



Alignment Healthcare Reports First Quarter 2022 Financial Results; Beats Guidance Across Four Key KPIs; Continues Sustainable Growth

May 5, 2022

- Reports \$345.5 million in total revenue, up 29.4% year-over-year, led by 25.0% growth in health plan premium revenue of \$330.9 million
- Secures 13.4% membership growth year over year, beating high end of Q1 membership guidance
- Gross margin engine produces strong medical benefits ratio results, coming in at 87.0% in Q1

ORANGE, Calif., May 05, 2022 (GLOBE NEWSWIRE) -- Alignment Healthcare, Inc. ("Alignment Healthcare" or the "Company") (Nasdaq: ALHC), a tech-enabled Medicare Advantage company, today reported financial results for its first quarter ended March 31, 2022.

"Alignment Healthcare continues to do well by doing good – delivering sustainable growth and once again beating guidance on our four critical metrics: membership, revenue, adjusted gross profit and adjusted EBITDA," said John Kao, founder and CEO. "This is a strong quarter for Alignment and caps a solid first year of growth as a public company, having met or outperformed guidance every quarter since listing.

"Our sustained success is a direct result of our mission to put the senior first in everything we do – from how we empower primary care physicians to deliver more proactive care to how we identify and treat the most chronically ill of our members. Together with our operational efficiencies and focused investments we're making today, this mission enables us to scale effectively in both existing and new markets as we continue to grow and serve more seniors across the country."

First Quarter 2022 Financial Highlights

All comparisons, unless otherwise noted, are to the three months ended March 31, 2021.

- Health plan membership at the end of the quarter was approximately 94,200, up 13.4% year over year
- Total revenue was \$345.5 million, up 29.4% year over year
- Health plan premium revenue of \$330.9 million represented 25.0% growth year over year
- Adjusted gross profit was \$44.9 million and loss from operations was (\$36.5) million
 - Adjusted gross profit excludes depreciation and amortization of \$4.0 million and selling, general, and administrative expenses of \$74.3 million (which includes \$24.9 million of equity-based compensation). Adjusted gross profit also excludes an additional \$3.1 million of equity-based compensation recorded within medical expenses
 - Medical benefits ratio based on adjusted gross profit was 87.0%
- Adjusted EBITDA was (\$3.9) million and net loss was (\$40.8) million
- As of March 31, 2022, total cash was \$448.8 million, and debt was \$155.2 million (excluding unamortized debt issuance costs)

Adjusted Gross Profit is reconciled as follows:

	<u>Three Months Ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
<i>(dollars in thousands)</i>		
Loss from operations	\$ (36,475)	\$ (52,664)
Add back:		
Equity-based compensation (medical expenses)	3,121	6,566
Depreciation (medical expenses)	43	52
Depreciation and amortization	3,950	3,737
Selling, general, and administrative expenses	74,293	64,914
Total add back	81,407	75,269
Adjusted gross profit	<u>\$ 44,932</u>	<u>\$ 22,605</u>
Adjusted gross profit %	13.0%	8.5%
Medical benefit ratio	87.0%	91.5%

Adjusted EBITDA is reconciled as follows:

Three Months Ended March 31,

	<u>2022</u>	<u>2021</u>
(dollars in thousands)		
Net loss	\$ (40,817)	\$ (56,874)
Add back:		
Interest expense	4,401	4,248
Depreciation and amortization	3,993	3,789
EBITDA	(32,423)	(48,837)
Equity-based compensation ⁽¹⁾	28,047	31,787
Reorganization and transaction-related expenses ⁽²⁾	-	3,008
Acquisition expenses ⁽³⁾	486	-
Adjusted EBITDA	<u>\$ (3,890)</u>	<u>\$ (14,042)</u>

(1) 2022 represents equity-based compensation related to grants made in the current year, as well as equity-based compensation related to the timing of the IPO, which includes previously issued stock appreciation rights liability awards, modifications related to transaction vesting units, and grants made in conjunction with the IPO. 2021 represents equity-based compensation related to the timing of the IPO as previously discussed.

(2) Represents legal, professional, accounting and other advisory fees related to our pre-IPO corporate reorganization and the IPO that are considered non-recurring and non-capitalizable.

(3) Represents acquisition-related fees, such as legal and advisory fees, that are non-capitalizable.

Outlook for Second Quarter and Fiscal Year 2022

<u>\$ Millions</u>	Three Months Ending June 30, 2022		Twelve Months Ending December 31, 2022	
	Low	High	Low	High
Health Plan Membership	95,500	95,700	97,300	99,000
Revenue	\$335	\$340	\$1,335	\$1,350
Adjusted Gross Profit ¹	\$41	\$43	\$165	\$174
Adjusted EBITDA ²	(\$11)	(\$8)	(\$46)	(\$39)

- Adjusted gross profit is a non-GAAP financial measure that is presented as supplemental disclosure, that we define as loss from operations before depreciation and amortization, clinical equity-based compensation expense, and selling, general, and administrative expenses. We cannot reconcile our estimated ranges for adjusted gross profit to loss from operations, the most directly comparable GAAP measure, and cannot provide estimated ranges for loss from operations, without unreasonable efforts because of the uncertainty around certain items that may impact loss from operations, including equity-based compensation expense and depreciation and amortization, that are not within our control or cannot be reasonably predicted.
- Adjusted EBITDA is a non-GAAP financial measure that is presented as supplemental disclosure, that we define as net loss before interest expense, income taxes, depreciation and amortization expense, reorganization and transaction-related expenses and equity-based compensation expense. We cannot reconcile our estimated ranges for Adjusted EBITDA to net loss, the most directly comparable GAAP measure, and cannot provide estimated ranges for net loss, without unreasonable efforts because of the uncertainty around certain items that may impact net loss, including equity-based compensation expense and depreciation and amortization, that are not within our control or cannot be reasonably predicted.

Conference Call Details

The company will host a conference call at 5:30 p.m. EDT today to discuss these results and management's outlook for future financial and operational performance. Participants can pre-register for the conference call by navigating to <https://dpregrister.com/sreg/10165865/f257a384ab>. The conference call can be accessed by dialing (866) 777-2509 for U.S. participants, or (412) 317-5413 for international participants, and referencing the Alignment Healthcare call to the operator. A live audio webcast will be available online at <https://ir.alignmenthealthcare.com/>. A replay of the call will be available via webcast for on-demand listening shortly after the completion of the call, at the same web link, and will remain available for approximately 12 months.

About Alignment Healthcare

Alignment Healthcare is a consumer-centric platform delivering customized health care in the United States to seniors and those who need it most, the chronically ill and frail, through its Medicare Advantage plans. The company provides partners and patients with customized care and service where they need it and when they need it, including clinical coordination, risk management and technology facilitation. Alignment Healthcare offers health plan options through Alignment Health Plan, and also partners with select health plans to help deliver better benefits at lower costs.

Forward Looking Statements

This release contains 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, and the Private Securities Litigation Reform Act of 1995, as amended. These forward-looking

statements include statements regarding our future growth and our financial outlook for the second quarter ending June 30, 2022, and year ending December 31, 2022. Forward-looking statements are subject to risks and uncertainties and are based on assumptions that may prove to be inaccurate, which could cause actual results to differ materially from those expected or implied by the forward-looking statements. Actual results may differ materially from the results predicted, and reported results should not be considered as an indication of future performance. Important risks and uncertainties that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the following: our ability to attract new members and enter new markets; our ability to maintain a high rating for our plans on the Five Star Quality Rating System; risks associated with being a government contractor; changes in laws and regulations applicable to our business model; changes in market or industry conditions and receptivity to our technology and services; results of litigation or a security incident; the impact of shortages of qualified personnel and related increases in our labor costs; and the impact of COVID-19 on our business and results of operation. For a detailed discussion of the risk factors that could affect our actual results, please refer to the risk factors identified in our Annual Report on Form 10-K for the year ended December 31, 2021, and the other periodic reports we file with the SEC. All information provided in this release and in the attachments is as of the date hereof, and we undertake no duty to update or revise this information unless required by law.

Condensed Consolidated Balance Sheets
(in thousands, except par value and share amounts)
(Unaudited)

	<u>March 31, 2022</u>	<u>December 31, 2021</u>
Assets		
Current Assets:		
Cash	\$ 448,835	\$ 466,600
Accounts receivable (less allowance for credit losses of \$119 at March 31, 2022 and \$111 at December 31, 2021, respectively)	84,527	58,512
Prepaid expenses and other current assets	32,829	27,747
Total current assets	<u>566,191</u>	<u>552,859</u>
Property and equipment, net	31,747	30,358
Right of use asset, net	7,354	7,853
Goodwill and intangible assets, net	36,345	35,116
Other assets	4,977	4,709
Total assets	<u>\$ 646,614</u>	<u>\$ 630,895</u>
Liabilities and Stockholders' Equity		
Current Liabilities:		
Medical expenses payable	\$ 154,963	\$ 125,886
Accounts payable and accrued expenses	16,443	17,431
Accrued compensation	23,564	23,928
Total current liabilities	<u>194,970</u>	<u>167,245</u>
Long-term debt, net of debt issuance costs	152,256	150,620
Long-term portion of lease liabilities	6,103	6,975
Total liabilities	<u>353,329</u>	<u>324,840</u>
Stockholders' Equity:		
Preferred stock, \$.001 par value; 100,000,000 and 0 shares authorized as of March 31, 2022 and December 31, 2021, respectively; no shares issued and outstanding as of March 31, 2022 and December 31, 2021	-	-
Common stock, \$.001 par value; 1,000,000,000 shares authorized as of March 31, 2022 and December 31, 2021; 187,414,057 and 187,193,613 shares issued and outstanding as of March 31, 2022 and December 31, 2021, respectively	187	187
Additional paid-in capital	916,594	888,547
Accumulated deficit	(623,511)	(582,694)
Total Alignment Healthcare, Inc. stockholders' equity	<u>293,270</u>	<u>306,040</u>
Noncontrolling interest	15	15
Total stockholders' equity	<u>293,285</u>	<u>306,055</u>
Total liabilities and stockholders' equity	<u>\$ 646,614</u>	<u>\$ 630,895</u>

Condensed Consolidated Statements of Operations
(in thousands, except per share amounts)
(Unaudited)

	<u>Three Months Ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Revenues:		
Earned premiums	\$ 345,292	\$ 267,000
Other	234	82

Total revenues	345,526	267,082
Expenses:		
Medical expenses	303,758	251,095
Selling, general, and administrative expenses	74,293	64,914
Depreciation and amortization	3,950	3,737
Total expenses	382,001	319,746
Loss from operations	(36,475)	(52,664)
Other expenses:		
Interest expense	4,401	4,248
Other (income) expenses	(59)	(38)
Total other expenses	4,342	4,210
Loss before income taxes	(40,817)	(56,874)
Provision for income taxes	-	-
Net loss attributable to Alignment Healthcare, Inc.	\$ (40,817)	\$ (56,874)

Total weighted-average common shares outstanding - basic and diluted	178,874,192	154,432,027
Net loss per share - basic and diluted	\$ (0.23)	\$ (0.37)

Condensed Consolidated Statements of Cash Flows
(in thousands)
(Unaudited)

	Three Months Ended March 31,	
	2022	2021
Operating Activities:		
Net loss	\$ (40,817)	\$ (56,874)
Adjustments to reconcile net loss to net cash used in operating activities:		
Provision for credit loss	53	8
Depreciation and amortization	3,993	3,789
Amortization-debt issuance costs and investment discount	566	550
Payment-in-kind interest	1,070	1,015
Equity-based compensation and common stock payments	28,047	20,388
Non-cash lease expense	715	648
Changes in operating assets and liabilities:		
Accounts receivable	(26,050)	(9,326)
Prepaid expenses and other current assets	(5,079)	(9,547)
Other assets	(167)	(6)
Medical expenses payable	29,077	16,069
Accounts payable and accrued expenses	(1,656)	(298)
Accrued compensation	(364)	(3,691)
Lease liabilities	(1,026)	(832)
Net cash used in operating activities	(11,638)	(38,107)
Investing Activities:		
Purchase of business, net of cash received	(1,113)	-
Purchase of investments	(850)	(750)
Sale of investments	750	750
Acquisition of property and equipment	(4,914)	(4,446)
Net cash used in investing activities	(6,127)	(4,446)
Financing Activities:		
Equity repurchase	-	(1,474)
Issuance of common stock	-	390,600
Common stock issuance costs	-	(25,467)
Net cash provided by financing activities	-	363,659
Net increase (decrease) in cash	(17,765)	321,106
Cash and restricted cash at beginning of period	468,350	207,811
Cash and restricted cash at end of period	\$ 450,585	\$ 528,917
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 2,758	\$ 2,682
Supplemental non-cash investing and financing activities:		
Acquisition of property in accounts payable	\$ 331	\$ 474
Purchase of business in accounts payable	\$ 240	\$ -

Common stock issuance costs included in accounts payable and accrued expenses \$ - \$ 3,532

The following table provides a reconciliation of cash and restricted cash reported within the condensed consolidated balance sheets to the total above:

	<u>March 31, 2022</u>	<u>March 31, 2021</u>
Cash	\$ 448,835	\$ 528,417
Restricted cash in other assets	1,750	500
Total	<u>\$ 450,585</u>	<u>\$ 528,917</u>

Non-GAAP Financial Measures

Certain of these financial measures are considered “non-GAAP” financial measures within the meaning of Item 10 of Regulation S-K promulgated by the SEC. We believe that non-GAAP financial measures provide an additional way of viewing aspects of our operations that, when viewed with the GAAP results, provide a more complete understanding of our results of operations and the factors and trends affecting our business. These non-GAAP financial measures are also used by our management to evaluate financial results and to plan and forecast future periods. However, non-GAAP financial measures should be considered as a supplement to, and not as a substitute for, or superior to, the corresponding measures calculated in accordance with GAAP. Non-GAAP financial measures used by us may differ from the non-GAAP measures used by other companies, including our competitors. To supplement our consolidated financial statements presented on a GAAP basis, we disclose the following non-GAAP measures: Medical Benefits Ratio, Adjusted EBITDA and Adjusted Gross Profit as these are performance measures that our management uses to assess our operating performance. Because these measures facilitate internal comparisons of our historical operating performance on a more consistent basis, we use these measures for business planning purposes and in evaluating acquisition opportunities.

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP financial measure that we define as net loss before interest expense, income taxes, depreciation and amortization expense, reorganization and transaction-related expenses and equity-based compensation expense.

Adjusted EBITDA should not be considered in isolation of, or as an alternative to, measures prepared in accordance with GAAP. There are a number of limitations related to the use of Adjusted EBITDA in lieu of net loss, which is the most directly comparable financial measure calculated in accordance with GAAP.

Our use of the term Adjusted EBITDA may vary from the use of similar terms by other companies in our industry and accordingly may not be comparable to similarly titled measures used by other companies.

Medical Benefits Ratio (MBR)

We calculate our MBR by dividing total medical expenses excluding depreciation and equity-based compensation by total revenues in a given period.

Adjusted Gross Profit

Adjusted Gross Profit is a non-GAAP financial measure that we define as loss from operations before depreciation and amortization, clinical equity-based compensation expense, and selling, general, and administrative expenses.

Adjusted Gross Profit should not be considered in isolation of, or as an alternative to, measures prepared in accordance with GAAP. There are a number of limitations related to the use of Adjusted Gross Profit in lieu of loss from operations, which is the most directly comparable financial measure calculated in accordance with GAAP.

Our use of the term Adjusted Gross Profit may vary from the use of similar terms by other companies in our industry and accordingly may not be comparable to similarly titled measures used by other companies.

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