increasingly clear. We expect to enter next year with a larger membership base, a greater proportion of tenured members, more flexibility from our 4.5 Star rating, and additional operating leverage. Those are not four disconnected points.

They reinforce one another because they're all driven by the same underlying care model. We built Clover Assistant to help physicians make better decisions that lead to better care. Better clinical care leads to stronger cohort economics. And because we operate at full risk, those stronger cohort economics create a stronger business. To us, better clinical quality, stronger cohort economics, and a more scalable operating model are all parts of the same system working as intended. We believe that's what makes Clover different, and it's the foundation for how we think about the years ahead.

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

Clay Thornton, Interim Chief Financial Officer

Thank you, Andrew, and thanks everyone for joining us today.

Andrew covered the strategic foundation of the business and why we have increasing confidence in 2027. I'll focus my remarks today on the financial performance and operating indicators behind that confidence, starting with the headline for the quarter.

We continue to demonstrate a differentiated combination of growth and profitability in Medicare Advantage. During the second quarter, we grew Medicare Advantage membership 48% year-over-year, while generating $41 million of Adjusted EBITDA, and $28 million of GAAP Net Income.

Our underlying Medicare Advantage business continues to strengthen, and today's increased guidance reflects our strong first-half performance and the operating indicators we are seeing across the business. In short, the first half gives us greater confidence that this year's growth is converting into the long-term earnings profile we expected.

Let's begin with membership and revenue. Average Medicare Advantage membership increased to 157,000 members during the quarter, driving Total Revenue of $743 million, an increase of 56% year-over-year. Importantly, our growth remains disciplined, and concentrated in the markets where we believe we have the strongest ability to engage members clinically and manage long-term unit economics, particularly across our core New Jersey and Georgia markets.

Turning next to Gross Profit. Consolidated Gross Profit totaled $153 million during the quarter, representing 54% year-over-year growth.

Importantly, the Gross Profit performance was supported by two things we care about most at this point in the year: favorable trend development and cohort progression.

First, medical cost trends are performing better than we expected when we entered the year. Inpatient utilization continues to trend favorably overall, including among our Year 1 members, where utilization is tracking below the comparable new-member cohort from a year ago.

On outpatient, trends peaked in March and have since moderated in Q2. They remain elevated from prior years but are within our expectations, and we continue to monitor closely.

We are also seeing continued progress in categories that were specific focus areas for us. Dental cost performance continues to improve following the changes we implemented in how we manage out-of-network dental claims. Part D has also performed better than expected through the first half, and now that we are in the second year of IRA implementation, we have stronger visibility into the expected seasonality in that category.

Second, and more important to how we think about the business, our cohorts are developing well. As illustrated in our supplemental presentation, our historical data shows insurance gross profit improving as members move from Year 1 to Year 2, and again from Year 2 to Year 3. That

framework is especially relevant today because a significant portion of our membership is still in the first two years of its Clover lifecycle.

This matters because the full earnings power of this year's growth is not realized on day one. It builds as members remain with Clover, as Clover Assistant coverage expands, and as Clover Care Services engagement deepens.

Taken together, favorable trend development and cohort progression give us greater confidence that the growth we delivered this year is converting into the earnings profile we expected. I'll come back to this when I discuss our 2027 outlook.

Turning next to SG&A. Adjusted SG&A totaled $112 million during the quarter, representing 15% of Total Revenue. That's an improvement of approximately 220 basis points compared to the second quarter of 2025. We believe these results continue to demonstrate the operating leverage inherent in our model as we scale.

At the same time, we are continuing to make deliberate investments that strengthen both our Medicare Advantage business and Counterpart Health. These investments include continued enhancement of our flagship Clover Assistant product, Counterpart Health's go-to-market capabilities, and targeted investments in health plan operations that we believe will support operating leverage in future years.

That is the balance we are focused on: maintaining expense discipline in the core business while funding capabilities that can support growth, clinical performance, and operating leverage over time.

Turning next to profitability. Second quarter Adjusted EBITDA totaled $41 million, while GAAP Net Income totaled $28 million. Through the first half of the year, we've now generated $81 million of Adjusted EBITDA and $55 million of GAAP Net Income.

Turning briefly to our balance sheet. We ended the quarter with $443 million of cash and investments, while continuing to operate with no debt outstanding. Cash flow from operations totaled $133 million through the first half of the year, reinforcing our confidence in our ability to self-fund future growth while further strengthening our balance sheet.

Next, I'd like to cover our updated guidance. Following strong first-half performance, we are increasing our full-year guidance across all metrics.

We now expect:

- Average Medicare Advantage membership of 156,000 to 158,000 members.
- Total Revenue of $2.92 billion to $3.00 billion.
- Consolidated Gross Profit of $525 million to $555 million.
- Adjusted EBITDA of $70 million to $85 million.

- GAAP Net Income of $20 million to $35 million.

These updates reflect our increasing confidence in the underlying performance of the business after six months of execution. That said, this remains a balanced outlook. One that recognizes the strength we are seeing while maintaining appropriate discipline in the second half. With a large portion of our membership still in the early stages of our care, we believe it's prudent to allow additional claims experience to emerge before assuming current trends will persist through year-end.

As we think about the second half of 2026, the expected quarterly shape is consistent with how we planned the business. Within this outlook, we continue to expect Consolidated Gross Profit to be stronger in the third quarter than the fourth quarter, reflecting typical MA seasonality patterns. We also expect investments to increase during the fourth quarter, including AEP-related activities. Taken together, we expect Adjusted EBITDA to remain positive in the third quarter before returning to a more typical seasonal loss in the fourth quarter. Importantly, even with that seasonal pattern, our second-half outlook represents significant improvement versus last year.

The confidence behind this guidance is supported by the same operating framework we laid out earlier this year, which continues to strengthen across five key indicators.

- First, retention remains high and continues to support favorable underlying economics.
- Second, we are bringing more members under Clover Assistant-powered primary care while continuing to expand Clover Care Services engagement for our most vulnerable members.
- Third, underlying utilization trends are stable and continue performing better than our original expectations.
- Fourth, we are continuing to realize meaningful operating leverage as membership has nearly doubled since 2024.
- And finally, after the first six months of this year, our 2025 and 2026 cohorts continue developing in line with or ahead of our expectations.

Looking ahead now to 2027, we believe the most important financial driver for Clover is continued cohort maturation under our full-risk model.

Maturing our membership under Clover Assistant-powered care is central to how our model is designed to work. New members create expected near-term pressure because they are earlier in their Clover lifecycle. But as those members remain with us, engage with Clover Assistant, and become more integrated into our care model, their economics improve over time.

We are seeing that dynamic play out today.

Our 2025 new members created the expected first-year margin headwind last year. This year, that same cohort is in Year 2, and we are seeing meaningfully stronger economics than we did

a year ago. At the same time, our members that joined in 2026 are following a similar early-life pattern, as expected. That is the maturation curve we expect, and it is now visible in our results.

That is what gives us increasing confidence in 2027. Next year, our 2025 cohort will move into Year 3, where our historical data shows another meaningful step-up in economics, while our 2026 cohort will move into Year 2. In other words, we expect to enter 2027 with a substantially larger membership base moving into more economically mature years under our care model.

That is the core of our 2027 outlook.

As Andrew discussed, our 2027 strategy was not built around a higher Star Rating. The move to a 4.5 Star payment year does not change the underlying earnings trajectory we expected from our cohort maturation. It simply provided additional flexibility as we finalized our 2027 bids and made decisions across member value, growth, and margin.

The ultimate financial benefit will depend on the final economics reflected in our bids, and our final 2027 enrollment, so we are not providing additional detail on those assumptions today. The important point is that our foundation for 2027 is a larger and more mature membership base, improving cohort economics, and a differentiated full-risk model where better care can translate into better financial performance.

While we are not providing formal guidance for 2027 today, we have increasing confidence in the direction of the business.

Our focus now is on executing through the second half of 2026, delivering our first full year of GAAP Net Income profitability, and entering 2027 from a position of strength.

With that, I'll turn it back to Andrew.

Andrew Toy, Chief Executive Officer

Thanks, Clay.

Before we open the call for questions, I'll leave you with one final thought.

We've spent the past several years using AI to empower physicians to make better decisions. It's where technology can create the greatest impact in our mission to improve every life, and it's the foundation of everything we've built at Clover.

But we don't intend to stop there. We're now moving quickly to bring AI into our back office insurance operations themselves. We believe that will help us better support our members, improve speed and accuracy of claims processing, and completely change the way we scale the business with regard to admin expense. This should compound the margin opportunity we expect over time.

By doing this we think AI will drive both aspects of our business. Clinically, it's used to accelerate access to personalized care. And on operations, it's used to streamline administrative functions to lower overhead.

Taken together, we think the business is very well positioned for the years ahead.

With that operator, we'd be happy to open it up for questions.

[Q&A]

Andrew Toy, Chief Executive Officer

Alright, thanks to everybody for joining us today and thanks for the thoughtful questions from everyone. We appreciate your continued interest in Clover and the opportunity to share our progress with you. And we look forward to speaking with you all again next quarter. Have a great evening.