NeueHealth

NeueHealth

Second Quarter 2024 - Earnings Presentation

August 7, 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, expectations and financial guidance. 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 facilities or any credit facility into which we enter in the future; 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 of our remaining IFP and MA businesses, 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 business 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 and effectively manage our costs; 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 and divest businesses as needed; 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 mitigate 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, consumer-centric care model grounded in strong, ongoing relationships with provider and payor partners and proactive consumer engagement

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:

~$950M	$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:

~$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:

~$640M	~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.

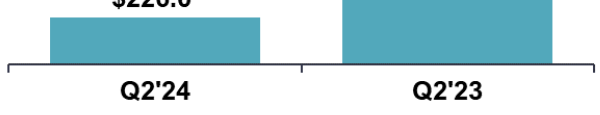
(2) End of year 2024, inclusive of Medicare Advantage, Medicaid and Commercial ACA consumers.

Overview of Q2 2024 Results for Continuing Operations

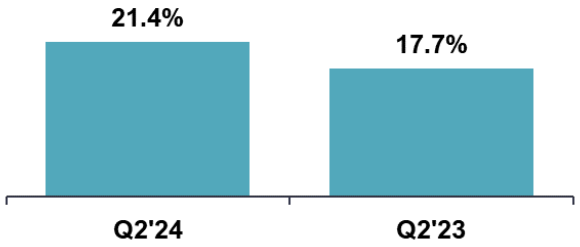
Continued Momentum in Q2 Driven by Solid Performance in NeueCare and NeueSolutions Segments

Enterprise Metrics ($M)

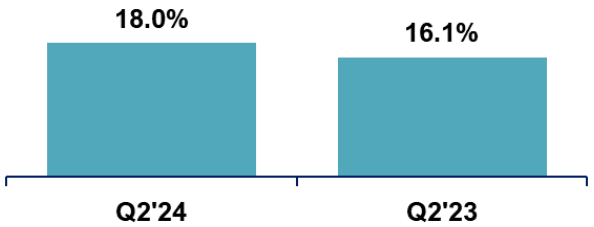
Revenue



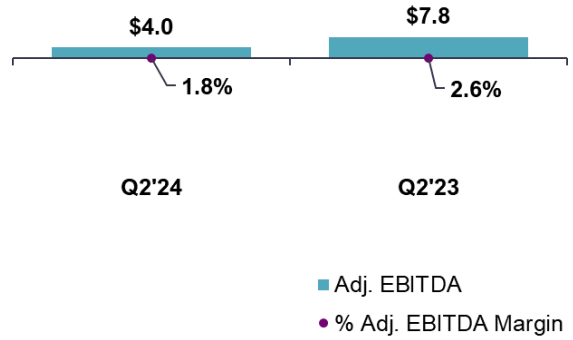
Gross Margin



Adj. Operating Cost Ratio(1)



Adjusted EBITDA(2)



Key Considerations

- Q2 '24 Revenue of $226.0 million is slightly below expectations; due to the seasonality of our business, we anticipate driving increased growth in the second half of the year through new payor contracts and growth in consumers served
- Q2 '24 Gross Margin improvement over Q2 '23 resulting from focused business prioritizing long-term, profitable growth
- We believe NeueHealth Adjusted EBITDA of $4.0 million for Q2 '24 provides a solid foundation to continue to drive profitability for the remainder of 2024 and beyond

(1) GAAP Operating Cost Ratio for Q2'24 was 31.1%, and for Q2'23 was 23.6%. A reconciliation of Adjusted Operating Cost Ratio to Operating Costs for applicable periods is contained in the appendix to this presentation

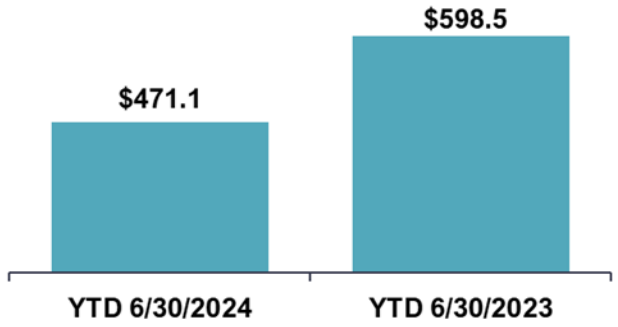
(2) GAAP Net Loss from Continuing Operations for Q2'24 was ($39.3) million and GAAP Net Loss from Continuing Operations for Q2'23 was ($31.7) million. A reconciliation of Adjusted EBITDA to Net Loss for applicable periods is contained in the appendix to this presentation

Overview of Year-to-Date 2024 Results for Continuing Operations

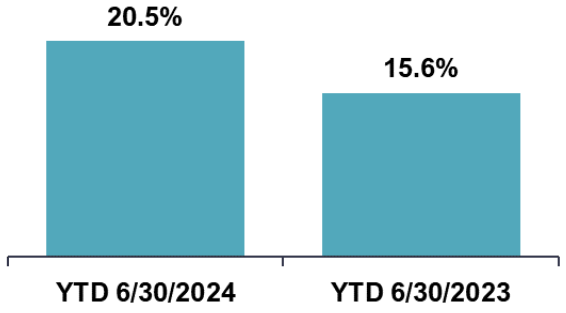
Strong Year-to-Date Results Reflect Focus on Driving Long-Term, Sustainable Growth of Value-Driven Model

Enterprise Metrics ($M)

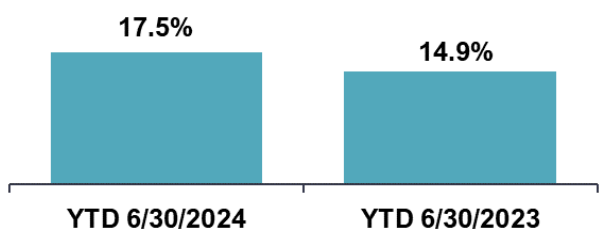
Revenue



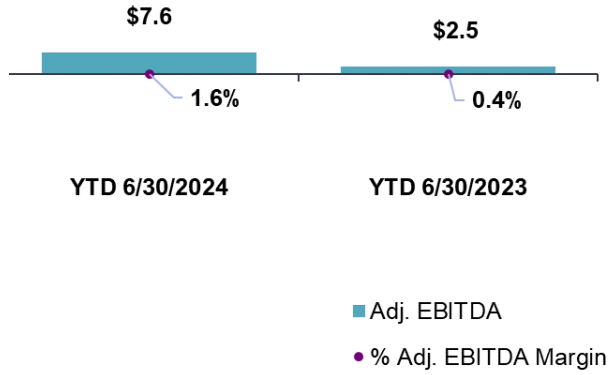
Gross Margin



Adj. Operating Cost Ratio(1)



Adjusted EBITDA(2)



Key Considerations

- Revenue of $471.1 million for the six months ended June 30, 2024 is slightly below expectations; we anticipate driving increased growth in the second half of the year through new payor contracts and growth in consumers served
- Gross Margin improvement over prior year with business focus on driving long-term profitability
- NeueHealth Adjusted EBITDA of $7.6 million for the six months ended June 30, 2024 is in-line with expectations and driven by strong gross margin performance

(1) GAAP Operating Cost Ratio for YTD 2024 was 29.1%, and for YTD 2023 was 25.0%. 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 YTD 2024 was ($33.6) million, and GAPP Net Loss from Continuing Operations for YTD 2023 was ($85.6) 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)	June 30, 2024	December 31, 2023
Assets		
Cash and Cash Equivalents	$133,425	$87,299
Current Assets of Discontinued Operations	$142,375	$822,570
Other Current Assets	509,791	179,058
Total Current Assets	$785,591	$1,088,927
Long-Term Investments	$12,028	$14,499
Intangibles Assets, net	76,040	93,238
Other Non-Current Assets	23,606	28,816
Total Other Assets	$111,674	$136,553
Total Assets	**$897,265**	**$1,225,480**
Liabilities and Other		
Current Liabilities Discontinued Operations	$343,985	$699,758
Total Liabilities Continuing Operations	$835,818	$780,340
Redeemable Noncontrolling Interests	$103,867	$88,908
Redeemable Preferred Stock	920,417	920,417
Total Shareholders' (Deficit) Equity	(1,306,822)	(1,263,943)
Total Liabilities and Other	**$897,265**	**$1,225,480**

Q2 ‘24 Key Considerations

- $277.8 million in total cash and investments, including $135.6 million in regulated entities.
- Non-regulated cash and short-term investments were $142.2 million at the end of the second quarter, including $60.7 million of restricted cash and investments.
- On June 24, 2024, the Company announced that it entered into a secured loan facility for up to $150 million with Hercules Capital, significantly strengthening its capital position. The Company intends to use these funds to support its strategic priorities in 2024 and beyond.

Appendix

Non-GAAP Reconciliation: Adjusted EBITDA

($ in thousands)	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Net Loss	**$ (57,698)**	**$ (88,627)**	**$ (61,875)**	**$ (258,088)**
Loss from discontinued operations	**18,439**	**56,935**	**28,304**	**172,478**
EBITDA adjustments from continuing operations				
Interest expense	**4,110**	**9,170**	**7,040**	**16,957**
Income tax expense	**(187)**	**(892)**	**476**	**367**
Depreciation and amortization	**3,484**	**4,176**	**7,551**	**9,163**
Transaction costs	**844**	**8,096**	**1,965**	**9,948**
Share-based compensation expense	**21,236**	**15,775**	**39,862**	**49,095**
Gain on troubled debt restructuring	**—**	**—**	**(30,311)**	**—**
Change in fair value of warrant liability	**(2,213)**	**—**	**(4,285)**	**—**
Restructuring and contract termination costs	**239**	**1,285**	**181**	**1,586**
Held-for-sale operations	**16,671**	**1,879**	**18,294**	**974**
ACO REACH care partner bankruptcy	**(963)**	**—**	**285**	**—**
Impairment of goodwill and long-lived assets	**—**	**—**	**131**	**—**
EBITDA adjustments from continuing operations	**$ 43,221**	**$ 39,489**	**$ 41,189**	**$ 88,090**
Adjusted EBITDA – continuing operations	**$ 3,962**	**$ 7,797**	**$ 7,618**	**$ 2,480**

Non-GAAP Reconciliation: Adjusted Operating Cost Ratio

($ in thousands)	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
GAAP Operating Cost Ratio	**31.1%**	**23.6%**	**29.1%**	**25.0%**
Impact of share-based compensation expense	(9.4)%	(5.3)%	(8.5)%	(8.2)%
Impact of held-for-sale operations	(3.7)%	(2.2)%	(3.1)%	(1.9)%
Adjusted Operating Cost Ratio	**18.0%**	**16.1%**	**17.5%**	**14.9%**

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 loss from discontinued operations, interest expense, income taxes, depreciation and amortization, transaction costs, share-based and other long-term compensation expense, gains on troubled debt restructuring, changes in the fair value of equity securities and derivatives, restructuring and contract termination costs, held-for-sale operations, losses related to the bankruptcy of contractual counterparties, impairment of goodwill and long-lived assets, and the tax effect of all such items. Historically, the Company has often 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 and held-for-sale operations. 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.

