

Elevance Health

4Q 2023 Earnings Presentation

January 24, 2024



Key Highlights

1 2023 Results

- **Elevance Health delivered another solid year of financial and operational performance, reflecting the balance and resilience of our diversified portfolio of businesses**
- 4Q 2023 adjusted diluted EPS of \$5.62 grew 15.2% year-over-year
- 2023 full year adjusted diluted EPS of \$33.14 grew 16.2% year-over-year
- 2018 – 2023 adjusted diluted EPS CAGR of 16% exceeded the high end of our long-term target growth rate

2 2024 Outlook

- **2024 adjusted diluted EPS guidance of >\$37.10 reflects growth of at least 12% year-over-year**
- Benefit expense ratio projected to be 87.0% +/- 50 bps
- Operating gain projected to be greater than \$10.3B, growth of >9% year-over-year
- Medical membership expected to end in the range of 45.8 – 46.6 million members

3 Strategic Priorities

- **Enhance the whole health of our members by serving as their lifetime, trusted health partner**, especially through maximizing continuity of coverage for those subject to Medicaid redeterminations and adding key capabilities in Carelon in 2024. We will continue to live our purpose: to improve the health of humanity.
- Growth in 2024 will be driven by **optimizing** our Health Benefits business, including through the ongoing margin recovery of our Commercial risk-based business, the strategic repositioning of our Medicare Advantage plan offerings in certain markets, continued penetration of Carelon Services capabilities in our health plans, and the transformation of our cost structure
- We will continue to **invest** in high-growth opportunities to build upon our foundation for sustained, long-term growth
- We will scale Carelon's existing capabilities and add new ones in 2024, driving incremental earnings and **accelerating** our enterprise flywheel for growth



Fourth Quarter & Full Year 2023 Results

Elevance Health	4Q 2023	4Q 2022	Change (%/bps)	2023	2022	Change (%/bps/\$)
Operating Revenue ¹	\$42.5B	\$39.7B	7.0%	\$170.2B	\$155.7B	9.3%
Medical Loss Ratio	89.2%	89.7%	(50) bps	87.0%	87.6%	(60) bps
Adjusted Operating Expense Ratio ^{1,2}	11.6%	11.4%	20 bps	11.3%	11.3%	0 bps
Adjusted Operating Gain ^{1,2}	\$1.4B	\$1.3B	3.3%	\$9.4B	\$8.4B	12.8%
Operating Margin ¹	3.0%	3.2%	(20) bps	5.0%	5.3%	(30) bps
Net Investment Income	\$529M	\$373M	41.8%	\$1.8B	\$1.5B	22.9%
Adjusted diluted EPS	\$5.62	\$4.88	15.2%	\$33.14	\$28.53	16.2%
Operating Cash Flow	(\$3.0B)	(\$1.5B)	(\$1.5B)	\$8.1B	\$8.4B	(\$0.3B)

Key Highlights

- **Elevance Health delivered another solid year of financial and operational performance**
- Fourth quarter and full-year results marked by solid top and bottom-line growth
- Benefit expense ratio of 87.0% for the full year represents an improvement of 60 basis points from prior year
- Adjusted operating gain in 2023 grew 12.8% year-over-year to \$9.4B
- Results reflect the balance and resilience of our diversified portfolio of businesses, our relentless focus on customer experience and affordability, and continued investments in innovation

2024 Outlook

Elevance Health	2024 Outlook	2023 Actual
Premium Revenue	Approximately Flat	\$142.9B
Product Revenue	Mid-Single Digit Growth	\$19.5B
Service Fees	Low Double-Digit Growth	\$7.9B
Total Operating Revenue	Flat to Low-Single Digit Growth	\$170.2B
Medical Loss Ratio	87.0% +/- 50 bps	87.0%
Adjusted Operating Expense Ratio	11.1% +/- 50 bps	11.3%
Adjusted Operating Gain	>\$10.3B	\$9.4B
Net Investment Income	\$1.90B	\$1.83B
Adjusted Diluted EPS	>\$37.10	\$33.14
Operating Cash Flow	>\$8.1B	\$8.1B

Key Highlights

- **2024 full year guidance for adjusted diluted earnings per share of greater than \$37.10** reflects growth of 12% year-over-year and is consistent with our long-term compound annual growth rate target
- Health Benefits 2024 outlook reflects continued optimization of our commercial risk-based business, improvement in Medicare earnings, and a reset in Medicaid membership associated with footprint changes and ongoing redeterminations
- Carelon poised for strong growth in 2024 driven by new external client wins and continued expansion of services provided to Elevance Health medical members

2023 Results | 2024 Outlook

Health Benefits	4Q 2023	4Q 2022	Change (%/bps)	2023	2022	Change (%/bps)
Operating Revenue ¹	\$36.5B	\$35.0B	4.4%	\$148.6B	\$138.5B	7.3%
Operating Gain ¹	\$767M	\$785M	(2.3%)	\$6.9B	\$6.0B	14.4%
Operating Margin ¹	2.1%	2.2%	(10) bps	4.6%	4.3%	30 bps
Membership	47.0M	47.5M	(1.2%)			

Guidance

2024 Outlook

Operating Revenue	Approximately flat
Operating Margin	25-50 basis points over 2023
Membership	45.8M – 46.6M

Key Highlights

- **Health Benefits delivered strong fourth quarter and full year results** as we continued to optimize our business while investing for growth and responding to a dynamic environment
- Commercial Health Benefits business successfully delivered margin improvement and is on track to return to pre-pandemic levels
- Government Health Benefits business performed in line with expectations; we continue to execute an extensive renewal campaign to maximize continuity of coverage for consumers
- 2024 earnings growth will be driven by continued optimization of the Health Benefits business including Commercial risk; strategic repositioning of Medicare Advantage; and the transformation of our cost structure



1. See “Basis of Presentation” on page 11 herein.

2023 Results | 2024 Outlook

Carelon	4Q 2023	4Q 2022	Change (%/bps)	2023	2022	Change (%/bps)
Operating Revenue ¹	\$12.4B	\$10.9B	14.1%	\$48.0B	\$41.4B	15.9%
Operating Gain ¹	\$592M	\$514M	15.2%	\$2.7B	\$2.4B	10.5%
Operating Margin ¹	4.8%	4.7%	10 bps	5.5%	5.8%	(30) bps
Adjusted Scripts	78.0M	82.0M	(4.9%)	308.4M	308.3M	0.0%
Consumers Served	103.3M	105.0M	(1.6%)			

Guidance

2024 Outlook

Carelon Services Operating Revenue Growth	High-Teens to Low-Twenties
Carelon Services Operating Margin	(30) – 0 basis points over 2023
CarelonRx Operating Revenue Growth	Low-Single Digit
CarelonRx Operating Margin	40 – 60 basis points over 2023

Key Highlights

- **Carelon continues to advance its strategy** of integrating physical, behavioral, social and pharmacy services to deliver whole health, affordably
- Carelon Services fourth quarter operating revenue of \$3.6 billion was up 7% year-over-year and operating gain of \$102 million reflects an increase of 162%, driven by improved performance as we continue to scale capabilities
- External pharmacy member growth and the acquisition of the BioPlus specialty pharmacy drove CarelonRx fourth quarter operating revenue up 17% year-over-year, to \$8.8 billion; operating gain was \$490 million, up 3%
- We continue to make significant progress toward the near-term roll-out of multiple new capabilities that will enhance affordability and consumer experiences for our customers



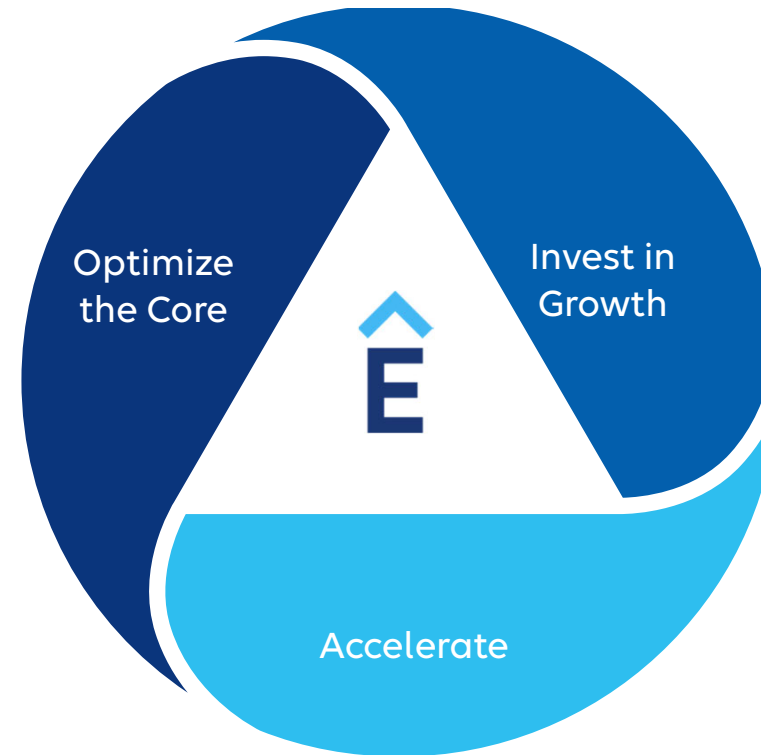
1. See “Basis of Presentation” on page 11 herein.

Flywheel Supports Sustainable, Long-Term Growth

Health Benefits



Approximately 47M medical members balanced across commercial, Medicaid and Medicare, leveraging the assets and capabilities of Carelon to accelerate growth



Carelon








Integrated portfolio of whole health solutions connecting care across physical, behavioral, social, and pharmacy needs to bend the cost curve, enhance consumer experiences, and deliver whole health, affordably

Long-Term Adjusted Earnings Per Share
Compound Annual Growth Rate Target of 12 – 15%



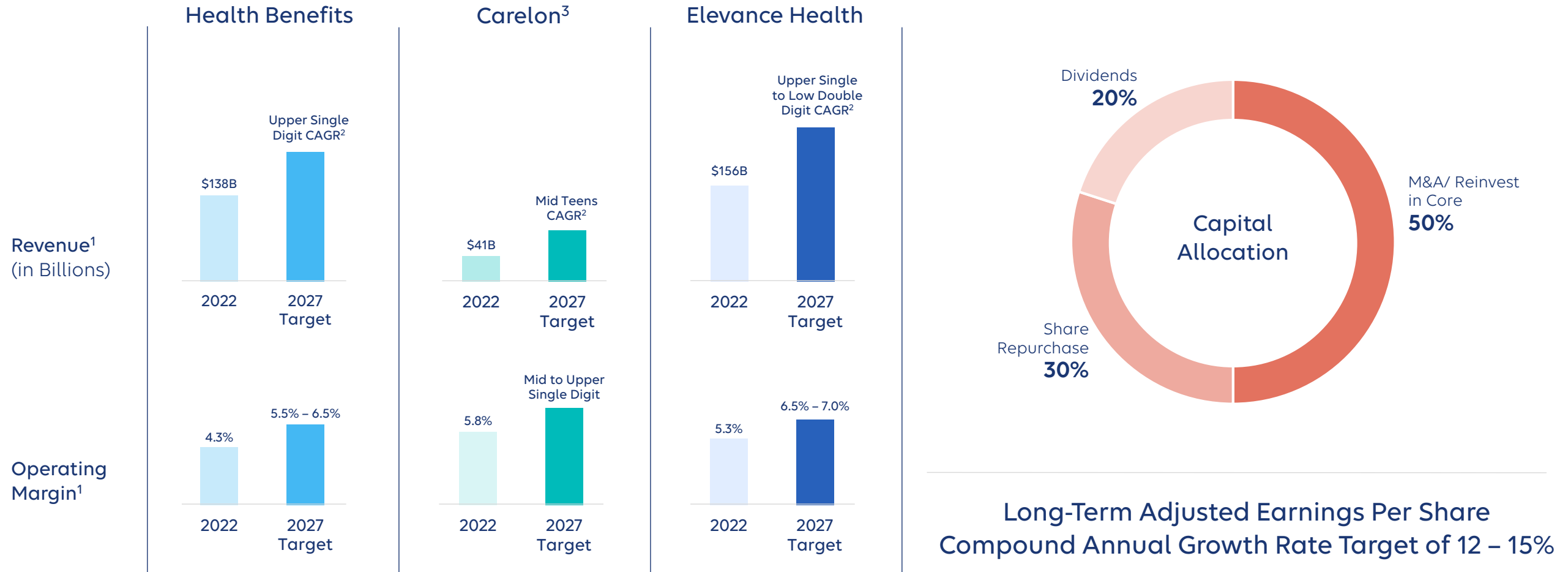
Delivered on our Targets

Commitment	Initial Guidance ¹	Actual	Status
Operating Revenue Growth	10% – 12% CAGR ²	13% CAGR (2018-2023)	
Adjusted EPS Growth	12% – 15% CAGR	16% CAGR (2018-2023)	
% of Benefit Expense Managed by Carelon	>20% in 2025	21% in 2023	
2023 Operating Revenue	\$164B	\$170B	
2023 Adjusted Diluted EPS	>\$32.60	\$33.14	



1. Operating Revenue and Adjusted EPS Growth long-term guidance as of March 7, 2019. % of Benefit Expense managed by Carelon guidance as of March 23, 2023. 2023 Operating Revenue and 2023 Adjusted EPS guidance as of January 25, 2023.
2. CAGR: Compound Annual Growth Rate.

Committed to Strong Growth Over the Long-Term



1. 2022 Operating Revenue and Operating Margin for Health Benefits, Carelon, and Elevance Health have been updated to reflect restated financials.
 2. Five-Year Compound Annual Growth Rate target for 2022 – 2027.
 3. The compound annual growth rate (CAGR) target for revenue from 2022 – 2027 and the operating margin target in 2027 for Carelon includes: (i) a low double-digit revenue CAGR and 6.0% – 6.5% operating margin target for CarelonRx, and (ii) an upper teens to low twenties revenue CAGR and mid to upper single-digit operating margin for Carelon Services.

Forward-Looking Statements

This document contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements reflect our views about future events and financial performance and are generally not historical facts. Words such as “expect,” “feel,” “believe,” “will,” “may,” “should,” “anticipate,” “intend,” “estimate,” “project,” “forecast,” “plan” and similar expressions are intended to identify forward-looking statements. These statements include, but are not limited to: financial projections and estimates and their underlying assumptions; statements regarding plans, objectives and expectations with respect to future operations, products and services; and statements regarding future performance. Such statements are subject to certain risks and uncertainties, many of which are difficult to predict and generally beyond our control, that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking statements. You are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof. You are also urged to carefully review and consider the various risks and other disclosures discussed in our reports filed with the U.S. Securities and Exchange Commission from time to time, which attempt to advise interested parties of the factors that affect our business. Except to the extent required by law, we do not update or revise any forward-looking statements to reflect events or circumstances occurring after the date hereof. These risks and uncertainties include, but are not limited to: trends in healthcare costs and utilization rates; reduced enrollment; our ability to secure and implement sufficient premium rates; the impact of large scale medical emergencies, such as public health epidemics and pandemics, including COVID-19, and other catastrophes; the impact of new or changes in existing federal, state and international laws or regulations, including laws and regulations impacting healthcare, insurance, pharmacy services and other diversified products and services, or their enforcement or application; the impact of cyber-attacks or other privacy or data security incidents or breaches or our failure to comply with any privacy, data or security laws or regulations, including any investigations, claims or litigation related thereto; information technology disruptions; changes in economic and market conditions, as well as regulations that may negatively affect our liquidity and investment portfolios; competitive pressures and our ability to adapt to changes in the industry and develop and implement strategic growth opportunities; risks and uncertainties regarding Medicare and Medicaid programs, including those related to non-compliance with the complex regulations imposed thereon; our ability to maintain and achieve improvement in Centers for Medicare and Medicaid Services Star ratings and other quality scores and funding risks with respect to revenue received from participation therein; a negative change in our healthcare product mix; costs and other liabilities associated with litigation, government investigations, audits or reviews; our ability to contract with providers on cost-effective and competitive terms; failure to effectively maintain and modernize our information systems; risks associated with providing healthcare, pharmacy and other diversified products and services, including medical malpractice or professional liability claims and non-compliance by any party with the pharmacy services agreement between us and CaremarkPCS Health, L.L.C.; risks associated with mergers, acquisitions, joint ventures and strategic alliances; possible impairment of the value of our intangible assets if future results do not adequately support goodwill and other intangible assets; possible restrictions in the payment of dividends from our subsidiaries and increases in required minimum levels of capital; our ability to repurchase shares of our common stock and pay dividends on our common stock due to the adequacy of our cash flow and earnings and other considerations; the potential negative effect from our substantial amount of outstanding indebtedness and the risk that increased interest rates or market volatility could impact our access to or further increase the cost of financing; a downgrade in our financial strength ratings; the effects of any negative publicity related to the health benefits industry in general or us in particular; events that may negatively affect our licenses with the Blue Cross and Blue Shield Association; intense competition to attract and retain employees; risks associated with our international operations; and various laws and provisions in our governing documents that may prevent or discourage takeovers and business combinations.



Non-GAAP Measures and Basis of Presentation

This document references non-GAAP measures. These non-GAAP measures are intended to aid investors when comparing Elevance Health's financial results among periods and are not intended to be alternatives to any measure calculated in accordance with GAAP. Reconciliations of these non-GAAP measures to the most directly comparable measures calculated in accordance with GAAP are available on the last page of this document.

Operating revenue and operating gain/loss are the key measures used by management to evaluate performance in each of its reporting segments, allocate resources, set incentive compensation targets and to forecast future operating performance. Operating gain/loss is calculated as total operating revenue less benefit expense, cost of products sold and operating expense. It does not include net investment income, net gains/losses on financial instruments, interest expense, amortization of other intangible assets and gains/losses on extinguishment of debt or income taxes, as these items are managed in a corporate shared service environment and are not the responsibility of operating segment management. Operating Margin is defined as operating gain divided by operating revenue. Each of these measures is provided to further aid investors in understanding and analyzing Elevance Health's operating and financial results.



Elevance Health GAAP Reconciliation — Shareholders' Net Income and Shareholders' Earnings Per Diluted Share

(In millions, except per share data)

	Three Months Ended Dec 31			Twelve Months Ended Dec 31		
	2023	2022	Change	2023	2022	Change
Shareholders' net income - As reported	\$856	\$949	(9.8)%	\$5,987	\$6,025	(0.6)%
Impact of Accounting Standards Update 2018-12 Adoption	—	(84)		—	(131)	
Shareholders' net income - Restated	\$856	\$865	(1.0)%	\$5,987	\$5,894	1.6%
<i>Add / (Subtract):</i>						
Net losses on financial instruments	336	111		694	550	
Amortization of other intangible assets	217	247		885	767	
Transaction and integration related costs	59	36		213	72	
Business optimization charges	22	39		719	39	
Litigation expenses	1	1		6	12	
BCBSA litigation settlement	(8)	(20)		(8)	(44)	
Tax impact of non-GAAP adjustments	(158)	(102)		(628)	(363)	
Net adjustment items	469	312		1,881	1,033	
Adjusted shareholders' net income	\$1,325	\$1,177	12.6%	\$7,868	\$6,927	13.6%

Shareholders' earnings per diluted share - As reported	\$3.63	\$3.93	(7.6)%	\$25.22	\$24.81	1.7%
Impact of Accounting Standards Update 2018-12 Adoption	—	(0.34)		—	(0.53)	
Shareholders' earnings per diluted share - Restated	\$3.63	\$3.59	1.1%	\$25.22	\$24.28	3.9%
<i>Add / (Subtract):</i>						
Net losses on financial instruments	1.42	0.46		2.92	2.27	
Amortization of other intangible assets	0.92	1.02		3.73	3.16	
Transaction and integration related costs	0.25	0.15		0.90	0.30	
Business optimization charges	0.09	0.16		3.03	0.16	
Litigation expenses	—	—		0.03	0.05	
BCBSA litigation settlement	(0.03)	(0.08)		(0.03)	(0.18)	
Tax impact of non-GAAP adjustments	(0.67)	(0.42)		(2.65)	(1.50)	
Net adjustment items	1.99	1.29		7.92	4.25	
Adjusted shareholders' earnings per diluted share	\$5.62	\$4.88	15.2%	\$33.14	\$28.53	16.2%



Elevance Health GAAP Reconciliation — Operating Expense Ratio and Operating Gain

(In millions)	Three Months Ended Dec 31			Twelve Months Ended Dec 31		
	2023	2022	Change	2023	2022	Change
Operating expense - As reported	\$4,999	\$4,562	9.6%	\$20,087	\$17,686	13.6%
Impact of Accounting Standards Update 2018-12 Adoption	—	5		—	14	
Operating expense - Restated	\$4,999	\$4,567	9.5%	\$20,087	\$17,700	13.5%
<i>Add / (Subtract):</i>						
Transaction and integration related costs	(59)	(36)		(213)	(72)	
Business optimization charges	(22)	(39)		(719)	(39)	
Litigation expenses	(1)	(1)		(6)	(12)	
BCBSA litigation settlement	8	20		8	44	
Net adjustment items	(74)	(56)		(930)	(79)	
Adjusted operating expense	\$4,925	\$4,511	9.2%	\$19,157	\$17,621	8.7%
Operating revenue	\$42,454	\$39,667	7.0%	\$170,209	\$155,660	9.3%
Operating expense ratio	11.8%	11.5%	30 bp	11.8%	11.4%	40 bp
Adjusted operating expense ratio	11.6%	11.4%	20 bp	11.3%	11.3%	— bp
Income before income tax expense	\$1,001	\$1,045	(4.2)%	\$7,715	\$7,600	1.5%
Net investment income	(529)	(373)		(1,825)	(1,485)	
Net losses on financial instruments	336	111		694	550	
Interest expense	259	229		1,030	851	
Amortization of other intangible assets	217	247		885	767	
Reportable segments operating gain	\$1,284	\$1,259	2.0%	\$8,499	\$8,283	2.6%
Adjustment items	74	56		930	79	
Reportable segments adjusted operating gain	\$1,358	\$1,315	3.3%	\$9,429	\$8,362	12.8%



Elevance Health GAAP Reconciliation — 2024 Outlook

	Full Year 2024
	Outlook
Shareholders' earnings per diluted share	Greater than \$34.29
<i>Add / (Subtract):</i>	
Amortization of other intangibles	\$1.93
Net losses on financial instruments	\$1.35
Transaction and integration related costs	\$0.31
Litigation expenses	\$0.03
Tax impact of non-GAAP adjustments	Approximately \$(0.81)
Net adjustment items	\$2.81
Adjusted shareholders' earnings per diluted share	Greater than \$37.10



