

Elevance Health Inc.

Nur zur internen Verwendung

Elevance Health, Inc. is a health benefits company headquartered in Indianapolis, Indiana, offering a range of health insurance products and services across various segments. The company provides its services under the Anthem Blue Cross and Blue Shield, Wellpoint, and Caredon brand names. It provides insurance products including stop loss, dental, vision, life, disability, and supplemental health insurance. Additionally, it offers pharmacy services, formulary management, prescription drug database, member services, and mail-order capabilities. Elevance Health focuses on improving healthcare access and quality by enabling new care delivery and payment models. Established in 1944, the company serves a diverse customer base, including large and small employers, individuals, Medicaid, and Medicare markets.

SUMMARY

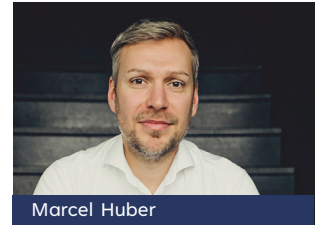
Equity

Bloomberg	ELV US
Country Of Origin	USA
Currency	USD
Sector	Health Care
Industry	Consumer, Non-cyclical
Outlook	Positive
Investment Strategy	Buy

Investment Case

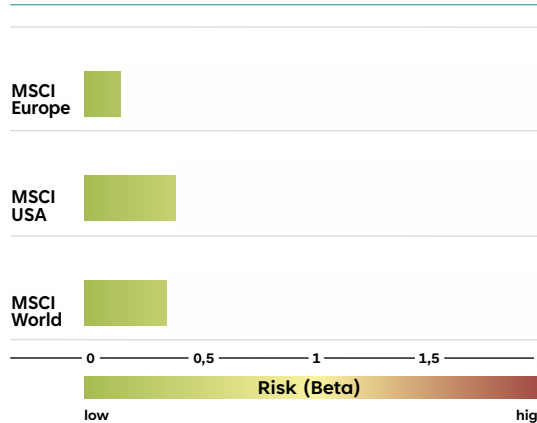
QUALITY
VALUE
GROWTH
MOMENTUM
CONTRARIAN

Analyst

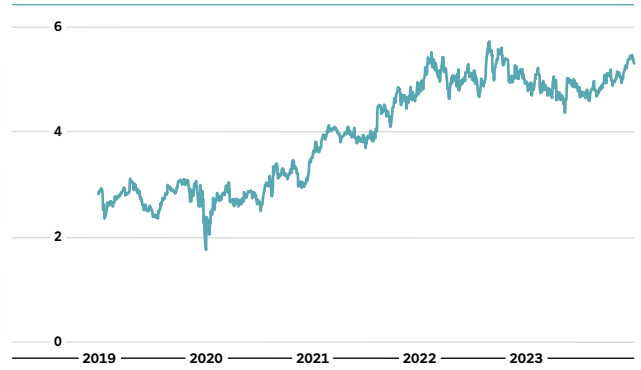


RISK & PERFORMANCE

Beta risk for Elevance Health Inc. - Class A (1 year)



Elevance Health Inc. - Class A Share Price (EUR)



Source: Bloomberg

MAIN DRIVERS

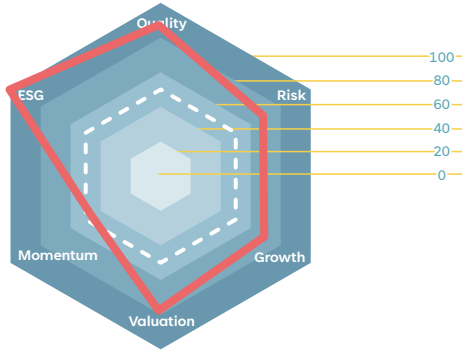
The digital healthcare sector offers increased efficiency through streamlined administrative processes and automation, ultimately improving healthcare delivery. It enhances patient access to healthcare services, particularly for those in remote or underserved areas. By empowering patients to actively participate in their healthcare through digital tools, patient engagement is improved, leading to better adherence to treatment plans and health outcomes. Utilizing electronic health records and health data analytics enables data-driven decision-making, resulting in more personalized treatment plans and improved clinical outcomes. Besides the social impact through improvement of healthcare access and quality, the organization has a notably advanced climate strategy.

KEY POINTS

- Fueled by integration of technology, healthcare services and technology (HST) companies, especially those providing tangible, immediate benefits to customers, are poised for ongoing growth.
- Pressure on the sector in 2023 stemming from inflation and labor shortages is expected to ease, bringing a recovery in 2024. McKinsey estimates the growth of healthcare profit pools at a 7 percent CAGR, from \$583 billion in 2022 to \$819 billion in 2027.
- Pharmacy service providers, particularly those concentrating on specialty pharmacy, are expected to experience continued expansion.
- An aging population in the US will drive demand for HST tremendously. According to the population reference bureau the number of Americans ages 65 and older is projected to increase from 58 million in 2022 to 82 million by 2050 (a 47% increase).

## FUNDAMENTAL AND QUANTITATIVE ANALYSIS

### Elevance Health Inc. - Class A



In our fundamental and quantitative analysis, we use specialized data sources such as Bloomberg, ISS Datadesk, and HOLT Lens. In a proprietary process, we calculate six relevant characteristics for each stock title: Quality, Risk, Growth, Valuation, Momentum, and ESG. Each of these characteristics is in turn composed of several relevant factors. For example, the risk is calculated from the five metrics: Short-term volatility 90-days, Long-term volatility 5-years, Long-term beta 5-years, maximum draw-down 2-years, CvaR 5-years.

For the actual calculation, all data and factors are normalized, transformed, and exclusively compared to their peer group. The average of the peer group always receives a value of 50 (white hexagon in the left graphic).

## SWOT ANALYSIS

### Credit Positives

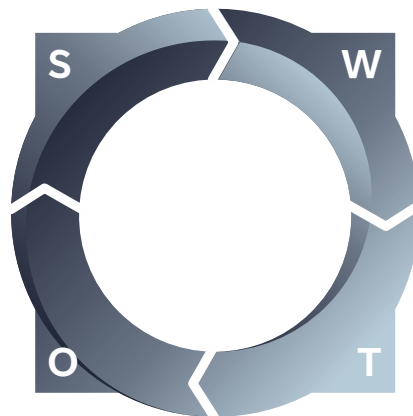
(Strength & Opportunities)

- Elevance Health is a top performer in the domestic managed-care market with a large and growing commercial- and government-based membership.
- Cost cutting: The company optimized its workforce and assets in 2023 to counteract the medical-cost uptrend amid waning premiums.
- Holistic member service approach with strong digital footprint and an ongoing platform evolution.
- Long-term earnings growth target is defined at ambitious 12-15%.
- Well positioned for upcoming government programs and additional growth in its commercial business line.
- Solid financials and a low debt-to-capital ratio of 39.6%.

### Credit Negatives

(Weakness & Threats)

- Ebitda margin was disappointing in 4Q23 at 5% vs. 7.6% for FY23.
- The demand for elective surgeries and deferred procedures fully normalized post-pandemic.
- Pressure from Medicaid redeterminations (caused a decline of roughly 360k medical members to 46.9 million in 2023).



- A fast and well managed integration of Kroger's specialty pharmacy business could lift synergies.
- High growth in memberships with +940k members year-over-year to 48 million.
- (Digital) transformation coupled with availability of capital to deploy will help delivering the earnings growth target.
- The industry is benefiting from record Obamacare enrollment which will likely continue to rise.
- Elevance reports that 60% of the Medicaid pipeline consists of intricate, higher-acuity patients, yielding a higher operating margin.

- Dependency on Medicare rates and Medicaid membership.
- Medicare's 0.16% payment cut for 2025 reinforces a challenging environment for health plans.
- Medical costs uptrend is still accelerating while at the same time premiums are decreasing in the current cycle.
- M&A activity need to be monitored closely, as the company is in a strategy shift to become a proactive health care manager of members' lives.

Elevance Health Inc.

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NEWS

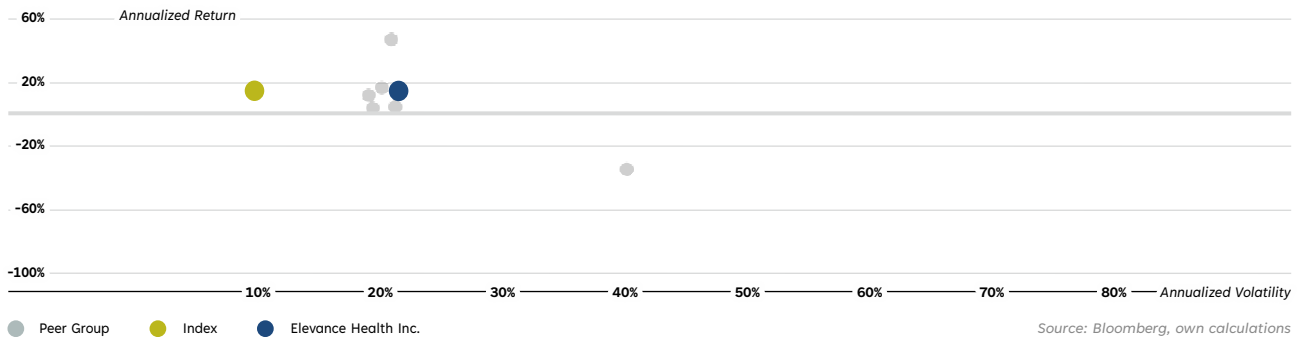
FY23 figures have been reported on 01/24/2024:

- Adjusted earnings per share have been reported 33.14 vs. estimates of 33.09 (0.15% beat).
- Revenues of 171.2bn USD and adjusted net income of 8.47bn USD.
- Estimates for 2024 are at 172.8bn USD revenues and 8.67bn USD adjusted net income, which is very likely to be exceeded.
- EBITDA margin was reported at 7.6% and is expected to stay in a range between 7.1% and 7.4% for the next year.

03/18/2024: Kroger to sell specialty pharmacy business to Elevance Health's CarelonRx.

COMPETITORS

Risk-Return: Elevance Health Inc. - Class A vs. Peer Group (1 year)



Name	Symbol	Country	Market Cap. (bn) [USD]	CFROI	P/E Multiple, Economic	Leverage (Economic)	Sales Growth % LFY	Gross Profit Margin % LFY	Operating Margin % LFY	EBIT Margin %
ELEVANCE HEALTH INC	ELV	USA	118.87	23.85	17.53	9.54	9.42	17.85	6.80	2.78
UNITEDHEALTH GROUP INC	UNH	USA	421.34	40.27	20.32	14.73	14.64	24.48	10.15	5.19
MOLINA HEALTHCARE INC	MOH	USA	22.13	22.29	19.36	10.50	6.12	13.13	5.74	4.90
CVS HEALTH CORP	CVS	USA	95.88	20.27	15.50	47.87	10.95	15.90	6.17	1.32
HUMANA INC	HUM	USA	38.75	10.42	25.23	26.22	14.58	17.04	5.30	3.42
CENTENE CORP	CNC	USA	39.01	14.69	15.00	36.56	3.41	12.36	3.75	1.50
CIGNA GROUP (THE)	CI	USA	104.71	29.99	17.61	25.26	8.38	13.51	6.25	2.04

Source: HOLT Lens, own calculations

ESG

Rating Summary

Rating	Performance Score	Decile Rank	Trend	Transparency Level	Prime Status
B-	63.98	1	■	Very High	Prime

Assessments

Overall Assessment GREEN Overall Score 2 Total Number of Assessments: 0 (Red) 0 (Amber) 1 (Green)

UN Global Compact Pillars

Human Rights	Labor Rights	Environment	Anti-Corruption
<span style="color: green; font-weight: bold;">GREEN</span> 1 Assessment	<span style="color: green; font-weight: bold;">GREEN</span> 0 Assessments	<span style="color: green; font-weight: bold;">GREEN</span> 0 Assessments	<span style="color: green; font-weight: bold;">GREEN</span> 0 Assessments

Source: ISS ESG

## IMPACT CASE

Elevance Health Inc. - Class A

Theme:	Electrification of the building and the industry sector
SDG Impact Rating:	4.4
EU Taxonomy Est.Eligible Revenue:	100.00%
Coverage ISS:	Yes
Coverage Bloomberg:	Yes

## KEY RISKS

Elevance Health, Inc. tackles several significant sustainability challenges; however, the clarity and comprehensiveness of their initiatives vary, and there are notable gaps in areas such as marketing, data protection, environmental considerations, and sustainable investment practices.

## KEY POSITIVES

- Very positive contribution to SDG 3 - Good Health & Well-Being, SDG 10 - Reduced Inequalities, SDG 11 - Sustainable Cities & Communities and SDG 13 - Climate Action.
- The company demonstrates strong performance in energy and water efficiency, greenhouse gas emissions, and boasts a considerable number of green buildings. Management shows a strong commitment to the United Nations Global Compact and follows a defined strategy to foster positive impact on SDG targets.
- Elevance Health outperforms the industry in the areas of "Data protection and information security", "Social benefits of products and services", "Business ethics and political influence" and "High-quality care".
- Signatory to the World Economic Forum's Global Health Equity Network "Zero Health Gaps Pledge"

## IMPACT MEASUREMENT

Combined scope 1 and 2 greenhouse gas emissions have been significantly reduced (aligned with 1.5 degree target). 2019: 119.855 MT Co2 vs. 15.725 MT Co2 in 2022.

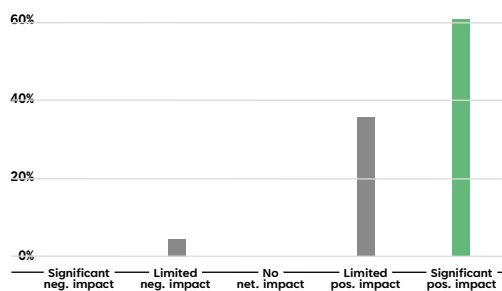
Committed to RE100 and achieved to goal of using 100% of renewable electricity in 2021.

Elevance Health signed the Health and Human Services (HHS) Net Zero Pledge, committing to decrease the operational emissions by 50% by 2030 and to achieve net zero emissions by 2050. Over 50% of Elevance Health's real estate portfolio is LEED, ENERGY STAR, or Fitwel certified. Reduction in water usage based on 2013 baseline: 76% (80mn gal in 2020 vs 43mn gal in 2022).

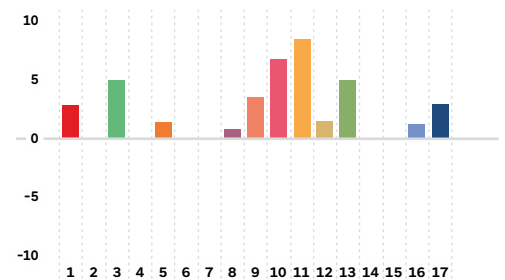
### Impact Rating



### Distribution Ratings (23 companies in the industry)



### Goal Level Impact



- 1 No Poverty
- 2 Zero Hunger
- 3 Good Health & Well Being
- 4 Quality Education
- 5 Gender Equality
- 6 Clean Water & Sanitation
- 7 Affordable & Clean Energy
- 8 Decent Work & Economic Growth
- 9 Industry, Innovation & Infrastructure
- 10 Reduced Inequalities
- 11 Sustainable Cities & Communities
- 12 Consumption & Production
- 13 Climate Action
- 14 Life Below Water
- 15 Life on Land
- 16 Peace, Justice & Strong Institutions
- 17 Partnerships for the Goals

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