agilon health

JP Morgan Healthcare Conference

January 2024



Disclaimers and Forward-Looking Statements

FORWARD-LOOKING STATEMENTS AND OTHER INFORMATION

Statements in this presentation that are not historical factual statements are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include, among other things, statements regarding our and our management's intent, belief or expectation as identified by the use of words such as "believes," "expects," "may," "will," "shall," "should," "would," "could," "seeks," "aims," "projects," "is optimistic," "intends," "plans," "estimates," "anticipates" or the negative versions of these words or other comparable terms. Examples of forward-looking statements include, among other things: statements regarding timing, outcomes and other details relating to current, pending or contemplated new markets, growth opportunities, ability to deliver sustainable long-term value, business environment, long-term opportunities, business strategies, including our action plan and its expected milestones, and strategic growth plans, expected revenue, net income and gross profit, total and average membership, Adjusted EBITDA, Medical Margin, geography entry costs, patients, market class and other financial projections and assumptions and the realization of expected benefits of the sale of our Hawaii operations. Forward-looking statements reflect our current expectations and views about future events and are subject to risks and uncertainties that could significantly affect our future financial condition and results of operations. While forward-looking statements reflect our good faith belief and assumptions we believe to be reasonable based upon current information, we can give no assurance that our expectations or forecasts will be attained. Forward-looking statements are subject to known and unknown risks and uncertainties, many of which may be outside our control. These risks and uncertainties that could cause actual results and outcomes to differ from those reflected in forward-looking statements include, but are not limited to: our history of net losses; our ability to achieve or maintain profitability in an environment of increasing expenses; our ability to identify and develop successful new geographies and physician partners and health plan payors; our ability to execute upon our growth initiatives and operating strategies, achieve required operational scale and achieve results consistent with our historical performance; our expectation that our expenses will increase in the future; medical expenses incurred on behalf of members may exceed the amount of medical revenues we receive; our ability to secure contracts with Medicare Advantage payors and to ensure such contracts are on financial terms sufficient to meet our financial targets; our ability to recover startup costs incurred during the initial stages of development of our physician partner relationships and program initiatives; our ability to obtain additional capital; significant reductions in our membership; challenges for our physician partners in the transition to our "Total Care Model"; inaccuracies in our estimates and assumptions due to unknown factors at the time such estimates or assumptions were developed; the impacts of COVID-19 or other future pandemics or epidemics; restrictive or exclusivity clauses in some of our contracts with physician partners that may prohibit us from establishing new risk-bearing entities within certain geographies in the future or may subject us to investigations or litigation; our ability to retain our management team and key employees or attract qualified personnel in the future; our ability to realize the full value of our intangible assets; any impairment charges we may record; security breaches, loss of data and other disruptions to our data platforms; our ability to protect the confidentiality of our know-how and other proprietary and internally developed information; our subsidiaries' lack of performance or ability to fund their operations; our dependence on a limited number of key health plan payors; our ability to renew contracts with our payors; our reliance on our health plan payors for membership attribution and assignment, data and reporting accuracy, and claims payment; our dependence on physician partners and other providers; difficulties in obtaining accurate and complete diagnosis data; our reliance on third-party software and data to operate our business and provide services to our members and physician partners; consolidation in our industry; reductions in reimbursement rates or methodology applied to derive reimbursement from, or discontinuation of, federal government healthcare programs; uncertain or adverse economic conditions, including a downturn or decrease in government expenditures; our ability to compete in our industry; the impact of government performance standards and benchmarks on our compensation and reputation; statutory or regulatory changes, administrative rulings, interpretations of policy, and determinations by intermediaries and governmental funding restrictions, and their impact on government funding, program coverage, and reimbursements; regulatory proposals directed at containing or lowering the cost of healthcare and our participation in such proposed models; federal or state investigations, audits and enforcement actions; regulatory inquiries and corrective action plans imposed by our health plan payors; repayment obligations arising out of payor audits; actions by Centers for Medicare & Medicaid Services' to modify the methodology to determine revenue; negative publicity regarding the managed healthcare industry; our and our physician partners' ability to comply with federal, state, and local laws and regulations and any penalties or sanctions resulting from failure to comply with such laws and regulations; our ability to comply with HIPAA and state patient confidentiality laws; our failure to obtain or maintain an insurance license, a certificate of authority or an equivalent authorization allowing our participation in downstream risk-sharing arrangements with payors; we may face litigation not covered by insurance; our indebtedness and the potential that we may incur additional substantial indebtedness; our dependence on our subsidiaries for cash to fund all of our operations and expenses; our governance structure and ability to comply with corporate governance requirements; the material weaknesses in our internal control over financial reporting; and risks related to other factors discussed in our filings with the Securities and Exchange Commission (the "SEC"), including the factors discussed under "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, and in our subsequent interim reports on Form 10-Q, all of which can be found at the SEC's website at www.sec.gov. Except as required by law, we do not undertake, and hereby disclaim, any obligation to update any forward-looking statements, which speak only as of the date on which they are made.

NON-GAAP FINANCIAL MEASURES

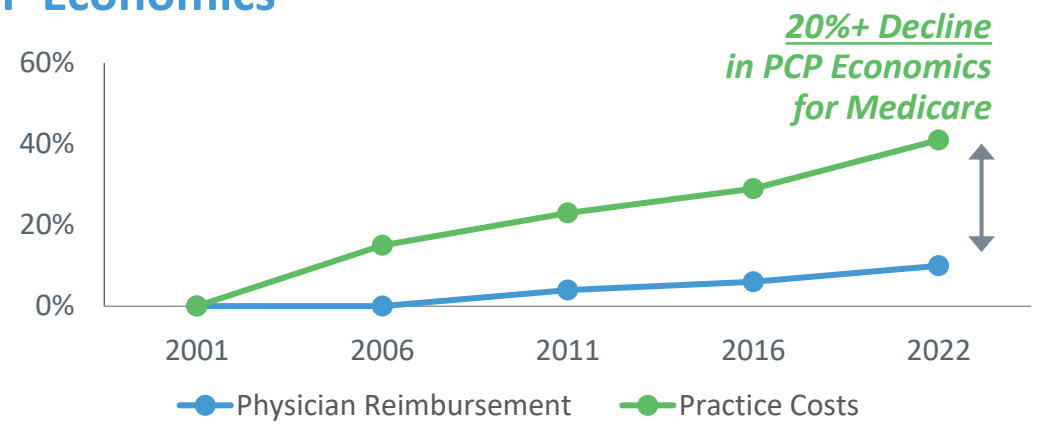
This presentation includes references to non-GAAP financial measures, including but not limited to Medical Margin, Medical Margin including ACO REACH results, Medical Margin excluding our recent disposition of our Hawaii operations, Adjusted EBITDA and Adjusted EBITDA excluding our recent disposition of our Hawaii operations (collectively, the "Non-GAAP Financial Measures"). We believe the Non-GAAP Financial Measures help identify underlying trends in our business and facilitate evaluation of period-to-period operating performance of our operations by eliminating items that are variable in nature and not considered by us in the evaluation of ongoing operating performance, allowing comparison of our recurring core business operating results over multiple periods. We also believe he Non-GAAP Financial Measures provide useful information about our operating results, enhance the overall understanding of our past performance and future prospects, and allow for greater transparency with respect to key metrics we use for financial and operational decision-making. We believe the Non-GAAP Financial Measures or similarly titled non-GAAP measures are widely used by investors, securities analysts, ratings agencies, and other parties in evaluating companies in our industry as a measure of financial performance. Other companies may calculate the Non-GAAP Financial Measures or similarly titled non-GAAP measures differently from the way we calculate these metrics. As a result, our presentation of the Non-GAAP Financial Measures may not be comparable to similarly titled measures of other companies, limiting their usefulness as comparative measures. The Non-GAAP Financial Measures have limitations as analytical tools and should not be considered in isolation or as an alternative to GAAP measures or other financial statement data presented in agilon's consolidated financial statements. Information reconciling guidance for the Non-GAAP Financial Measures to Gross Profit or Adjusted EBITDA to net income (loss), as applicable, the most comparable GAAP measures, and information regarding forward-looking guidance for net income (loss) is not available without unreasonable effort due to the high variability, complexity and uncertainty with respect to quantifying and forecasting certain items that may impact Gross Profit or net income (loss), including non-cash stock-based compensation. For these reasons, we are unable to compute the probable significance of the unavailable information, which could have a potentially unpredictable and potentially significant impact on our future GAAP financial results.

Key Points for Today's Discussion

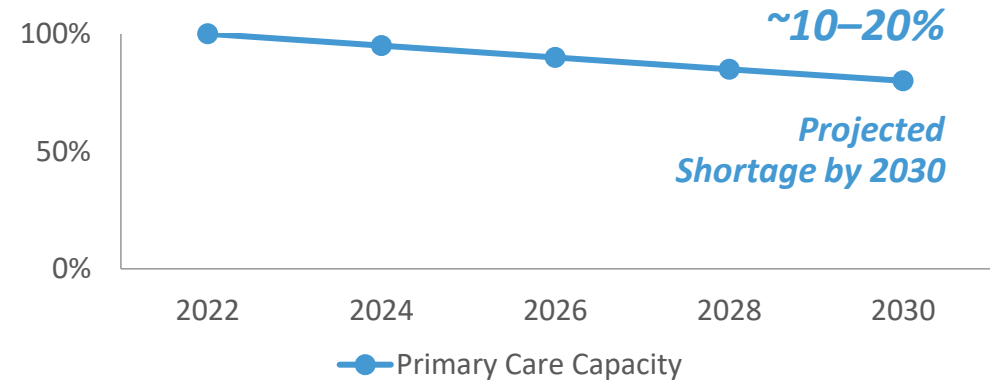
- Demand for our value proposition has never been higher
- Business model is working for doctors, patients, and payors
- 2023 was a challenging year, sets foundation for 2024+
- 2024 guidance assumes continued higher utilization
- Long-term value potential is meaningful

Primary Care Economics Getting Worse While Healthcare System Demanding More

Challenged PCP Economics

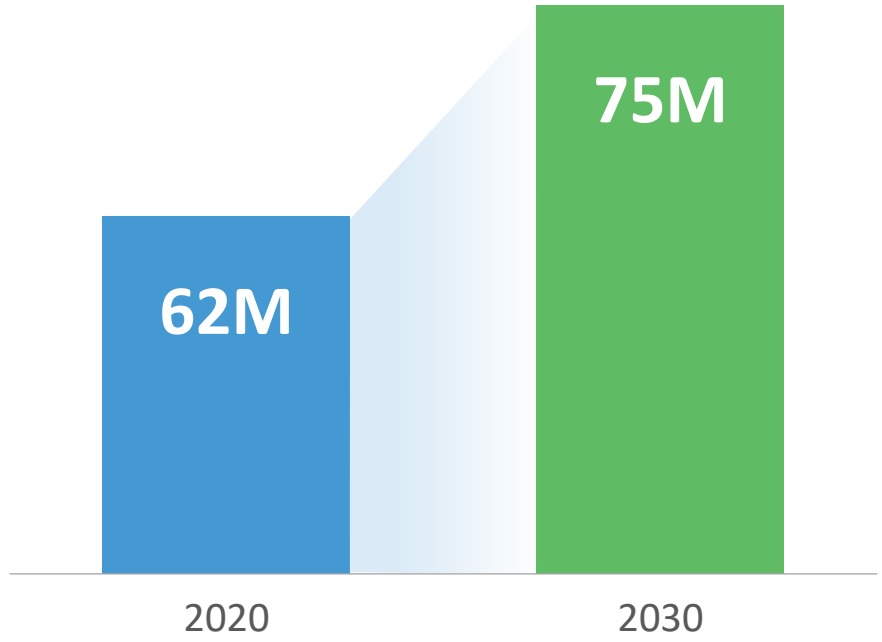


Primary Care Capacity is Strained



Growing Senior Population

Patient Outcomes Highly Variable



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System Sees Primary Care as the Solution

Increasing Focus on Value



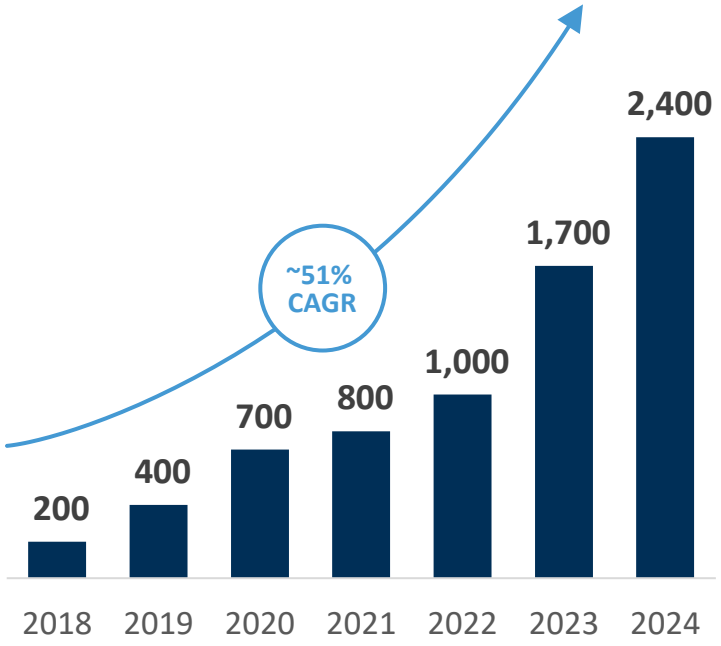
CMS target for Medicare beneficiaries in **total cost models by 2030**

- **PCPs are aligned with payor goals of improving access, quality of care, and patient outcomes**
- **Physician groups lack business model, financial resources, and data to meet this challenge**
- **agilon health's platform is *the* solution for primary care doctors moving to value**

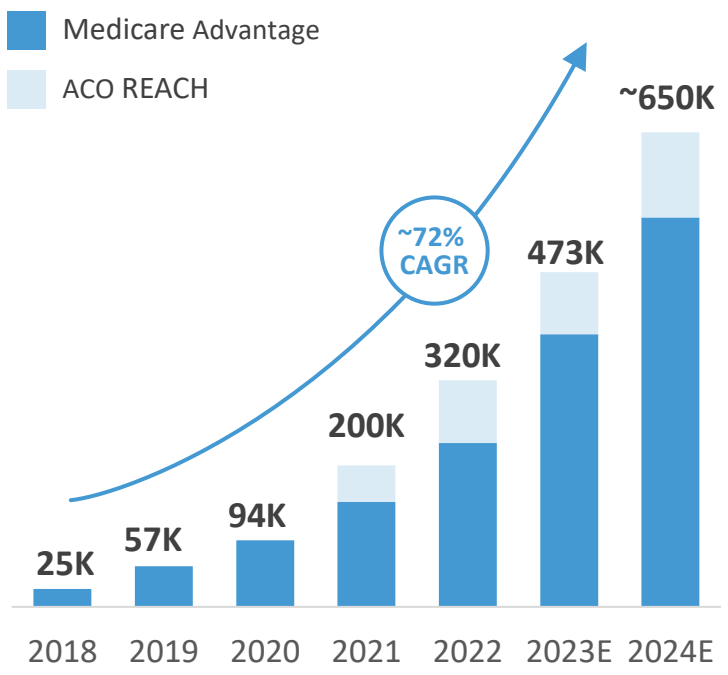
agilon Is Powering a Sustainable Model for Primary Care

- agilon enables physicians to improve patient experiences and outcomes
- Our model is resonating with physicians, patients, and payors

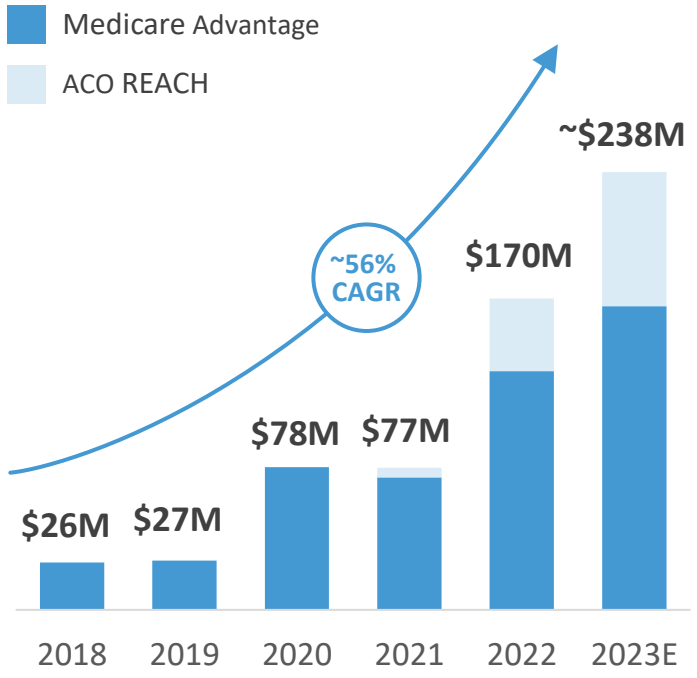
Primary Care Doctors



Patients



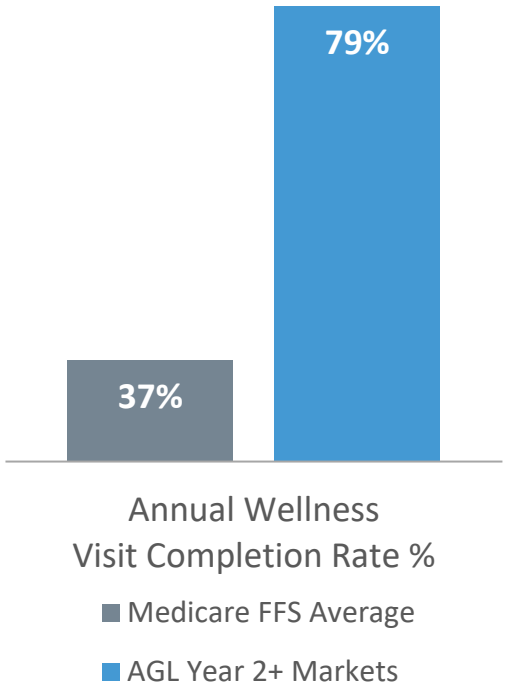
Primary Care Reinvestment



Notes: Metrics adjusted for the sale for MDX Hawaii, which will be accounted for as discontinued operations

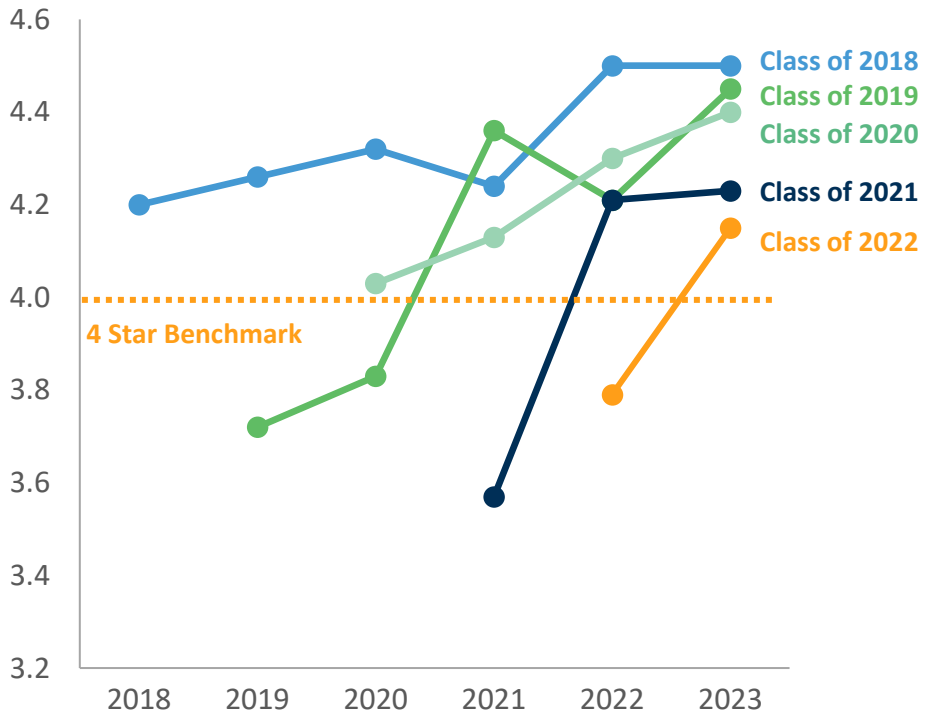
Improving Patient Access, Quality, and Utilization

Patient Access



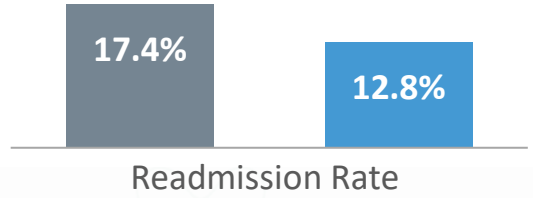
Quality

STARs Performance by Market Class



Inpatient / ER Utilization

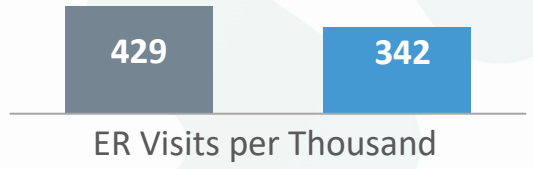
Readmissions

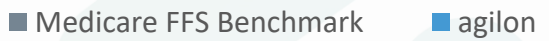


Hospital Admissions



Emergency Department Visits





Note: Utilization data is as of January through June 2023. Annual Wellness Visit data is as of January through November 2023.

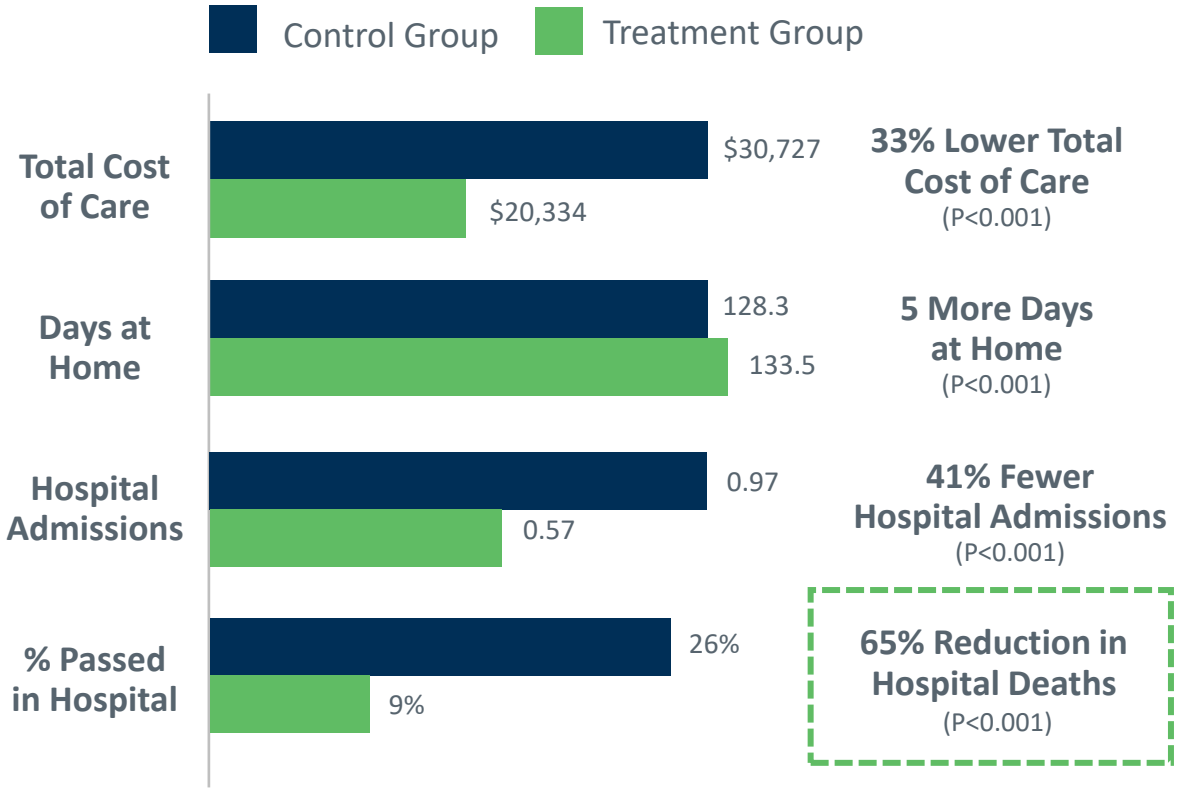
Proof Point - Case Study on Palliative Patients

Recent peer-reviewed research published in the Journal of Pain and Symptom Management

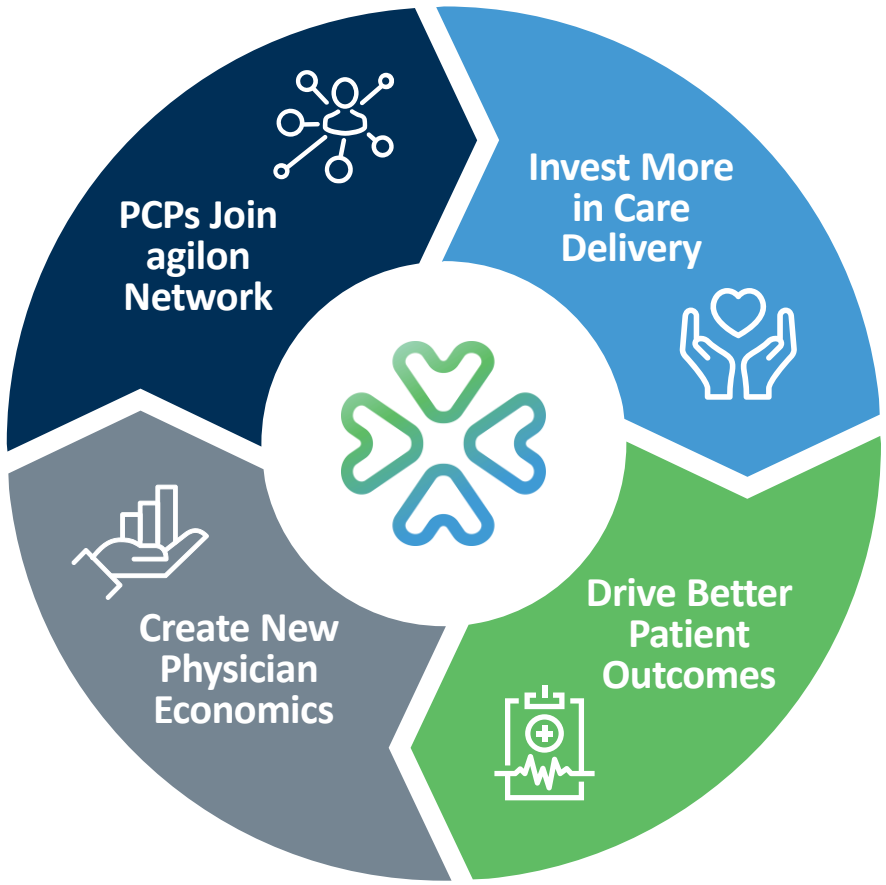
Palliative Clinical Program / Study

- **90% of Medicare patients prefer to pass at home but only 34% achieve this**
- **Recent study assessed the impact of PCP-led palliative care on ~900 patients treated by agilon physician partners**
- **agilon supported interventions:**
  - ✓ Training
  - ✓ Patient Identification
  - ✓ Referral / Enrollment
  - ✓ PCP Care Team Integration
  - ✓ Tracking Outcomes

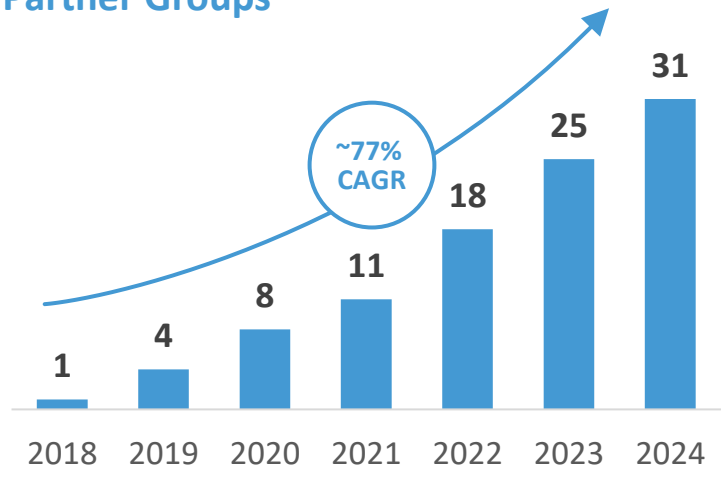
Results



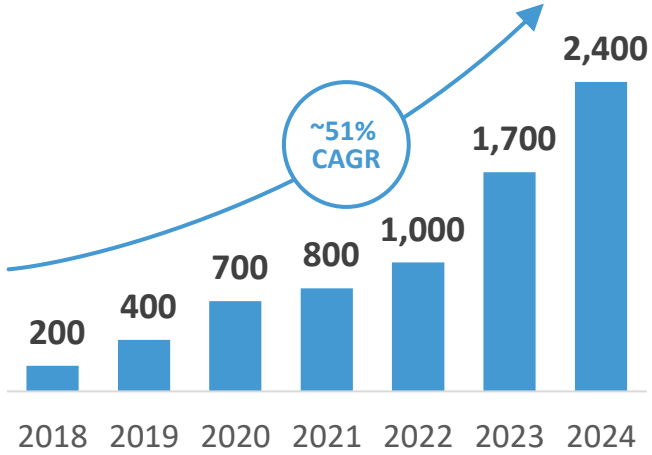
Performance is Driving Growth



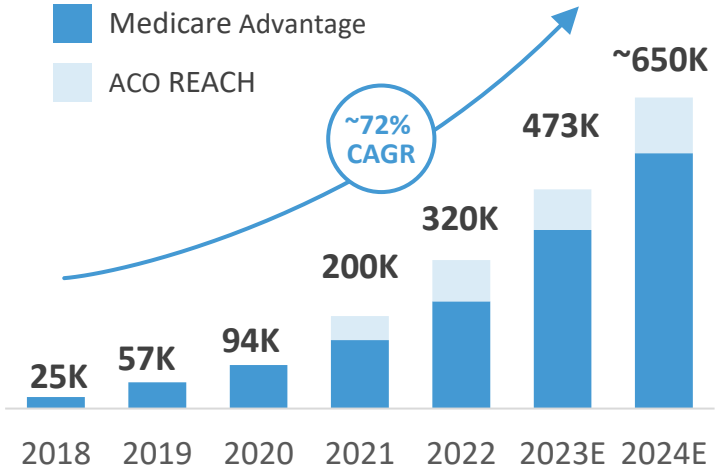
Partner Groups



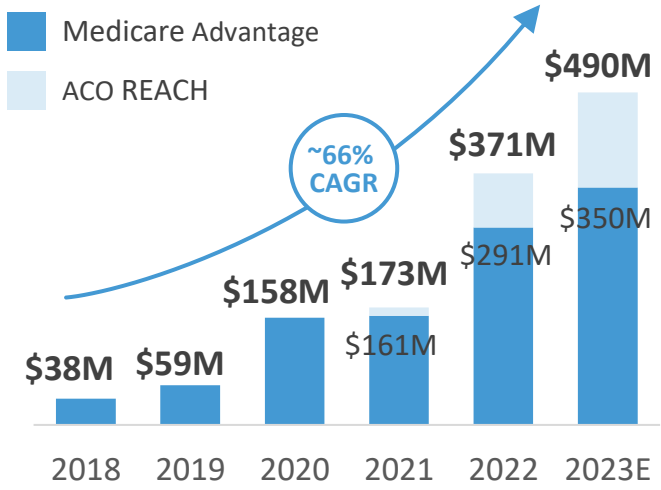
Primary Care Doctors



Patients



Medical Margin



Notes: Metrics adjusted for the sale for MDX Hawaii, which will be accounted for as discontinued operations.

Drivers of our Long-Term Financial Model

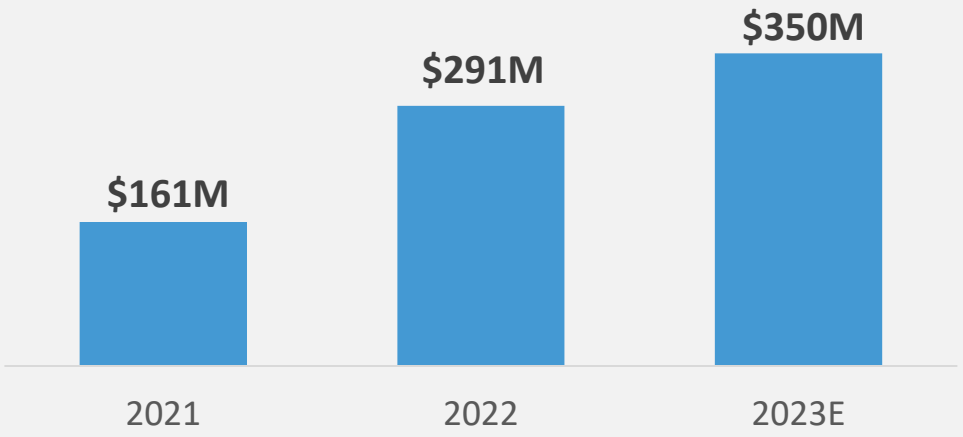
Membership Growth	Medical Margin Progression	ACO REACH Performance	Operating Leverage
(Meaningfully Ahead)	(Behind)	(Modestly Ahead)	(Tracking Ahead)

- **Membership Growth:** Meaningfully outperforming, especially for new partner growth
- **Medical Margin:** Shortfall in 2023 due to higher utilization, supplemental benefits, and PYD
  - Utilization trend ~2-3x higher in select core medical (Specialist, Part B drugs, OP surgeries) and non-medical (supplemental benefits) categories.
- **ACO REACH:** Significant outperformance during 2023 carries into 2024+
- **Operating Leverage:** Accelerated platform support efficiency, reduce to 3% of revs in 2024

2023 Medical Margin Growth Off Expectations

2023 investments set foundation for 2024 performance

Medical Margin Progression



- **Higher-than-expected utilization**
- **Late to recognize magnitude and source**
- **Negatively impacted medical margin during year of pivotal investments**

Investments During 2023

- **Global center:** Centralized clinical assessment and infrastructure
- **Clinical program rollout:** Increased staffing for program management
- **Standing up Year 1 markets:** Year 1 market losses created EBITDA drag
- **Actions to mature process and systems**

Notes: Metrics adjusted for the sale for MDX Hawaii, which will be accounted for as discontinued operations.

Actions to Improve Performance, Balance Risk Sharing, and Enhance Predictability

Enhancing processes and systems to bolster agility and drive performance in 2024 and beyond

Action	Timing	Details / Milestones
Operating Efficiency	**Executed for 2024**	▪ Accelerated platform support efficiency, reduce to 3% of revenues in 2024 ▪ Leveraging corporate and market investments from 2023
Payor Partnerships	**Executed & In-Process for 2024+**	▪ Tangible progress on strengthening relationships and outcomes
Data Visibility & Analytics	**Executed & In-Process for 2024+**	▪ Executed changes to internal and external teams - new chief actuary and Milliman relationship ▪ Created better alignment with payor partners
Physician Onboarding & Continuous Education	**In-Process for 2024-2025+**	▪ Reducing performance variability, especially for new PCPs in existing markets ▪ Accelerating and expanding clinical programs

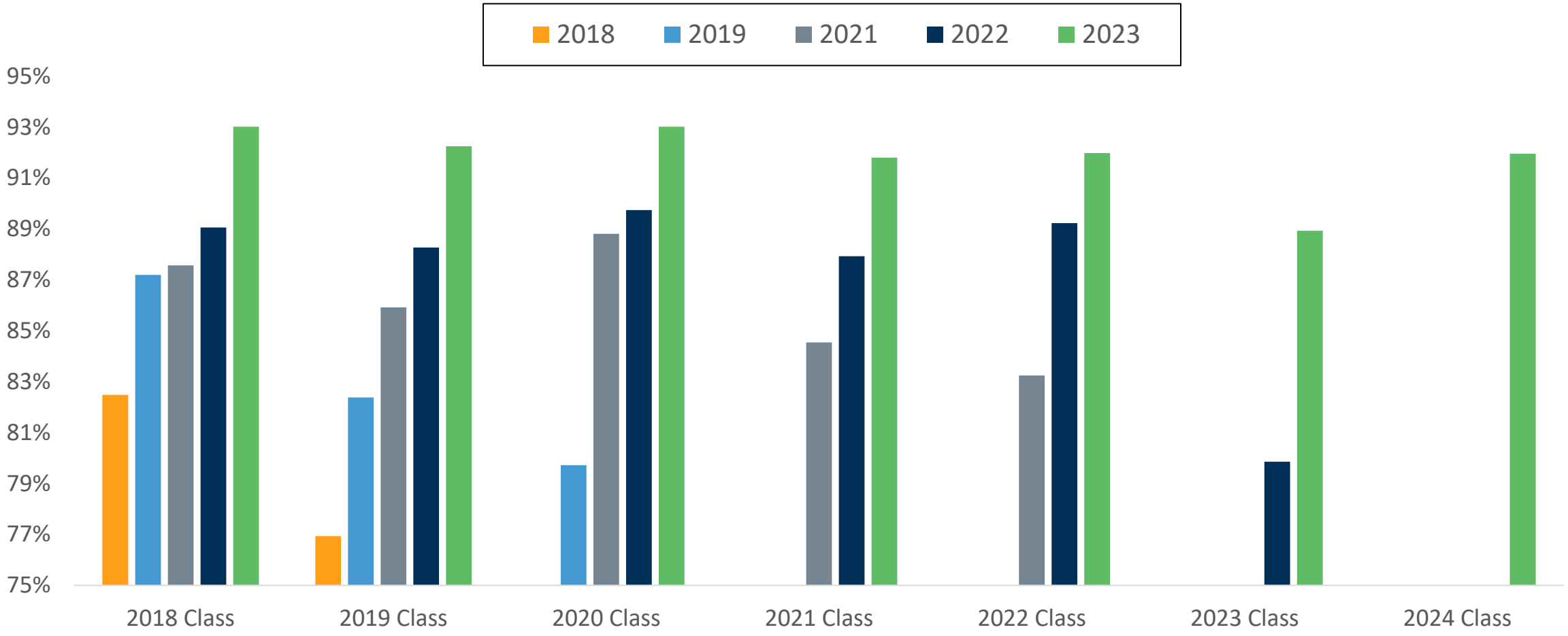
Making Improvements to Infrastructure, Process, People

2023 Set Foundation	2024 Milestones
• New leadership and third-party resource - SVP Data Solutions, new chief actuary, Milliman	• New financial data pipeline with largest payors, onboarding >55% of lives by end of Q1 and >75% by Q2 • Expanding use of other data sources to improve forecasting and ops insights
• Structured training for new partners, 90% of PCPs in Class of 2024 participated	• Implement structured training across larger markets with performance shortfall
• Opened global capabilities to drive performance and efficiency • Standardized and centralized physician medical recorded reviews	• Achieve 100% medical record reviews prior to annual wellness visit at lower cost
• Deep strategic engagement with senior payor leadership	• Work towards global "rules of the road“ in health plan contracts

Standardization Accelerates Variability Reduction

Process improvement drives consistent performance for all market classes

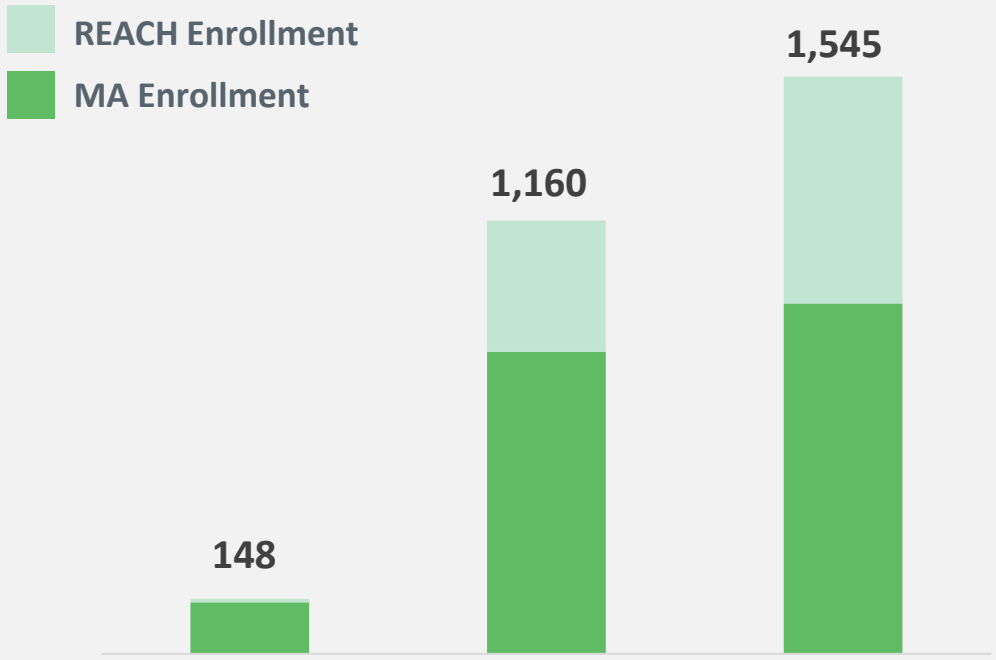
Chronic Condition Assessment Rate by Market Class



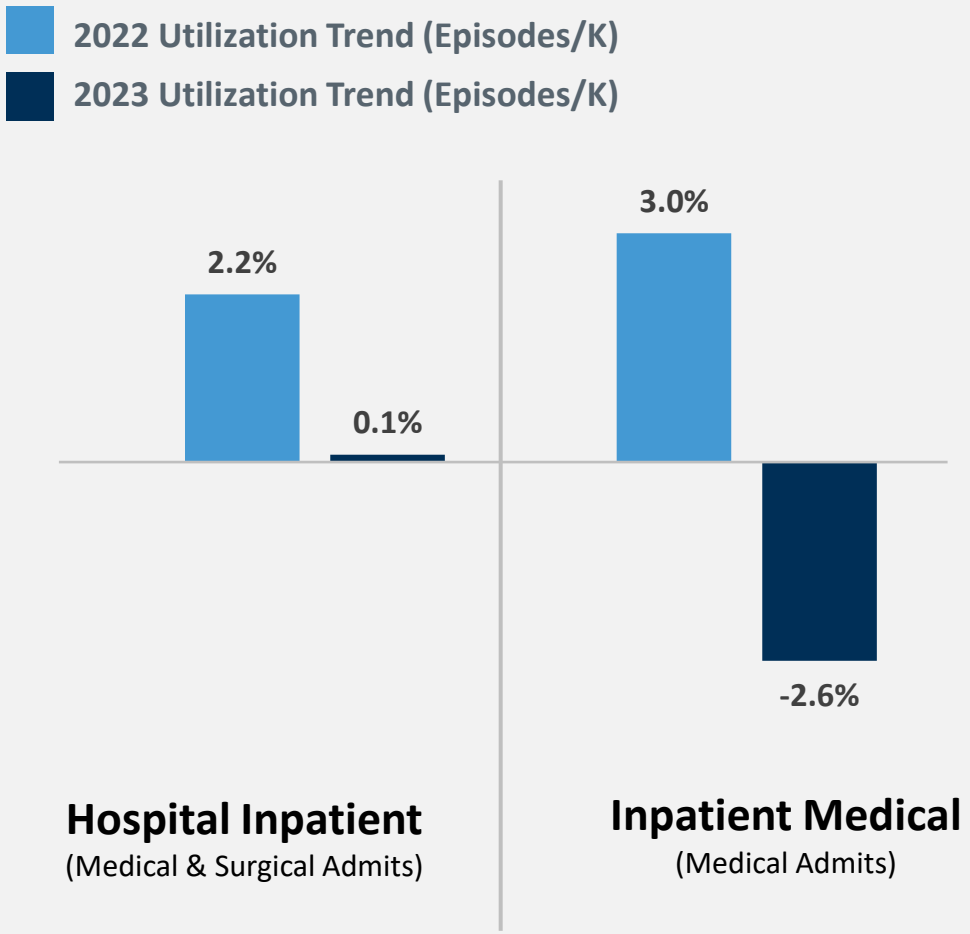
Note: Chart above excludes 2020 as chronic condition assessment and patient touchpoints were impacted across the country due to COVID.

Better Condition Assessments Drives Clinical Program Enrollment

Palliative Care Program Enrollment Across Two Markets



Enrollment % Of Total Market Membership	~0.4%	~2.7%	~3.4%



Notes: Utilization data based on same-geography trends in both periods; 2023 trend estimate uses payor data through August with IBNR estimate; 2022 trend estimate uses payor data for full year.

Financial Results Progression

Metrics	2022 Results	2023 Guidance	2024 Guidance
MA Members, Ending	230,800	386,000-387,000	548,000-553,000
Total Revenues ($M)	$2,388	$4,295-$4,305	$6,350-$6,420
Medical Margin ($M)	$291	$340-$360	$560-$600
Platform Support (% of revs)	5.4%	~4%	~3%
ACO REACH Adj. EBITDA Cont. ($M)	$14	~$39	~$39
Adjusted EBITDA ($M)	~($47)	($69)-($55)	$40-$60

- More than doubled membership while improving quality
- Higher 2023 investments set foundation for performance in 2024
- 2024 guidance assumes continued higher utilization

Note: Adjusted EBITDA for 2022 excludes preliminary estimated impact from sale of MDX Hawaii, which will be accounted for as discontinued operations.

Dynamics of Earnings and Cash Flow

Adjusted EBITDA and Cash Flow Driven Primarily by Operating Leverage of Year 2+ Markets

	2023	2024
Year 2+ Markets	**256K Members** Adj. EBITDA **Contribution**	**~410K Members** Adj. EBITDA **Contribution**
Year 1 Markets	**130K Members** Adj. EBITDA **Dilution**	**>140K Members** Adj. EBITDA **Contribution**
Year 0 Markets	**140K Members** Adj. EBITDA **Dilution (~$71M)**	**Class of 2025** Adj. EBITDA **Dilution (~$70M)**
Corporate Costs	**~$100M**	**~$100M**

Clear Long-term Value Opportunity

- Demand from PCPs is structurally higher
- agilon platform driving more value to PCPs, patients, and payors
- Accelerating membership growth in 2023-2024
- Variability in healthcare delivery system creates opportunity

Appendix

Non-GAAP Reconciliations

Medical Margin

(Dollars in thousands)	Year Ended December 31,				
	2022	2021	2020	2019	2018
Gross profit[1]	$ 112,286	$ 76,413	$ 94,150	$ 28,511	$ 28,066
Other operating revenue	(3,815)	(3,824)	(4,063)	$ (5,845)	(8,215)
Other medical expenses	196,127	109,487	102,306	40,526	34,092
Medical margin	$ 304,598	$ 182,076	$ 192,393	$ 63,192	$ 53,943
Less: MDX Hawaii medical margin	13,569	21,077	34,408	4,287	15,511
Medical margin, excluding MDX Hawaii (non-GAAP)	$ 291,029	$ 160,999	$ 157,985	$ 58,905	$ 38,432
Add: ACO REACH medical margin	79,736	12,264	—	—	—
Medical margin, excluding MDX Hawaii and inclusive of ACO REACH (non-GAAP)	$ 370,765	$ 173,263	$ 157,985	$ 58,905	$ 38,432

1) Gross profit is defined as total revenues less medical services expenses and other medical expense.

Non-GAAP Reconciliations

ADJUSTED EBITDA

(Dollars in thousands)	Year Ended December 31, 2022
Net income (loss)[1]	($106,864)
(Income) loss from discontinued operations, net of income taxes	(465)
Interest expense	4,525
Income tax expense (benefit)	1,640
Depreciation and amortization	13,772
(Gain) loss on lease terminations	5,458
Severance and related costs[2]	2,470
Stock-based compensation expense	28,381
EBITDA adjustment related to equity method investments	3,737
Other[3]	(16,144)
Adjusted EBITDA	($63,490)
Less: estimated MDX Hawaii EBITDA	16,569
Estimated adjusted EBITDA, excluding MDX Hawaii (non-GAAP)	($46,921)

1) Includes direct geography entry costs, including investments to develop and expand our platform and costs in geographies that are in implementation and are not yet generating revenue and investments to grow existing markets. For the year ended December 30, 2022, $23.9 million are included in other medical expenses and $43.9 million are included in general and administrative expenses.
2) For the year ended December 31, 2022 includes taxes and related costs on stock option exercises for departed executives of $2.0 million
3) Includes interest income and non-cash accruals for unasserted claims and contingent liabilities.