NeueHealth

NeueHealth

Fourth Quarter 2023 - Earnings Presentation

March 6, 2024

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Disclaimer

Statements made in this presentation that are not statements of historical fact, including statements about our beliefs and expectations, are forward-looking statements and should be evaluated as such. Forward-looking statements include information concerning possible or assumed future results of operations, including descriptions of our business plan and strategies. These statements often include words such as “anticipate,” “expect,” “plan,” “believe,” “intend,” “project,” “forecast,” “estimates,” “projections,” “outlook,” “ensure,” and other similar expressions. These forward-looking statements include any statements regarding our plans and expectations. Such forward-looking statements are subject to various risks, uncertainties and assumptions. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. Factors that might materially affect such forward-looking statements include: our ability to continue as a going concern; our ability to comply with the terms of our credit facility or any credit facility into which we enter in the future, including financial covenants; our ability to receive the remaining proceeds from the sale of our Medicare Advantage business in California in a timely manner; our ability to obtain any short or long term debt or equity financing needed to operate our business; our ability to quickly and efficiently complete the wind down our IFP businesses and MA businesses outside of California, including by satisfying liabilities of those businesses when due and payable; potential disruptions to our business due to corporate restructuring and any resulting headcount reduction; our ability to accurately estimate and effectively manage the costs relating to changes in our businesses offerings and models; a delay or inability to withdraw regulated capital from our subsidiaries; a lack of acceptance or slow adoption of our business model; our ability to retain existing consumers and expand consumer enrollment; our and our Care Partner’s abilities to obtain and accurately assess, code, and report risk adjustment factor scores; our ability to contract with care providers and arrange for the provision of quality care; our ability to accurately estimate our medical expenses, effectively manage our costs and claims liabilities or appropriately price our products and charge premiums; our ability to obtain claims information timely and accurately; the impact of any pandemic or epidemic on our business and results of operations; the risks associated with our reliance on third-party providers to operate our business; the impact of modifications or changes to the U.S. health insurance markets; our ability to manage any growth of our business; our ability to operate, update or implement our technology platform and other information technology systems; our ability to retain key executives; our ability to successfully pursue acquisitions and integrate acquired businesses; the occurrence of severe weather events, catastrophic health events, natural or man-made disasters, and social and political conditions or civil unrest; our ability to prevent and contain data security incidents and the impact of data security incidents on our members, patients, employees and financial results; our ability to comply with requirements to maintain effective internal controls; our ability to adapt to the new risks associated with our ACO Reach businesses, including any unanticipated market or regulatory developments; and the other factors set forth under the heading “Risk Factors” in the Company’s reports on Form 10-K, Form 10-Q, and Form 8-K (including all amendments to those reports) and our other filings with the SEC. Except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this release to conform these statements to actual results or changes in our expectations.

NeueHealth: A Value-Driven Healthcare Company

A value-driven care model partnering with leading national and local health plans, independent providers, and medical groups

NeueHealth

Value-driven care delivery and provider enablement business partnering with leading health plans, government programs, and medical groups to deliver high-quality, affordable care to all consumers

2024 Forecasts:

~$1 Billion	$15 – $25M	475-500k
Value-Based Revenue	Adjusted EBITDA(1)	Consumers Served

NeueCare

Comprehensive community-based care delivery with wrap around care management and care coordination

2024 Forecasts:

$310- $320M	330-345k
Value-Based Revenue	Value-Based Consumers(2)

centrum HEALTH

ASSOCIATESMD

PREMIER MEDICAL ASSOCIATES

NeueSolutions

Provider enablement tools and services and REACH ACOs

2024 Forecasts:

$690 – $700M	~45k	~106k
Value-Based Revenue	REACH ACO Consumers	Enablement Services Consumers

NeueHealth™ (ACO REACH)

NeueSolutions

(1) Adjusted EBITDA is a forward-looking non-GAAP financial measure. A reconciliation of Adjusted EBITDA to the most directly comparable GAAP financial measures is not provided because the company is unable to provide such reconciliation without unreasonable effort. Please see the appendix to this presentation for important information about the use of these non-GAAP financial measures and the absence of such reconciliations.

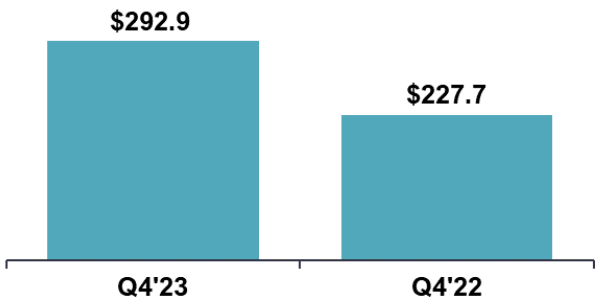
(2) End of year 2024, inclusive of Medicare Advantage, Medicaid and Commercial ACA consumers.

Overview of Q4 2023 Results for Continuing Operations

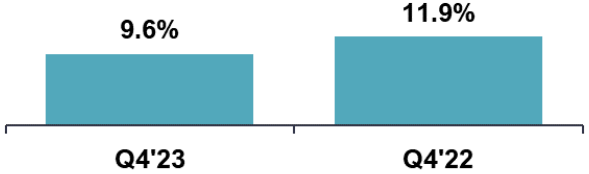
Q4’23 Revenue up 29% year over year

Enterprise Metrics ($M)

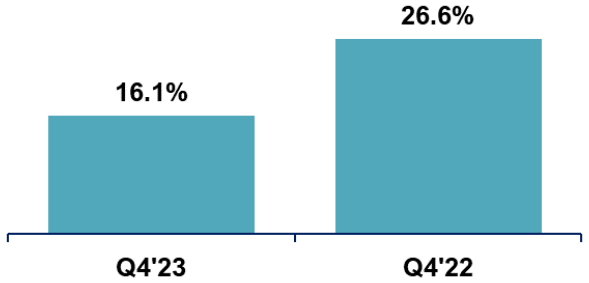
Revenue



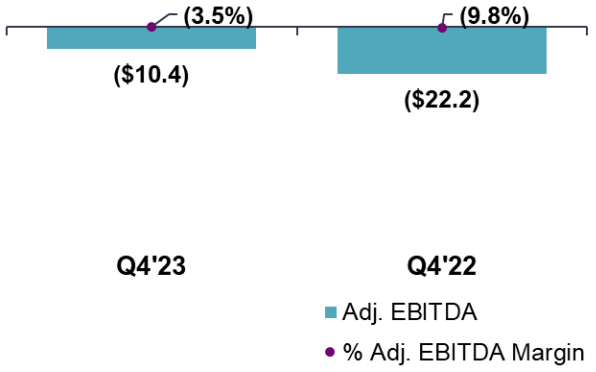
Gross Margin



Adj. Operating Cost Ratio(1)



Adjusted EBITDA(2)



Key Considerations

- Q4 ‘23 Revenue of $292.9 million, up 29% year over year as a result of increased attributed members to our clinics
- Q4 Gross Margin performance impacted by headwinds in ACO REACH business, notably the impact of Babylon’s bankruptcy as well as CMS benchmark adjustments
- NeueHealth Adjusted EBITDA for Q4 2023 reflects the impact of a non-recurring bad debt write-off in NeueCare as well as CMS benchmark adjustments in ACO REACH

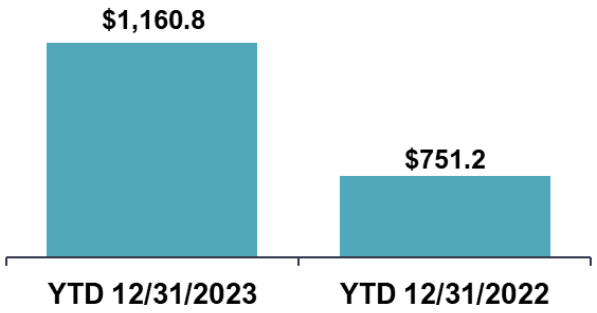
(1) GAAP Operating Cost Ratio for Q4’23 was 22.3%, and for Q4’22 was 40.9%. A reconciliation of Adjusted Operating Cost Ratio to Operating Costs for applicable periods is contained in the appendix to this presentation
(2) GAAP Net Loss for Q4’23 was ($460.6) million and for Q4‘22 was ($657.8) million. A reconciliation of Adjusted EBITDA to Net Loss for applicable periods is contained in the appendix to this presentation

Overview of Full Year 2023 Results for Continuing Operations

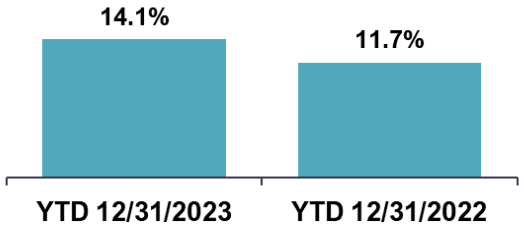
Full year results reflect strong revenue growth and improved operating costs

Enterprise Metrics ($M)

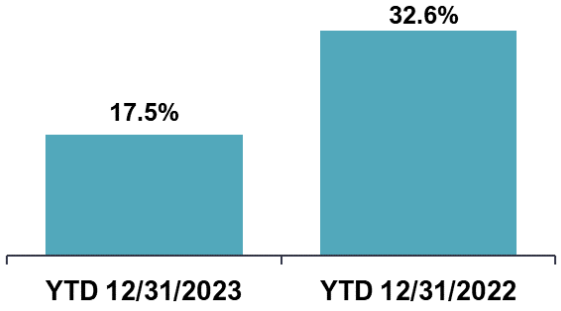
Revenue



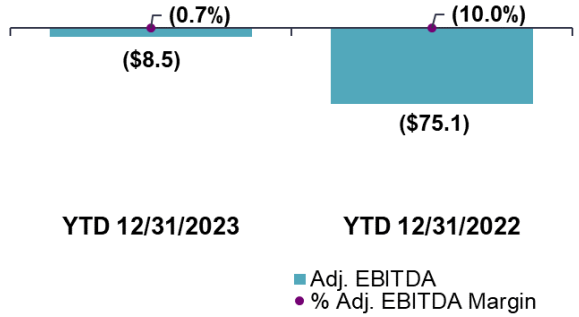
Gross Margin



Adj. Operating Cost Ratio(1)



Adjusted EBITDA(2)



Key Considerations

- NeueHealth full year Revenue of $1.2 billion represents 55% growth year over year
- Gross Margin improvement driven by strong Revenue growth in NeueCare and NeueSolutions segments
- NeueHealth Adjusted EBITDA for full year 2023 reflects the impact of a non-recurring bad debt write-off in NeueCare of ($6.3) million as well as CMS benchmark adjustments in ACO REACH of ($3) million. Excluding these items, NeueHealth Adjusted EBITDA is approximately breakeven.

(1) GAAP Operating Cost Ratio for Full Year 2023 was 24.7%, and for Full Year 2022 was 47.2%. A reconciliation of Adjusted Operating Cost Ratio to Operating Costs for applicable periods is contained in the appendix to this presentation

(2) GAAP Net Loss from Continuing Operations for Full Year 2023 was ($627.7) million, and for Full Year 2022 was ($385.2) million. A reconciliation of Adjusted EBITDA to Net Loss for applicable periods is contained in the appendix to this presentation

Balance Sheet and Liquidity Highlights

Focused on building a strong foundation for long-term sustainable growth

Summary Balance Sheet

($ in thousands)	December 31, 2023	December 31, 2022
Assets		
Cash and Cash Equivalents	$87,299	$217,006
Current Assets of Discontinued Operations	$822,570	$3,187,464
Other Current Assets	179,058	166,164
Total Current Assets	$1,088,927	$3,570,634
Long-Term Investments	—	$5,401
Goodwill and Intangibles, Net	93,238	506,337
Other Non-Current Assets	43,315	582,680
Total Other Assets	$136,553	$1,094,418
Total Assets	**$1,225,480**	**$4,665,052**
Liabilities and Other		
Current Liabilities Discontinued Operations	$699,758	$3,157,236
Total Liabilities Continuing Operations	$780,340	$568,131
Redeemable Noncontrolling Interests	$88,908	$219,758
Redeemable Preferred Stock	920,417	920,417
Total Shareholders' (Deficit) Equity	(1,263,943)	(200,490)
Total Liabilities and Other	**$1,225,480**	**$4,665,052**

Q4'23 Key Considerations

- $411 million in total cash and investments, including $317 million in regulated entities.
- Non-regulated cash and short-term investments were $94 million at the end of the fourth quarter.
- On January 1, 2024, the Company closed the sale of its California Medicare Advantage business, which resulted in positive impacts to the Balance Sheet, including $31.6 million of net cash received as well as $304 million of debt payoff, eliminating the Company's secured debt. In addition, $110 million of consideration from the sale is contingent, which we expect to receive in Q4 2024.

NeueHealth 2024 Outlook

Maintaining forecast for Adjusted EBITDA profitability in 2024

NeueHealth

- Revenue of ~$1 Billion
- Adjusted Operating Cost Ratio 15% - 16%[(1)(2)]
- Adjusted EBITDA between $15 million and $25 million[(1)]

NeueCare

- 330,000 to 345,000 Year-End 2024 Value-Based Consumers
- Revenue of $310 – $320 Million

NeueSolutions

- 145,000 to 155,000 Consumers, including ~45,000 Year-End ACO REACH Consumers
- Revenue of $690 Million – $700 Million

(1) Adjusted Operating Cost Ratio and Adjusted EBITDA are forward-looking non-GAAP financial measures. Reconciliations of Adjusted Operating Cost Ratio and Adjusted EBITDA to the most directly comparable GAAP financial measures are not provided because the company is unable to provide such reconciliations without unreasonable effort. Please see the appendix to this presentation for important information about the use of these non-GAAP financial measures and the absence of such reconciliations.

(2) Adjusted Operating Cost Ratio excludes share-based compensation expense.

Appendix

Non-GAAP Reconciliation: Adjusted EBITDA

($ in thousands)	Three Months Ended		Years Ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Net Loss	**($460,572)**	**($657,792)**	**($1,265,808)**	**($1,359,880)**
Loss from discontinued operations	397,745	573,120	638,066	974,638
EBITDA adjustments from continuing operations				
Interest expense	11,206	6,387	38,203	12,822
Income tax (benefit) expense	1,591	(12,622)	(1,428)	3,664
Transaction costs	4,363	—	23,252	386
Depreciation and amortization	4,024	5,426	18,296	30,710
Share-based compensation expense	18,081	32,450	83,692	109,713
Restructuring and contract termination costs	122	19,560	6,990	29,678
Impairment of goodwill and long-lived assets	274	—	401,659	42,611
ACO REACH care partner bankruptcy	8,713	—	36,454	—
Change in fair value of warrant liability	4,097	—	13,971	—
Change in fair value of contingent consideration	—	332	(1,827)	332
Change in fair value of equity securities	—	10,892	—	80,231
EBITDA adjustments from continuing operations	$52,471	$62,425	$619,262	$310,147
Adjusted EBITDA – continuing operations	**($10,356)**	**($22,247)**	**($8,480)**	**($75,095)**

Non-GAAP Reconciliation: Adjusted Operating Cost Ratio

($ in thousands)	Three Months Ended		Years Ended	
	December 30, 2023	December 30, 2022	December 30, 2023	December 30, 2022
GAAP Operating Cost Ratio	**22.3%**	**40.9%**	**24.7%**	**47.2%**
Impact of Share-based compensation expense	(6.2)%	(14.3)%	(7.2)%	(14.6)%
Adjusted Operating Cost Ratio	**16.1%**	**26.6%**	**17.5%**	**32.6%**

Forward-Looking Non-GAAP Measures

This presentation contains Adjusted EBITDA and Adjusted Operating Cost Ratio, which are non-GAAP financial measures. These non-GAAP financial measures are additions, and not substitutes for or superior to the most directly comparable GAAP financial measures, Net Income (Loss) and Operating Costs, respectively. Additionally, Adjusted EBITDA is not intended to be a measure of free cash flow available for management's discretionary use as it does not consider certain cash requirements such as interest payments, tax payments and debt service requirements. The presentation of these measures has limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. Because not all companies use identical calculations, the presentation of these measures may not be comparable to other similarly titled measures of other companies and can differ significantly from company to company.

Reconciliations of projected Adjusted EBITDA and projected Adjusted Operating Cost Ratio to the most directly comparable GAAP financial measures are not provided because the Company is unable to provide such reconciliations without unreasonable effort. The inability to provide a reconciliation is due to the uncertainty and inherent difficulty predicting the occurrence, the financial impact and the periods in which the non-GAAP adjustments may be recognized. With respect to Adjusted EBITDA, these GAAP measures may include the impact of such items as interest expense, income tax expense, transaction costs, depreciation and amortization, share-based compensation expense, restructuring and contract termination costs, impairment of goodwill, intangible or long-lived assets, financial solvency or contractual counterparties, changes in the fair value of contingent consideration, changes in the fair value of equity securities and derivatives, and the tax effect of all such items. Historically, the Company has excluded these items from non-GAAP financial measures. With respect to Adjusted Operating Cost Ratio, these GAAP measures may include the impact of share-based compensation. The Company currently expects to continue to exclude these items in future disclosures of non-GAAP financial measures and may also exclude other items that may arise (collectively, "non-GAAP adjustments"). The decisions and events that typically lead to the recognition of non-GAAP adjustments, such as a decision to exit part of the business, are inherently unpredictable as to if or when they may occur. For the same reasons, the Company is unable to address the probable significance of the unavailable information, which could be material to future results.

