

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2023

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from      to

Commission File Number: 001-40295

**ALIGNMENT HEALTHCARE, INC.**

(Exact Name of Registrant as Specified in its Charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**1100 W. Town and Country Road, Suite 1600**

**Orange, California**

(Address of principal executive offices)

**46-5596242**

(I.R.S. Employer  
Identification No.)

**92868**

(Zip Code)

**Registrant's telephone number, including area code: (844) 310-2247**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	ALHC	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of October 30, 2023, the registrant had 189,099,787 shares of common stock, \$0.001 par value per share, outstanding.

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## FORWARD-LOOKING STATEMENTS

Throughout this quarterly report on Form 10-Q (this “Quarterly Report”), we make “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact included in this Quarterly Report are forward-looking statements. Forward-looking statements give our current expectations relating to our financial condition, results of operations, plans, objectives, future performance and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as “anticipate,” “estimate,” “expect,” “project,” “plan,” “intend,” “believe,” “may,” “will,” “should,” “can have,” “likely” and other words and terms of similar meaning. The forward-looking statements contained in this Quarterly Report are generally located in the material set forth under the heading “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” but may be found in other locations as well. These statements are based upon management’s current expectations, assumptions and estimates and are not guarantees of timing, future results or performance. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expected, including:

- our history of net losses, and our ability to achieve or maintain profitability in an environment of increasing expenses;
- the effect of our relatively limited operating history on investors’ ability to evaluate our current business and future prospects;
- the viability of our growth strategy and our ability to realize expected results;
- our ability to attract new members and to successfully enter into new markets;
- the quality and pricing of our products and services;
- our ability to maintain a high rating for our plans on the Five Star Quality Rating System;
- our ability to develop and maintain satisfactory relationships with care providers that service our members;
- our ability to manage our growth effectively, execute our business plan, maintain high levels of service and member satisfaction or adequately address competitive challenges;
- our ability to compete in the healthcare industry;
- the impact of the COVID-19 pandemic or any other pandemic, epidemic or outbreak of an infectious disease in the United States or worldwide on our business, financial condition and results of operations;
- the impact on our business of security breaches, loss of data or other disruptions causing the compromise of sensitive information or preventing us from accessing critical information;
- the impact on our business of disruptions in our disaster recovery systems or management continuity planning;
- the cost of legal proceedings and litigation, including intellectual property and privacy disputes;
- our dependence on reimbursements by the Centers for Medicare and Medicaid Services (“CMS”) and premium payments by individuals;
- other risks associated with being a government contractor;
- the impact on our business of the healthcare services industry becoming more cyclical;

- our ability to manage acquisitions, divestitures and other significant transactions successfully;
- our ability to maintain, enhance and protect our reputation and brand recognition;
- our ability to effectively invest in, implement improvements to and properly maintain the uninterrupted operation and data integrity of our information technology and other business systems;
- our ability to obtain, maintain, protect and enforce intellectual property protection for our technology;
- the potential adverse impact of claims by third parties that we are infringing on, misappropriating or otherwise violating their intellectual property rights;
- the impact of any restrictions on our use of or ability to license data or our failure to license data and integrate third-party technologies;
- our dependence on our senior management team and other key employees;
- the concentration of our health plans in a limited number of U.S. states;
- our management team's limited experience managing a public company;
- our ability to generate sufficient cash flow to service all of our indebtedness and the potential impact of certain affirmative and negative covenants in our term loan agreement on our business;
- the impact of shortages of qualified personnel and related increases in our labor costs;
- the risk that our records may contain inaccurate or unsupportable information regarding risk adjustment scores of members;
- our ability to accurately estimate incurred but not reported medical expenses;
- the impact of negative publicity regarding the managed healthcare industry;
- the impact of weather and other factors beyond our control on our clinics, the centers out of which our external providers operate, and the facilities that host our AVA platform (as defined below);
- the impact on our business of renegotiation, non-renewal or termination of risk agreements with hospitals, physicians, nurses, pharmacists and medical support staff;
- risks associated with estimating the amount of liabilities that we recognize under our risk agreements with providers;
- our ability to respond to general economic conditions, including but not limited to, increased inflation and higher interest rates;
- risks associated with an economic downturn, including pressure on governmental budgets and reduced spending for health and human service programs;
- our ability to develop and maintain proper and effective internal control over financial reporting;
- the impact of state and federal efforts to reduce Medicare spending;

- our ability to comply with applicable federal, state and local rules and regulations, including those relating to data privacy and security; and
- other factors disclosed in the section entitled “Risk Factors” and elsewhere in this Quarterly Report.

We derive many of our forward-looking statements from our operating budgets and forecasts, which are based on many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. Important factors that could cause actual results to differ materially from our expectations, or cautionary statements, are disclosed under the sections entitled “*Risk Factors*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” in this Quarterly Report.

All written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by these cautionary statements as well as other cautionary statements that are made from time to time in our other SEC filings and public communications. You should evaluate all forward-looking statements made in this Quarterly Report in the context of these risks and uncertainties.

We caution you that the important factors referenced above may not contain all of the factors that are important to you. In addition, we cannot assure you that we will realize the results or developments we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our operations in the way we expect. The forward-looking statements included in this Quarterly Report are made only as of the date hereof. We undertake no obligation to update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

**Alignment Healthcare, Inc.**  
**Condensed Consolidated Balance Sheets**  
(amounts in thousands, except par value and share amounts)  
(Unaudited)

	September 30, 2023	December 31, 2022
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 391,643	\$ 409,549
Accounts receivable (less allowance for credit losses of \$91 at September 30, 2023 and \$0 at December 31, 2022, respectively)	105,523	92,890
Short-term investments	123,926	—
Prepaid expenses and other current assets	45,878	42,107
Total current assets	666,970	544,546
Property and equipment, net	47,162	37,169
Right of use asset, net	10,472	5,825
Goodwill and intangible assets, net	40,106	40,288
Other assets	6,082	6,035
Total assets	\$ 770,792	\$ 633,863
<b>Liabilities and Stockholders' Equity</b>		
Current Liabilities:		
Medical expenses payable	\$ 203,435	\$ 170,135
Accounts payable and accrued expenses	25,356	31,980
Deferred premium revenue	146,342	308
Accrued compensation	35,141	27,538
Total current liabilities	410,274	229,961
Long-term debt, net of debt issuance costs	161,595	160,902
Long-term portion of lease liabilities	9,318	3,698
Total liabilities	581,187	394,561
Commitments and Contingencies (Note 12)		
Stockholders' Equity:		
Preferred stock, \$.001 par value; 100,000,000 and 100,000,000 shares authorized as of September 30, 2023 and December 31, 2022, respectively; no shares issued and outstanding as of September 30, 2023 and December 31, 2022	—	—
Common stock, \$.001 par value; 1,000,000,000 shares authorized as of September 30, 2023 and December 31, 2022; 188,911,520 and 187,280,015 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively	189	187
Additional paid-in capital	1,021,363	970,180
Accumulated deficit	(833,049)	(732,241)
Total Alignment Healthcare, Inc. stockholders' equity	188,503	238,126
Noncontrolling interest	1,102	1,176
Total stockholders' equity	189,605	239,302
Total liabilities and stockholders' equity	\$ 770,792	\$ 633,863

See accompanying notes to unaudited condensed consolidated financial statements.

**Alignment Healthcare, Inc.**  
**Condensed Consolidated Statements of Operations**  
(amounts in thousands, except share and per share amounts)  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>Revenues:</b>				
Earned premiums	\$ 450,235	\$ 359,978	\$ 1,341,924	\$ 1,071,450
Other	6,474	370	16,319	898
Total revenues	456,709	360,348	1,358,243	1,072,348
<b>Expenses:</b>				
Medical expenses	397,879	312,850	1,204,838	923,877
Selling, general, and administrative expenses	83,089	76,452	223,696	212,418
Depreciation and amortization	5,497	4,456	15,613	12,586
Total expenses	486,465	393,758	1,444,147	1,148,881
Loss from operations	(29,756)	(33,410)	(85,904)	(76,533)
<b>Other expenses:</b>				
Interest expense	5,466	4,605	15,747	13,496
Other expenses (income)	(145)	(131)	(711)	252
Loss on extinguishment of debt	—	2,196	—	2,196
Total other expenses	5,321	6,670	15,036	15,944
Loss before income taxes	(35,077)	(40,080)	(100,940)	(92,477)
Provision for income taxes	—	167	2	167
Net loss	\$ (35,077)	\$ (40,247)	\$ (100,942)	\$ (92,644)
Less: Net loss attributable to noncontrolling interest	30	—	134	—
Net loss attributable to Alignment Healthcare, Inc.	\$ (35,047)	\$ (40,247)	\$ (100,808)	\$ (92,644)
Total weighted-average common shares outstanding - basic and diluted	187,328,318	182,123,363	185,493,345	180,765,300
Net loss per share - basic and diluted	\$ (0.19)	\$ (0.22)	\$ (0.54)	\$ (0.51)

See accompanying notes to unaudited condensed consolidated financial statements.

**Alignment Healthcare, Inc.**  
**Condensed Consolidated Statements of Stockholders' Equity**  
**(amounts in thousands, except par value and share amounts)**  
**(Unaudited)**

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Noncontrolling Interest	Total
	Shares	Amount				
<b>Balance at June 30, 2023</b>	188,512,765	\$ 188	\$ 1,007,794	\$ (798,002)	\$ 1,132	\$ 211,112
Net loss	—	—	—	(35,047)	(30)	(35,077)
Issuance of common stock upon vesting of restricted stock units	419,130	1	—	—	—	1
Forfeitures	(20,375)	—	—	—	—	—
Equity-based compensation	—	—	13,569	—	—	13,569
<b>Balance at September 30, 2023</b>	188,911,520	\$ 189	\$ 1,021,363	\$ (833,049)	\$ 1,102	\$ 189,605
	Common Stock					
	Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Noncontrolling interest	Total
<b>Balance at June 30, 2022</b>	187,271,311	\$ 187	\$ 928,608	\$ (635,091)	\$ —	\$ 293,704
Net loss	—	—	—	(40,247)	—	(40,247)
Issuance of common stock upon vesting of restricted stock units	956	—	—	—	—	—
Forfeitures	(8,291)	—	—	—	—	—
Equity-based compensation	—	—	18,687	—	—	18,687
<b>Balance at September 30, 2022</b>	187,263,976	\$ 187	\$ 947,295	\$ (675,338)	\$ —	\$ 272,144

See accompanying notes to unaudited condensed consolidated financial statements.

**Alignment Healthcare, Inc.**  
**Condensed Consolidated Statements of Stockholders' Equity**  
**(amounts in thousands, except par value and share amounts)**  
**(Unaudited)**

	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Noncontrolling interest</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>				
<b>Balance at December 31, 2022</b>	187,280,015	\$ 187	\$ 970,180	\$ (732,241)	\$ 1,176	\$ 239,302
Net loss	—	—	—	(100,808)	(134)	(100,942)
Issuance of common stock upon vesting of restricted stock units	1,667,102	2	—	—	—	2
Forfeitures	(35,597)	—	—	—	—	—
Equity-based compensation	—	—	51,183	—	—	51,183
Repurchase of noncontrolling interest attributable to subsidiary	—	—	—	—	60	60
<b>Balance at September 30, 2023</b>	<u>188,911,520</u>	<u>\$ 189</u>	<u>\$ 1,021,363</u>	<u>\$ (833,049)</u>	<u>\$ 1,102</u>	<u>\$ 189,605</u>

	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Noncontrolling interest</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>				
<b>Balance at December 31, 2021</b>	187,193,613	\$ 187	\$ 888,547	\$ (582,694)	\$ 15	\$ 306,055
Net loss	—	—	—	(92,644)	—	(92,644)
Issuance of common stock upon vesting of restricted stock units	433,440	—	—	—	—	—
Forfeitures	(363,077)	—	—	—	—	—
Equity-based compensation	—	—	58,833	—	—	58,833
Repurchase of noncontrolling interest attributable to subsidiary	—	—	(85)	—	(15)	(100)
<b>Balance at September 30, 2022</b>	<u>187,263,976</u>	<u>\$ 187</u>	<u>\$ 947,295</u>	<u>\$ (675,338)</u>	<u>\$ —</u>	<u>\$ 272,144</u>

See accompanying notes to unaudited condensed consolidated financial statements.

**Alignment Healthcare, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
(amounts in thousands)  
(Unaudited)

	Nine Months Ended September 30,	
	2023	2022
<b>Operating Activities:</b>		
Net loss	\$ (100,942)	\$ (92,644)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Provision for credit loss	91	150
(Gain) loss on sublease	(289)	510
Depreciation and amortization	15,807	12,735
Amortization-investment discount	(3,349)	(8)
Amortization-debt issuance costs	1,037	1,616
Amortization of payment-in-kind interest	—	2,943
Equity-based compensation	51,183	58,833
Non-cash lease expense	1,653	2,151
Loss on extinguishment of debt	—	2,196
Changes in operating assets and liabilities:		
Accounts receivable	(12,724)	(29,840)
Prepaid expenses and other current assets	(3,771)	(8,742)
Other assets	(119)	(137)
Medical expenses payable	33,299	45,509
Accounts payable and accrued expenses	(4,613)	2,030
Deferred premium revenue	146,034	116,298
Accrued compensation	7,604	7,484
Lease liabilities	(2,622)	(3,126)
Payment-in-kind interest	—	(14,122)
Net cash provided by operating activities	<u>128,279</u>	<u>103,836</u>
<b>Investing Activities:</b>		
Purchase of business, net of cash received	—	(2,393)
Purchase of investments	(281,582)	(2,825)
Maturities of investments	160,735	2,425
Acquisition of property and equipment	(25,398)	(17,317)
Net cash used in investing activities	<u>(146,245)</u>	<u>(20,110)</u>
<b>Financing Activities:</b>		
Repurchase of noncontrolling interest	—	(100)
Issuance of long-term debt	—	165,000
Debt issuance costs	—	(4,601)
Repayment of long-term debt	—	(143,179)
Contributions from noncontrolling interest holders	60	—
Net cash provided by financing activities	<u>60</u>	<u>17,120</u>
Net decrease in cash	(17,906)	100,846
Cash, cash equivalents and restricted cash at beginning of period	411,299	468,350
Cash, cash equivalents and restricted cash at end of period	<u>\$ 393,393</u>	<u>\$ 569,196</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	\$ 13,943	\$ 22,447
<b>Supplemental non-cash investing and financing activities:</b>		
Acquisition of property in accounts payable	\$ 117	\$ 290
Purchase of business in accounts payable	\$ —	\$ 375

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

	<u>September 30, 2023</u>	<u>September 30, 2022</u>
Cash and cash equivalents	\$ 391,643	\$ 567,446
Restricted cash in other assets	1,750	1,750
Total	<u>\$ 393,393</u>	<u>\$ 569,196</u>

See accompanying notes to unaudited condensed consolidated financial statements.

**Alignment Healthcare, Inc.**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
**(amounts in thousands, except share amounts)**

**1. Organization**

Alignment Healthcare, Inc. (collectively, “we” or “us” or “our” or the “Company”), is a next generation, consumer-centric health care platform that is purpose-built to provide seniors with high quality, affordable care with a vastly improved consumer experience. Enabled by our innovative technology and care delivery model, the Company focuses on improving outcomes in the Medicare Advantage sector. The Company’s operations primarily consist of Medicare Advantage Plans in the states of California, North Carolina, Nevada, Arizona, Florida and Texas.

**2. Summary of Significant Accounting Policies**

***Basis of Presentation***

The accompanying condensed consolidated financial statements and accompanying notes have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The condensed consolidated financial statements include the accounts of the Company, our subsidiaries, and three immaterial variable interest entities in which we are the primary beneficiary. All intercompany transactions have been eliminated in consolidation. Noncontrolling interest is presented within the equity section of the condensed consolidated balance sheets.

We have no components of other comprehensive income (loss), and accordingly, comprehensive income (loss) is the same as the net income (loss) for all periods presented.

***Use of Estimates***

The preparation of the condensed consolidated financial statements requires management to make estimates and judgments that affect the amounts reported in the condensed consolidated financial statements. Our significant estimates include, but are not limited to, the determination of medical expenses payable; the impact of risk adjustment provisions related to our Medicare contracts; collectability of receivables; valuation of related impairment recognition of long-lived assets, including goodwill and intangible assets; equity-based compensation expense; and contingent liabilities. Estimates and judgments are based upon historical information and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ materially from those estimates and the impact of any change in estimates is included in earnings in the period in which the estimate is adjusted.

***Segments***

We have determined that our chief executive officer is the chief operating decision maker (“CODM”) who regularly reviews financial operating results on a consolidated basis for purposes of allocating resources and evaluating financial performance. We operate and manage the business as one reportable segment and one operating segment, which is to provide healthcare services to our seniors. Factors used in determining the reportable segment include the nature of operating activities, our organizational and reporting structure, and the type of information reviewed by the CODM to allocate resources and evaluate financial performance. All of our assets are located in the United States.

***Fair Value Measurements***

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Our current assets and current liabilities approximate fair value because of the short-term nature of these financial instruments. Financial instruments measured at fair value on a recurring basis were based upon a three-tier hierarchy as follows:

***Level 1*** - Quoted prices in active markets for identical assets or liabilities

***Level 2*** - Other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability

***Level 3*** - Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the asset or liability at the measurement date

The fair value of cash, cash equivalents, restricted cash and U.S. Treasury bills was determined based on Level 1 inputs. The fair value of certificate of deposits, which are recorded in other assets in the condensed consolidated balance sheets, was determined based on

Level 2 inputs. There were no assets or liabilities measured at fair value using Level 3 inputs as of September 30, 2023 and December 31, 2022. Our long-term debt was reported at carrying value.

### **Revenue and Accounts Receivable**

Earned premium revenue consisted of premium revenue and capitation revenue for the three and nine months ended September 30, 2023 and 2022 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Premium	\$ 417,867	\$ 345,415	\$ 1,242,311	\$ 1,027,400
Capitation	32,368	14,563	99,613	44,050
<b>Total</b>	<b>\$ 450,235</b>	<b>\$ 359,978</b>	<b>\$ 1,341,924</b>	<b>\$ 1,071,450</b>

Premium revenue is derived monthly from the federal government based on our contracts with the Centers for Medicare and Medicaid Services (“CMS”). In accordance with these arrangements, we assume the responsibility for the outcomes and the economic risk of funding our members’ health care, supplemental benefits and related administration costs. We recognize premium revenue in the month that members are entitled to receive health care services, and premiums collected in advance are deferred. The monthly reimbursement includes a fixed payment per member per month (“PMPM”), which is adjusted based on certain risk factors derived from medical diagnoses and conditions of our members. The adjustments are estimated by projecting the ultimate annual premium and are recognized ratably during the year, with adjustments each period to reflect changes in the estimated ultimate premium. Premiums are also recorded net of estimated uncollectible amounts and retroactive membership adjustments.

Capitation revenue consists primarily of capitated fees for medical care services provided by us under arrangements with third-party payors and from CMS related to our participation in the CMS “ACO Realizing Equity, Access, and Community Health Model” or “ACO REACH” model, as discussed below.

Under those arrangements with third-party payors, we receive a PMPM payment for a defined member population, and we are responsible for providing health care services to the member population over the contract period. We are solely responsible for the cost of health care services related to the member population and in some cases, we are financially responsible for the supplemental benefits provided by us to the members. We act as a principal in arranging for and controlling the services provided by our provider network and we are at risk for arranging and providing health care services.

The premium and capitation payments we receive monthly from CMS for our members are determined from our annual bid or similarly from third-party payors under our capitation arrangement. These payments represent revenues for providing health care coverage, including Medicare Part D benefits. Under the Medicare Part D program, our members and the members of the third-party payors receive standard drug benefits. We may also provide enhanced benefits at our own expense. We recognize premium or capitation revenue for providing this insurance coverage in the month that members are entitled to receive health care services and any premium or capitation collected in advance is deferred. Our CMS payment related to Medicare Part D is subject to risk sharing through the Medicare Part D risk corridor provisions.

On April 1, 2021, we began participating in the CMS Innovation’s Direct Contracting Model. CMS serves as the claim adjudicator for institutional and specialists care, and directly pays for such fee for service claims. CMS replaced the Direct Contracting Entity (“DCE”) program with the ACO REACH model, effective January 1, 2023. The ACO REACH entity (“ACO”) is responsible for the cost of health care services related to the patient population attributed to the ACO by participating in 100% savings/losses via the risk share model and in some cases, are financially responsible for the supplemental benefits provided to the patients. The ACO acts as a principal in arranging for and controlling services provided directly by their contracts with primary care physicians, as well as services provided by preferred institutional care providers and specialists. Capitation payments for the ACO program are determined from an annual benchmark established by CMS. These payments, which are adjusted for variable considerations, represent revenue for providing health care services, including primary care as well as institutional and specialist care. The ACO recognizes capitation revenue for providing these services in the period in which the performance obligations are satisfied by transferring services to the members. Revenue recognized by the ACO for the three and nine months ended September 30, 2023 was \$30,476 and \$92,703, respectively. Revenue recognized by the DCE for the three and nine months ended September 30, 2022 was \$12,341 and \$37,753, respectively.

Interest income earned on our cash deposits and short-term investments is included within other revenue on the condensed consolidated statements of operations. Interest income for the three and nine months ended September 30, 2023 was \$5,523 and \$13,967, respectively. Interest income for the three and nine months ended September 30, 2022 was \$29 and \$37, respectively.

### **Revenue Adjustments**

Payments by CMS to health plans are determined via a competitive bidding process with CMS and are based upon the cost of care in a local market and the average utilization of services by the member enrolled. These payments are subject to periodic adjustments under CMS' "risk adjustment model," which compensates health plans based on the health severity and certain demographic factors of each individual member. Members diagnosed with certain conditions are paid at a higher monthly payment than members who are healthier. Under this risk adjustment model, CMS calculates the risk adjustment payment using diagnosis data from hospital inpatient, hospital outpatient, and physician treatment settings. The Company and health care providers collect, capture, and submit the necessary and available diagnosis data to CMS within prescribed deadlines. Both premium and capitation revenues (including Medicare Part D) are subject to adjustments under the risk adjustment model.

Throughout the year, we estimate risk adjustment payments based upon the diagnosis data submitted and expected to be submitted to CMS. Those estimated risk adjustment payments are recorded as an adjustment to premium and capitation revenue. Our risk adjustment data is also subject to review by the government, including audit by regulators.

Our recognized premium revenue for our Medicare Advantage Plans in California, North Carolina, Nevada, Arizona, Texas and Florida are each subject to a minimum annual medical loss ratio ("MLR") of 85%. The MLR represents medical costs as a percentage of premium revenue. The Code of Federal Regulations defines what constitutes medical costs and premium revenue, including certain additional expenses related to improving the quality of care provided, and the exclusion of certain taxes and fees, in each case as permitted or required by CMS and applicable regulatory requirements. If the minimum MLR is not met, we are required to remit a portion of the premiums back to the federal government. The amount remitted, if any, is recognized as an adjustment to premium revenues in the condensed consolidated statements of operations. The amounts payable under this provision were immaterial at September 30, 2023 and December 31, 2022.

Medicare Part D payments are also subject to a federal risk corridor program, which limits a health plan's overall losses or profit if actual spending for basic Medicare Part D benefits is much higher or lower than what was anticipated. Risk corridor is recorded within premium revenue. The risk corridor provisions compare costs targeted in our bids or third-party payors' bids to actual prescription drug costs, limited to actual costs that would have been incurred under the standard coverage as defined by CMS. Variances exceeding certain thresholds may result in CMS or third-party payors making additional payments to us or require us to refund a portion of the premiums we received. We estimate and recognize an adjustment to premium revenue related to these provisions based upon pharmacy claims experience. We record a receivable or payable at the contract level and classify the amount as current or long-term in our condensed consolidated balance sheet based on the timing of expected settlement.

Variable consideration estimates related to ACO contract revenue are based on the most likely outcome method and that a significant reversal in the amount of cumulative revenue recognized would not occur.

Receivables, including risk adjusted premium due from the government or through third-party payors, pharmacy rebates, and other receivables, are shown net of allowances for credit losses and retroactive membership adjustments.

We typically receive our monthly premium payments from CMS on the first day of the month. However, as the first day of October did not occur on a business day, we received the October premium payment on the last day of September. Accordingly, at September 30, 2023, we recorded deferred premium revenue of \$146,342. This amount will be recognized as part of revenue in October 2023. Historically we have presented deferred premium revenue within accounts payable and accrued expenses within the condensed consolidated balance sheet. However, this period we have presented deferred premium revenue as a separate line item and have reclassified prior period balances for comparative purposes. At December 31, 2022, deferred premium revenue was \$308.

### **Property and Equipment—Net**

Depreciation expense is computed using the straight-line method generally based on the following estimated useful lives:

Description	Estimated Service Lives (years)
Computer and equipment	5
Office equipment and furniture	5-7
Software	3-5
Leasehold improvements	15 (or lease term, if shorter)

Depreciation expense related to property and equipment used to service our members or at our clinics are included within medical expenses in the condensed consolidated statements of operations.

### **Medical Expenses**

Medical expenses include claim payments, capitation payments, pharmacy costs net of rebates, allocations of certain centralized expenses, internal care delivery expenses and various other costs incurred to provide health insurance coverage and care to members, as well as estimates of future payments to hospitals and others for medical care and other supplemental benefits provided.

We have contracts with a network of hospitals, physicians, and other providers and compensate those providers and ancillary organizations based on contractual arrangements or CMS Medicare compensation guidelines. We pay these contracting providers either through fee-for-service arrangement in which the provider is paid negotiated rates for specific services provided or a capitation payment, which represent monthly contractual fees disbursed for each member regardless of medical services provided to the member. We are responsible for the entirety of the cost of health care services related to the member population, in addition to supplemental benefits provided by us to our seniors. We also record claims expenses related to our institutional and specialist care related to our ACO program with CMS as we act as the principal in the transaction.

Capitation-related expenses are recorded on an accrual basis during the coverage period. Expenses related to fee-for-service contracts are recorded in the period in which the related services are dispensed.

Pharmacy costs represent payments for members' prescription drug benefits, net of rebates from drug manufacturers. Receivables for such pharmacy rebates are included in accounts receivable in the condensed consolidated balance sheet.

In August 2022, the Inflation Reduction Act ("IRA") was signed into law. The law intends to increase tax revenue and reduce Medicare costs through lower prescription drug prices, inflation rebates, and capping annual Medicare Part D out of pocket expenses. The provisions of the law are set to take effect over the next seven years. We are in the process of evaluating the impact the IRA will have on our business.

### ***Medical Expenses Payable***

Medical expenses payable includes estimates of our obligations for medical care services that have been rendered on behalf of our members and the members of the third-party payors, but for which claims have either not yet been received or processed, loss adjustment expense reserve for the expected costs of settling these claims, and for liabilities related to physician, hospital, and other medical cost disputes.

We develop estimates for medical expenses incurred but not yet paid ("IBNP"), which includes an estimate for claims incurred but not reported ("IBNR") and a payable for adjudicated claims. IBNR is estimated using an actuarial process that is consistently applied and centrally controlled. Medical expenses payable also includes an estimate for the costs necessary to process unpaid claims at the end of each period. We estimate the IBNR liability using actuarial methods that are commonly used by health insurance actuaries and meet Actuarial Standards of Practice. These actuarial methods consider factors, such as cost trends and completion factors that are assessed based on historical data for payment patterns, product mix, seasonality, utilization of health care services, and other relevant factors. Each period, we re-examine previously established IBNR estimates based on actual claim submissions and other changes in facts and circumstances. As the IBNR estimates recorded in prior periods develop, we adjust the amount of the estimates and include the changes in estimates in medical expenses in the period in which the change is identified.

Actuarial Standards of Practice generally require that the IBNP estimates be adequate to cover obligations under moderately adverse conditions. Moderately adverse conditions are situations in which the actual claims are expected to be higher than the otherwise estimated value of such claims at the time of estimate. In many situations, the claims amount ultimately settled will be different than the estimate that satisfies the Actuarial Standards of Practice. We include in our IBNP an estimate for medical claims liability under moderately adverse conditions, which represents the risk of adverse deviation of the estimates in our actuarial method of reserving. We believe that medical expenses payable is adequate to cover future claims payments required. However, such estimates are based on knowledge of current events and anticipated future events. Therefore, the actual liability could differ materially from the amounts provided.

We reassess the profitability of contracts for providing coverage to members when current operating results or forecasts indicate probable future losses. A premium deficiency reserve is established in current operations to the extent that the sum of expected future costs, claim adjustment expenses, and maintenance costs exceed related future premiums under contracts without consideration of investment income. For purposes of determining premium deficiencies, contracts are grouped in a manner consistent with the method of acquiring, servicing, and measuring the profitability of such contracts. Losses recognized as a premium deficiency result in a beneficial effect in subsequent periods as operating losses under these contracts are charged to the liability previously established.

### ***Part D Subsidies***

We also receive advance payments each month from CMS related to Catastrophic Reinsurance, Coverage Gap Discount, and the Low-Income Member Cost Sharing Subsidy ("Subsidies"). Reinsurance subsidies represent funding from CMS for our portion of prescription drug costs, which exceed the member's out-of-pocket threshold or the catastrophic coverage level. Low-income cost subsidies represent funding from CMS for all or a portion of the deductible, the coinsurance and co-payment amounts above the out-of-pocket threshold for

low-income beneficiaries. Additionally, the Health Care Reform Law mandates consumer discounts of 75% on brand-name prescription drugs for Part D plan participants in the coverage gap. The majority of the discounts are funded by the pharmaceutical manufacturers, while we fund a smaller portion and administer the application of the total discount. These Subsidies represent cost reimbursements under the Medicare Part D program and are recorded as deposits or payables.

These Subsidies received in excess of, or less than, actual subsidized benefits paid are refundable to or recoverable from CMS through an annual reconciliation process following the end of the contract year.

### ***Shared Risk Reserve Arrangements***

We established a fund (also referred to as “a pool”) for risk and profit-sharing with various independent physician associations (“IPAs”). The pool enables us and our IPAs to share in the financial responsibility and/or upside associated with providing covered medical expenses to our members. The risk pool is based on a contractually agreed upon medical budget, typically based upon a percentage of revenue. If actual medical expenses are less than the budgeted amount, this results in a surplus. Conversely, if actual medical expenses are greater than the budgeted amount, this results in a deficit. We will distribute the surplus, or a portion thereof, to each IPA based upon contractual terms. Deficits are charged to shared risk providers’ risk pool as per the contractual term and evaluated for collectability at each reporting period.

We record risk-sharing receivables and payables on a gross basis on the condensed consolidated balance sheet. Throughout the year, we evaluate expected losses on risk-sharing receivables and record the resulting expected losses to the reserve. We systematically build and release reserves based on adequacy and its assessment of expected losses on a monthly basis. Credit loss associated with risk share deficit receivables are recorded within medical expense in the condensed consolidated statements of operations. As of September 30, 2023 and December 31, 2022, we recorded a valuation allowance for substantially all of the risk-sharing receivable balance due to collection risk related to the balance. The risk-sharing payable is included within medical expenses payable on the condensed consolidated balance sheet.

### ***Concentrations of Credit Risk***

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash deposits and restricted investments with financial institutions. Accounts at each financial institution are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to certain limits. At September 30, 2023 and December 31, 2022, there was \$390,047 and \$408,047, respectively, in excess of FDIC-insured limits.

### ***Equity-Based Compensation***

Equity-based compensation expense is measured and recognized based on the grant date fair value of the awards. The grant date fair value of stock options is estimated using the Black-Scholes option pricing model. The grant date fair value of restricted stock units (“RSUs”) and restricted stock awards (“RSAs”) is estimated based on the fair value of our underlying common stock.

The Black-Scholes option pricing model requires the use of highly subjective assumptions, including the award’s expected term, the fair value of the underlying common stock, the expected volatility of the price of the common stock, risk-free interest rates, and the expected dividend yield of the common stock. The assumptions used to determine the fair value of the stock-based awards are management’s best estimates and involve inherent uncertainties and the application of judgment. The expected term represents the period the stock-based awards are expected to be outstanding. As we do not have sufficient historical experience for determining the expected term of the stock option awards granted, we utilize the simplified method available under U.S. GAAP. As we do not have a substantial trading history, volatility assumptions were developed using a combination of the Company’s historical volatility and the historical volatilities of a set of peer companies, adjusted for debt-equity leverage. Equity-based compensation expense for awards with service-based vesting only is recognized on a graded vesting schedule over the requisite service period of the awards, which is generally four years.

Equity-based compensation expense for RSU awards with performance-based vesting is recognized over the requisite service period on a graded vesting schedule and is only recognized when the Company concludes that it is probable that the performance condition(s) will be achieved. At each reporting period, the Company reassesses the probability of achieving the performance criteria. Determining whether the performance criteria will be achieved involves judgment, and the estimate of share-based compensation expense may be revised periodically based on changes in the probability of achieving the performance criteria. Revisions are reflected in the period in which the estimate is changed. We account for forfeitures as they occur.

Equity-based compensation is recorded within selling, general and administrative expenses, and medical expenses based on the function of the applicable employee and non-employee.

### ***Noncontrolling interest***

In April 2021, the Company acquired a noncontrolling interest representing the portion of equity ownership in a subsidiary that is not attributable to Alignment Healthcare, Inc. The noncontrolling interest in a subsidiary was initially recognized at estimated fair value and was presented within total equity in the Company's condensed consolidated balance sheets. There was no net loss attributable to the noncontrolling interest for the three and nine months ended September 30, 2022 as the Company was responsible for 100% of the net loss in the first year of operations of that subsidiary. During 2022, the Company purchased this noncontrolling interest and now owns 100% of that subsidiary.

In October 2022, the Company acquired a subsidiary and recorded a noncontrolling interest for the portion of equity ownership not attributable to Alignment Healthcare, Inc. The noncontrolling interest in the subsidiary was initially recognized at estimated fair value on October 1, 2022 and is presented within total equity in the Company's condensed consolidated balance sheet. The net loss attributable to this noncontrolling interest was \$30 and \$134, respectively, for the three and nine months ended September 30, 2023.

### **Net Loss per Share**

Net loss per share is calculated based on net loss attributable to Alignment Healthcare, Inc.'s stockholders. The following table sets forth the computation of basic and diluted net loss per share for the three and nine months ended September 30, 2023 and 2022:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>Numerator:</b>				
Net loss	\$ (35,077)	\$ (40,247)	\$ (100,942)	\$ (92,644)
Less: Net loss attributable to noncontrolling interests	30	—	134	—
Net loss attributable to Alignment Healthcare, Inc.	\$ (35,047)	\$ (40,247)	\$ (100,808)	\$ (92,644)
<b>Denominator:</b>				
Total weighted-average common shares outstanding - basic and diluted	188,657,282	187,267,619	188,241,025	187,216,118
Less: Restricted shares of common stock	(1,328,964)	(5,144,256)	(2,747,680)	(6,450,818)
Total weighted-average common shares outstanding, net of restricted shares of common stock - basic and diluted	187,328,318	182,123,363	185,493,345	180,765,300
<b>Net loss per share:</b>				
Net loss per share - basic and diluted	\$ (0.19)	\$ (0.22)	\$ (0.54)	\$ (0.51)

Basic net loss per share is the same as diluted net loss per share for certain periods presented as the inclusion of all potentially dilutive shares would have been anti-dilutive.

In addition to the restricted shares of common stock, we also excluded the following potential common shares, presented based on amounts outstanding at each period end, from the computation of diluted net loss per share as of September 30, 2023 and 2022:

	September 30,	
	2023	2022
Stock options	10,272,029	10,598,474
Restricted stock units	16,141,534	8,661,679
Total	26,413,563	19,260,153

### **Recent Accounting Pronouncements Adopted**

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board ("FASB") or other standard setting bodies that are adopted by the Company as of the specified effective date. Unless otherwise discussed, the Company believes

that the impact of recently issued standards that are not yet effective will not have a material impact on the Company's consolidated financial position or results of operations upon adoption.

### 3. Fair Value

The following tables present the carrying value and fair value of these financial instruments as of September 30, 2023 and December 31, 2022:

	September 30, 2023			
	Carrying Value	Fair Value		
		Level 1	Level 2	Level 3
U.S. Treasury bills	\$ 125,281	\$ 125,298	\$ —	\$ —
Certificate of deposits	1,777	—	1,777	—
<b>Total</b>	<b>\$ 127,058</b>	<b>\$ 125,298</b>	<b>\$ 1,777</b>	<b>\$ —</b>

  

	December 31, 2022			
	Carrying Value	Fair Value		
		Level 1	Level 2	Level 3
U.S. Treasury bills	\$ 1,383	\$ —	\$ 1,383	\$ —
Certificate of deposits	1,477	—	1,477	—
<b>Total</b>	<b>\$ 2,860</b>	<b>\$ —</b>	<b>\$ 2,860</b>	<b>\$ —</b>

The carrying value of long-term debt represents the outstanding balance, net of unamortized debt issuance costs. As of September 30, 2023 and December 31, 2022, the fair value of our long-term debt approximates the carrying value.

Our nonfinancial assets and liabilities, which include goodwill, intangible assets, property, and equipment, are not required to be measured at fair value on a recurring basis. However, on a periodic basis, or whenever events or changes in circumstances indicate that their carrying value may not be recoverable, we assess these assets for impairment. There was no such impairment as of September 30, 2023 and December 31, 2022.

#### U.S. Treasury Securities Investments

As of September 30, 2023, the Company had \$123,876 of investments in U.S. Treasury bills which were classified as held to maturity and carried at amortized cost. These investments are included in short-term investments in the condensed consolidated balance sheets as the original maturities are greater than three months and less than twelve months. The Company has the intent and ability to hold these securities to maturity and gross unrecognized gains were \$17. There were no U.S. treasury security investments included within short-term investments as of December 31, 2022.

As of September 30, 2023, the Company had \$28 of investments in U.S. Treasury bills with an original maturity of less than three months. These investments are considered cash equivalents and are included in cash and cash equivalents in the condensed consolidated balances sheets. There were no U.S. treasury security investments included within cash and cash equivalents as of December 31, 2022.

#### Restricted Investments

Restricted investments are composed of investments in U.S. Treasury bills and certificates of deposits and are included within other assets in the condensed consolidated balance sheets. As of September 30, 2023 and December 31, 2022, the Company had \$1,405 and \$1,383 of restricted investments in U.S. Treasury bills and \$1,777 and \$1,477 of restricted investments in certificates of deposits, respectively. The Company has the intent and ability to hold these investments until maturity; therefore, these investments are stated at amortized cost. Restricted investments are required to be maintained at a financial institution within certain states. As of September 30, 2023 and December 31, 2022, these investments had maturities with less than 12 months. Due to the nature of the state's requirements, these assets are classified as noncurrent assets regardless of the contractual maturity date.

#### 4. Accounts Receivable

Accounts receivable consisted of the following as of September 30, 2023 and December 31, 2022:

	September 30, 2023	December 31, 2022
Government receivables	\$ 29,367	\$ 33,200
Pharmacy rebate receivables	72,558	54,605
Other receivables	3,689	5,085
Total accounts receivable	105,614	92,890
Allowance for credit losses	(91)	—
Accounts receivable, net	<u>\$ 105,523</u>	<u>\$ 92,890</u>

The allowance for expected credit losses for accounts receivable is based primarily on past collections experience relative to the length of time receivables are past due. However, when available evidence reasonably supports an assumption that future economic conditions will differ from current and historical payment collections, an adjustment is reflected in the allowance for expected credit losses. We record pharmacy rebates and other receivables based on contractual terms and expected collections and our estimation process for contractual allowances for such balances generally results in an allowance for balances outstanding greater than 90 days or if expected credit risks are known.

Receivables and any associated allowance are written off only when all collection attempts have failed and such amounts are determined unrecoverable. We regularly review the adequacy of these allowances based on a variety of factors, including age of the outstanding receivable and collection history. When circumstances related to specific collection patterns change, estimates of the recoverability of receivables are adjusted. Because substantially all of our receivable amounts are readily determinable and a large portion of our creditors are governmental authorities, our allowance for credit losses is insignificant.

We recorded credit loss related to accounts receivable of \$40 and \$39 during the three months ended September 30, 2023 and 2022, respectively, and \$91 and \$150 during the nine months ended September 30, 2023 and 2022. The amounts were recorded in selling general, and administrative expenses in the condensed consolidated statements of operations.

#### 5. Property and Equipment

Property and equipment consisted of the following as of September 30, 2023 and December 31, 2022:

	September 30, 2023	December 31, 2022
Computers and equipment	\$ 12,523	\$ 10,967
Office equipment and furniture	4,417	4,470
Software	141,006	119,308
Leasehold improvements	6,158	6,561
Construction in progress	3,163	1,027
Subtotal	167,267	142,333
Less accumulated depreciation	(120,105)	(105,164)
Property and equipment-net	<u>\$ 47,162</u>	<u>\$ 37,169</u>

Depreciation expense for the three months ended September 30, 2023 and 2022 was \$5,534 and \$4,417, respectively, of which \$64 and \$57, respectively, were included in medical expenses. Depreciation expense for the nine months ended September 30, 2023 and 2022 was \$15,609 and \$12,446, respectively, of which \$194 and \$149, respectively, were included in medical expenses.

For the three and nine months ended September 30, 2023, \$361 and \$7,370, respectively, of operating lease assets were exchanged for lease liabilities related to newly commenced leases.

## 6. Goodwill and Intangible Assets

Intangible assets consisted of the following as of September 30, 2023 and December 31, 2022:

	September 30, 2023			
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Weighted Average Life
Goodwill	\$ 34,826	\$ —	\$ 34,826	—
License (indefinite lived)	4,967	—	4,967	—
Plan member relationships	2,700	(2,700)	—	9 years
Other	1,050	(737)	313	2 - 10 years
<b>Total</b>	<b>\$ 43,543</b>	<b>\$ (3,437)</b>	<b>\$ 40,106</b>	

  

	December 31, 2022			
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Weighted Average Life
Goodwill	\$ 34,810	\$ —	\$ 34,810	—
License (indefinite lived)	4,967	—	4,967	—
Plan member relationships	2,700	(2,585)	115	9 years
Other	1,050	(654)	396	2 - 10 years
<b>Total</b>	<b>\$ 43,527</b>	<b>\$ (3,239)</b>	<b>\$ 40,288</b>	

Amortization expense relating to intangible assets for the three months ended September 30, 2023 and 2022, was \$27 and \$96, respectively. Amortization expense relating to intangible assets for the nine months ended September 30, 2023 and 2022, was \$198 and \$289, respectively. Estimated amortization expense relating to intangible assets for each of the next five years ending December 31, is as follows:

Remainder of 2023	\$	28
2024		82
2025		60
2026		60
2027		60
Thereafter		23
	<b>\$</b>	<b>313</b>

There were no impairment charges related to goodwill and intangible assets for the three and nine months ended September 30, 2023 and 2022.

## 7. Medical Expenses Payable

The following table is a detail of medical expenses payable as of September 30, 2023 and December 31, 2022:

	September 30, 2023	December 31, 2022
Claims incurred but not paid	\$ 101,900	\$ 88,813
Capitation payable and risk-sharing payable	45,128	50,818
Other	56,407	30,504
<b>Medical expenses payable</b>	<b>\$ 203,435</b>	<b>\$ 170,135</b>

Each period, we re-examine previously established outstanding claims reserve estimates based on actual claims submissions and other changes in facts and circumstances. As more complete claim information becomes available, we adjust the amount of the estimates and include the changes in estimates in claim costs in the period in which the change is identified. Substantially, all of the total claims paid by us are known and settled within the first year from the date of service, and substantially, all remaining claim amounts are paid within a three-year period.

The following table presents components of the change in medical expenses payable as of September 30, 2023 and 2022:

	September 30, 2023	September 30, 2022
Claims incurred but not paid - beginning balance	\$ 88,813	\$ 77,073
Incurred related to:		
Current year	360,372	293,036
Prior years	(10,067)	(15,757)
Total incurred, net of reinsurance	350,305	277,279
Payments related to:		
Current year	266,218	212,028
Prior years	71,000	56,689
Total payments, net of reinsurance	337,218	268,717
Claims incurred but not paid - ending balance	101,900	85,635
Capitation payable, risk-sharing payable, and other	101,535	85,760
Total medical expenses payable	\$ 203,435	\$ 171,395

In March 2020, the COVID-19 outbreak was declared a pandemic. The COVID-19 virus disproportionately impacts older adults, especially those with chronic illnesses, which describes many of the seniors we serve. Although the pandemic primarily impacted 2020 and 2021, the Delta and Omicron variants caused a rebound in COVID-related inpatient utilization during the first quarter of 2022. While COVID has had a less significant impact on 2023, we remain cautious of the potential impact of the COVID-19 in the future. The ultimate impact of COVID-19 to us and our financial condition is presently unknown, and we continue to monitor the impact of COVID-19 on our claims reserve estimate.

We re-examine previously established outstanding claims reserve estimates based on actual claims submissions and other changes in facts and circumstances. We recognized a favorable prior year development, excluding provision for adverse deviation, of \$2,929 and \$5,784 for the three and nine months ended September 30, 2023. The favorable prior year development was primarily due to better-than-expected claims recoveries and actual claims expense being less than expected.

## 8. Long-Term Debt

Long-term debt is recorded at carrying value in the condensed consolidated balance sheets. The carrying value of long-term debt outstanding, net of unamortized debt issuance costs, consisted of the following as of September 30, 2023 and December 31, 2022:

	September 30, 2023	December 31, 2022
Long-term debt	\$ 165,000	\$ 165,000
Less unamortized debt issuance costs	(3,405)	(4,098)
Long-term debt-net of amortization	161,595	160,902
Less current portion of long-term debt	—	—
Long-term debt - net of current portion	\$ 161,595	\$ 160,902

### Oxford Term Loan

On September 2, 2022 (the "Effective Date"), we entered into a senior secured term loan agreement (the "Oxford Loan Agreement") with Oxford Finance LLC ("Oxford"), as administrative agent, collateral agent and a lender, and the other lenders from time to time party thereto (collectively, the "Lenders"), pursuant to which the Lenders have agreed to lend an aggregate principal amount of up to \$250,000 in a series of term loans (the "Term Loans"). Pursuant to the Oxford Loan Agreement, we received an initial Term Loan of \$165,000 on the Effective Date and may borrow up to an additional \$85,000 of Term Loans at our option (such additional Term Loans, the "Delayed Draw Term Loans"). Interest on the Term Loans is a variable rate equal to (i) the secured overnight financing rate ("SOFR") administered by the Federal Reserve Bank of New York for a one-month tenor, subject to a floor of 1.00%, plus (ii) an applicable margin of 6.50%. All unpaid principal and accrued and unpaid interest with respect to each Term Loan is due and payable in full on September 1, 2027. The interest rate applied during the quarter ended September 30, 2023 ranged from 11.64% to 11.83%.

The aggregate proceeds of the Delayed Draw Term Loans drawn on or prior to June 30, 2024 may not exceed \$50,000 unless used for permitted acquisitions and may not exceed \$35,000 drawn on or after July 1, 2024.

The term loan was subject to a commitment fee of \$1,650 and an origination fee of \$1,650. The Delayed Draw Term Loans are subject to a commitment fee of \$850. We incurred additional debt issuance costs of \$1,096 related to attorney fees and other third-party costs. The commitment and origination fees are included within debt issuance costs and were deferred and will be amortized to interest expense

over the debt term using the straight line method, which is materially consistent with the effective interest method. The debt issuance costs related to the term loan are presented in the condensed consolidated balance sheet as a direct deduction from the carrying value of the term loan. The debt issuance costs related to the delayed draw term loan are presented in the condensed consolidated balance sheet as other assets.

The Term Loans are guaranteed by certain of our wholly owned subsidiaries and collateralized by all unrestricted assets.

For certain prepayments of the Term Loans prior to the second anniversary of the Effective Date, we will be required to pay a prepayment fee ranging from 1.00% to 2.00% of the principal amount of the Term Loans being prepaid.

The Oxford Loan Agreement includes customary events of default, including, among others, payment defaults, breach of representations and warranties, covenant defaults, judgment defaults, insolvency and bankruptcy defaults, and change of control. The occurrence of an event of default could result in the acceleration of the obligations under the Oxford Loan Agreement, termination of the Term Loan commitments and the right to foreclose on the collateral securing the obligations. During the existence of an event of default, the outstanding Term Loans will accrue interest at a rate per annum equal to 2.00% plus the otherwise applicable interest rate. Additionally, in the event of any contemplated asset sale or series of asset sales yielding net proceeds in excess of \$2,500, except those excluded per the Oxford Loan Agreement, we are required to prepay the aggregate outstanding principal balance of the Term Loans in an amount equal to the entire amount of the asset sale net proceeds, plus any accrued and unpaid interest.

The Oxford Loan Agreement includes financial covenants that require the Borrower Parties to (i) maintain minimum liquidity, as defined in the Loan Agreement, of \$23.0 million and (ii) satisfy a maximum permitted ratio of debt to trailing twelve-month revenue, as set forth in the Loan Agreement. As of September 30, 2023 and December 31, 2022, we were in compliance with the Oxford financial covenants.

Future maturities under the term loan as of September 30, 2023 are as follows:

Period Ending September 30,	Amount
2023	\$ —
2024	—
2025	1,650
2026	1,650
2027	161,700
	<u>\$ 165,000</u>

## 9. Income Taxes

For the three and nine months ended September 30, 2023, we recorded income tax expense of \$0 and \$2, respectively. For the three and nine months ended September 30, 2022, we recorded income tax expense of \$167 and \$167, respectively. The decrease in tax for the three and nine months ended September 30, 2023 when compared to the three and nine months ended September 30, 2022, is primarily attributable to state tax. Our future effective tax rate may vary from the statutory tax rate primarily due to changes in our valuation allowance, state taxes, and excess executive compensation.

We have federal and state cumulative net operating losses ("NOLs") as of September 30, 2023 and December 31, 2022. Given the history of losses, and after consideration for the risk associated with estimates of future taxable income, we established a full valuation allowance against net deferred tax assets at September 30, 2023 and 2022. Under the Tax Cuts and Jobs Act ("TCJA"), federal NOLs generated after 2017 will be carried forward indefinitely but are limited to an 80% deduction of taxable income. NOLs generated prior to 2018 have a 20-year carryforward period and can be used to offset 100% of taxable income. An exception to the TCJA federal NOL rule applies to certain of our subsidiaries and requires all NOLs generated from those entities to have a 20-year carryforward period and offset 100% of taxable income. For the year ended December 31, 2022 federal and state NOL carryforwards were \$426,440 and \$454,522, respectively. \$234,742 of the total federal net operating loss carryforwards have an indefinite life while the remaining federal and state net operating loss carryforwards begin to expire in 2033 if not utilized.

An "ownership change" as defined under Section 382 of the Internal Revenue Code ("IRC"), could potentially limit the ability to utilize certain tax attributes including the Company's substantial NOLs. Ownership change is generally defined as any significant change in ownership of more than 50% of its stock over a three-year testing period. If, as a result of current or future transactions involving our common stock, we undergo cumulative ownership changes which exceed 50% over a testing period, our ability to utilize our NOL

carryforwards would be subject to additional limitations under IRC Section 382. We continue to monitor changes in ownership with respect to these income tax provisions.

## 10. Equity-Based Compensation

### Equity Awards

#### Stock options

Our outstanding stock options generally vest 25% annually over four years and generally expire 10 years from the date of the grant. The 2021 Equity Incentive Plan provides that stock option grants will be made with an exercise price at no less than the estimated fair value of common stock at the date of the grant.

The following is a summary of the stock option transactions as of and for the three and nine months ended September 30, 2023:

(amounts in thousands, except shares and per share amount)	Stock Options Outstanding			
	Shares Subject to Options Outstanding	Weighted- Average Exercise Price per Option	Weighted- Average Remaining Contractual Terms (in years)	Aggregate Intrinsic Value
<b>Balances as of December 31, 2022</b>	10,603,493	\$ 16.90	8.30	\$ 3,519
Options granted	—	—		
Options exercised	—	—		
Options forfeited / expired	(19,369)	18.41		
<b>Balances as of March 31, 2023</b>	10,584,124	\$ 16.90	8.05	—
Options granted	—	—		
Options exercised	—	—		
Options forfeited / expired	(17,595)	17.94		
<b>Balances as of June 30, 2023</b>	10,566,529	\$ 16.90	7.80	—
Options granted	—	—		
Options exercised	—	—		
Options forfeited / expired	(294,500)	16.47		
<b>Balances as of September 30, 2023</b>	10,272,029	\$ 16.91	7.55	—
Vested and Exercisable as of September 30, 2023	4,951,671	\$ 17.43	7.48	—

Aggregate intrinsic value represents the difference between the exercise price of the option and the closing price of our common stock. For the three months ended September 30, 2023 and 2022 and nine months ended September 30, 2023 and 2022, no options were exercised. No options were granted during the three and nine months ended September 30, 2023.

#### Restricted Stock Awards

Our outstanding RSAs generally vest 25% annually over four years. RSAs converted from pre-IPO awards generally vest on the later of the fourth anniversary of the original vesting commencement date or 50% annually on the first and second anniversary of the IPO.

The following is a summary of RSA transactions for the three and nine months ended September 30, 2023:

	Restricted Shares	Weighted-Average Grant Date Fair Value
<b>Unvested and outstanding as of December 31, 2022</b>	4,690,441	\$ 10.85
Vested	(2,083,984)	15.89
Forfeited	(9,514)	9.27
<b>Unvested and outstanding as of March 31, 2023</b>	2,596,943	\$ 6.81
Vested	(89,370)	9.42
Forfeited	(5,708)	9.27
<b>Unvested and outstanding as of June 30, 2023</b>	2,501,865	\$ 6.71
Vested	(1,503,672)	7.15
Forfeited	(20,375)	2.49
<b>Unvested and outstanding as of September 30, 2023</b>	977,818	\$ 6.13

## Restricted Stock Units

Our outstanding RSUs generally vest 25% annually over four years.

The following is a summary of RSU transactions for the three and nine months ended September 30, 2023:

	Restricted Stock Units	Weighted-Average Grant Date Fair Value
<b>Unvested and outstanding as of December 31, 2022</b>	8,728,936	\$ 13.93
Granted	2,549,551	6.97
Vested	(1,204,777)	11.95
Cancelled/forfeited	(68,865)	13.18
<b>Unvested and outstanding as of March 31, 2023</b>	10,004,845	\$ 12.40
Granted	244,349	7.06
Vested	(43,195)	10.52
Cancelled/forfeited	(60,406)	10.71
<b>Unvested and outstanding as of June 30, 2023</b>	10,145,593	\$ 12.29
Granted	1,034,421	5.75
Vested	(419,130)	14.72
Cancelled/forfeited	(183,355)	11.53
<b>Unvested and outstanding as of September 30, 2023</b>	10,577,529	\$ 11.57

## Performance-based Restricted Stock Units ("PSUs")

On September 14, 2023, the Board of Directors of the Company approved the grant of performance-based restricted stock units under the Company's 2021 Equity Incentive Plan to its executive management team and other key employees. Each grantee is eligible to vest in a number of PSUs ranging from 0% to 150% of the target number of PSUs granted, based on the aggregated achievement by the Company of certain performance metrics during the performance period beginning on January 1, 2024 and ending on December 31, 2024. The achievement of PSUs relative to the approved target is based on the following performance metrics and relative weighting: Health Plan Revenue Growth Percentage (60%), At-Risk Returning Member Medical Benefit Ratio (20%) and Adjusted EBITDA, less Capital Expenditures (20%).

50% of the total number of earned PSUs will become vested upon certification of achievement of the performance metrics by the Compensation Committee on or about March 1, 2025 and the remaining 50% of earned PSUs will be become vested as of December 31, 2025, subject to continued service to the Company through such dates.

The following is a summary of PSU transactions for the three and nine months ended September 30, 2023:

	Performance-based restricted stock units	Weighted-Average Grant Date Fair Value
<b>Unvested and outstanding as of June 30, 2023</b>	—	\$ —
Granted	5,564,005	5.74
Vested	—	—
Cancelled/forfeited	—	—
<b>Unvested and outstanding as of September 30, 2023</b>	5,564,005	\$ 5.74

## Equity-Based Compensation Expense

Total equity-based compensation expense was presented on the statement of operations as follows:

<i>(amounts in thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Selling, general and administrative expenses	\$ 11,836	\$ 16,775	\$ 45,159	\$ 52,082
Medical expenses	1,733	1,912	6,024	6,751
<b>Total equity-based compensation expense</b>	<b>\$ 13,569</b>	<b>\$ 18,687</b>	<b>\$ 51,183</b>	<b>\$ 58,833</b>

As of September 30, 2023, there was \$116,294 in unrecognized compensation expense related to all non-vested awards (RSAs, options, RSUs and PSUs) that will be recognized over the weighted-average period of 2.04 years.

## **11. Regulatory Requirements and Restricted Funds**

Our health plans or risk-bearing entities are required to maintain minimum capital requirements prescribed by various regulatory authorities in each of the states in which it operates.

### ***Risk-Based Capital Regulatory***

The National Association of Insurance Commissioners has adopted rules, which, if implemented by the states, set minimum capitalization requirements for insurance companies, health maintenance organizations ("HMOs"), and other entities bearing risk for health care coverage. The requirements take the form of risk-based capital ("RBC") rules, which may vary from state to state. Certain states in which our health plans or risk bearing entities operate have adopted the RBC rules. Our health plans or risk-bearing entities were in compliance with the minimum capital requirements as of September 30, 2023.

### ***Tangible Net Equity***

Our health plan in California is required to comply with the tangible net equity ("TNE") requirements. The required amount is the larger of: (1) \$1,000; (2) 2% of the first \$150,000 of annualized premium revenue, plus 1% of annualized premium revenue in excess of \$150,000; or (3) 8% of the first \$150,000 of annualized health care expenditures, except for those paid on a capitated or managed hospital payment basis, plus 4% of the annualized health care expenditures in excess of \$150,000, except those paid on a capitated or managed hospital payment basis, plus 4% of annualized hospital expenditures paid on a managed hospital payment basis. We were in compliance with the TNE requirement as of September 30, 2023.

We have the ability to provide additional capital to each of our health plans or risk-bearing entities when necessary to ensure that the RBC and TNE requirements are met.

Certain states regulate the payment of dividends, loans, or other cash transfers from our regulated subsidiaries to our non-regulated subsidiaries and parent company. Such payments may require approval by state regulatory authorities and are limited based on certain financial criteria, such as the entity's level of statutory income and statutory capital and surplus, or the entity's level of tangible net equity or net worth, amongst other measures. These regulations vary by state. We were in compliance with the RBC and TNE requirements as of September 30, 2023.

### ***Restricted Assets***

Pursuant to the regulations governing our subsidiaries, we maintain certain deposits required by the government authorities in the form of certificate of deposits and Treasury bills as protection in the event of insolvency. The use of funds from these investments is limited as required by regulation in the various states in which we operate, or as needed in the event of insolvency. Therefore, these deposits are reported within other assets on the condensed consolidated balance sheets.

We hold these assets until maturity, at which time these assets will renew or are invested in a similar type of investment instrument. Given the regulatory requirements, we expect to hold these investments for long-term. As a result, we do not expect the value of these investments to decline significantly due to a sudden change in market interest rates. These investments are carried at amortized cost, which approximates fair value.

## **12. Commitments and Contingencies**

### ***Legal Proceedings***

We record a liability and accrue the costs for a loss when an unfavorable outcome is probable and the amount of the loss can be reasonably estimated. In some cases, no estimate of the possible loss or range of loss in excess of amounts accrued, if any, can be made because of the inherently unpredictable nature of legal and regulatory proceedings. While the liability and accrued costs reflect our best estimate, the actual amounts may materially be different.

On April 27, 2022, a former employee of the Company filed a purported class action lawsuit (Dabney v. Alignment Healthcare USA, LLC, Orange County Superior Court) alleging that the Company failed to provide hourly employees with required meal and rest breaks or pay such workers a premium equal to an hour of pay for missed meal or rest breaks. Discovery in the matter commenced on June 8, 2022. On September 2, 2022, the court granted a stay of proceedings and discovery in anticipation of mediation scheduled for August 2023. On August 15, 2023, the Company entered into a tentative settlement of the action in consideration of an aggregate payment of \$912,500. The settlement of this matter is subject to approval by the court which is expected in the first quarter of 2024. As a result of the tentative settlement, the Company has accrued for a potential liability of \$912,500 as of September 30, 2023 for this matter, which was recorded within accounts payable and accrued expenses on the condensed consolidated balance sheet and selling, general and administrative expenses on the condensed consolidated statement of operations.

We may be involved in various litigation matters in the ordinary course of business. In the opinion of management, the ultimate resolution of legal proceedings is not expected to have a material adverse effect on the condensed consolidated financial statements. Amounts accrued for legal proceedings were not material as of September 30, 2023 and December 31, 2022.

## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

### MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis is intended to help the reader understand our business, financial condition, results of operations, liquidity and capital resources. This discussion should be read in conjunction with our audited financial statements and the accompanying notes as well as “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our Annual Report on Form 10-K for the year ended December 31, 2022 (our “Annual Report”), as well as our unaudited condensed consolidated financial statements and related notes presented herein in Part I, Item 1 included elsewhere in this Quarterly Report. Unless the context otherwise indicates or requires, the terms “we”, “our” and the “Company” as used herein refer to Alignment Healthcare, Inc. and its consolidated subsidiaries, including Alignment Healthcare Holdings, LLC, which is Alignment Healthcare, Inc.’s predecessor for financial reporting purposes.*

*In addition to historical data, the discussion contains forward-looking statements about the business, operations and financial performance of the Company based on our current expectations that involves risks, uncertainties and assumptions. Actual results could differ materially from those discussed in or implied by forward-looking statements as a result of various factors, including those discussed above in “Forward-Looking Statements,” and Part II, Item 1A, “Risk Factors.”*

#### Overview

Alignment is a next generation, consumer-centric platform designed to improve the healthcare experience for seniors. We deliver this experience through our Medicare Advantage plans, which are customized to meet the needs of a diverse array of seniors. Our innovative model of consumer-centric healthcare is purpose-built to provide seniors with care as it should be: high quality, low cost and accompanied by a vastly improved consumer experience. We combine a proprietary technology platform and a high-touch clinical model that enhances our members’ lifestyles and health outcomes while simultaneously controlling costs, which allows us to reinvest savings back into our platform and products to directly benefit the senior consumer. We have grown Health Plan Membership, which we define as members enrolled in our health maintenance organization (“HMO”) and preferred provider organization (“PPO”) contracts, from approximately 13,000 at inception to 115,600 as of September 30, 2023, representing a 28% compound annual growth rate across 52 markets and 6 states. Our ultimate goal is to bring this differentiated, advocacy-driven healthcare experience to millions of senior consumers in the United States and to become the most trusted senior healthcare brand in the country.

Our model is based on a flywheel concept, referred to as our “virtuous cycle,” which is designed to delight our senior consumers. We start by listening to and engaging with our seniors in order to provide a superior experience in both their healthcare and daily living needs. Through our proprietary technology platform, Alignment’s Virtual Application (“AVA”), we utilize data and predictive algorithms that are specifically designed to ensure personalized care is delivered to each member. When our information-enabled care model is combined with our member engagement, we are able to improve healthcare outcomes by, for example, reducing unnecessary hospital admissions, which in turn lowers overall costs. Our ability to manage healthcare expenditures while maintaining quality and member satisfaction is a distinct and sustainable competitive advantage. Our lower total healthcare expenditures allow us to reinvest our savings into richer coverage and benefits, which propels our growth in revenue and membership due to the enhanced consumer value proposition. As we grow, we continue to listen to and incorporate member feedback, and we are able to further enhance benefits and produce strong clinical outcomes. Our virtuous cycle, based on the principle of doing well by doing good, is highly repeatable and a core tenet of our ability to continue to expand in existing and new markets in the future.

For the 2023 plan year, Alignment offers plans in 52 markets across California (21 markets), North Carolina (16 markets), Nevada (6 markets), Arizona (3 markets), Texas (2 markets) and Florida (4 markets). There are approximately 8.5 million Medicare-eligible seniors in our current markets.

#### Factors Affecting Our Performance

Our proprietary technology platform, AVA, is a key element of our business with capabilities that we expect to impact our future performance. AVA enables us to personalize and manage our member relationships, care quality and experience, and to coordinate and manage risk with our provider partners. AVA’s unified platform, analytical tools and data across the healthcare ecosystem enable us to produce consistent outcomes, unit economics and support new member growth. Additionally, our historical financial performance has been, and we expect our financial performance in the future will be, driven by our ability to:

- **Capitalize on Our Existing Market Growth Opportunity:** Our ability to attract and retain members to grow in our existing markets depends on our ability to offer a superior value proposition. We have proven that we can compete against, and take market share from, large established players in highly competitive markets. According to CMS data, we

were one of the top three Medicare Advantage Organizations in terms of HMO net members growth in our California counties between 2016 and 2023. There are approximately 4.5 million Medicare-eligible individuals enrolled in Medicare Advantage plans in our existing 52 counties, of which our approximately 115,600 Health Plan Members represents only 3% market share. We believe that there are still significant opportunities for future growth even in our most mature markets where we have a 10-20% market share. Additionally, we are evaluating other opportunities to leverage our historical investments in our technology platform and our comprehensive clinical model across our existing and potentially new geographies. For example, in April 2021, we entered into CMS Innovation Center's Direct Contracting program, which allows us to partner directly with physicians to help manage their Medicare FFS patient populations and participate in the upside and downside risk associated with managing the health of such patients. CMS announced it is replacing the DCE program with the "ACO Realizing Equity, Access, and Community Health Model" or "ACO REACH" model, which became effective January 1, 2023. As of September 30, 2023 we had approximately 7,400 ACO REACH seniors in our arrangement with our clinician partners.

- **Drive Growth and Consistent Outcomes Through New Market Expansion:** We enter new markets with the goal of building brand awareness across our key stakeholders to achieve meaningful market share over time. We intend to focus on markets with significant senior populations where we expect to be able to replicate our model most effectively. Our existing markets also feature a diverse array of membership profiles across ethnicities, income levels and acuity. In 2022 and 2023, we expanded into 16 and 14 new markets, respectively, across our four existing states and two new states, Florida and Texas.
- **Provide Superior Service, Care and Consumer Satisfaction:** We are highly focused on providing superior service and care to our members and on maintaining high levels of consumer satisfaction, which are key to our financial performance and growth. The CMS Five Star Quality Rating System provides economic incentives to Medicare Advantage plans that achieve higher Star ratings by (i) meeting certain care criteria (such as completing particular preventative screening procedures or ensuring proper follow-up care is provided for specific conditions or episodes) and (ii) receiving high member satisfaction ratings. These incentives impact financial performance in the year following the CMS Rating Year (for example, CMS's announcement of the 2023 Ratings occurred in the second half of 2022 and will impact our financial performance in 2024). In aggregate, more than 90% of our health plan members are enrolled in plans rated 4 stars and above, meaning the vast majority of members consistently receive a high-quality care experience, as defined under CMS star measurement criteria. Additionally, the California HMO plan has achieved a 4-star or greater rating for seven consecutive years.
- **Effectively Manage the Quality of Care to Improve Member Outcomes:** Our care delivery model is based on a clinical continuum through which we have created a highly personalized experience that is unique to each member depending on their personal health and circumstances. Utilizing data and predictive analytics generated by AVA, our clinical continuum separates seniors into four categories in order to provide optimized care for every stage of a senior's life: healthy, healthy utilizer, pre-chronic and chronic. We partner with our broader network of community providers to service members in our non-chronic categories, and we have developed a Care Anywhere program implemented by our internal clinical teams to care for our higher risk and/or chronically ill members. By investing in our members' care proactively, our model has consistently reduced unnecessary and costly care while improving the quality of our members' lifestyle and healthcare experience. By delivering superior care and preventing avoidable utilization of the healthcare system, we are able to reduce our claims expenditures in some of our largest medical expense categories, which translates to superior medical benefits ratio ("MBR") financial performance and ultimately the ability to offer richer products in the market.
- **Achieve Superior Unit Economics:** As our senior population ages, their healthcare needs become more frequent and complex. To combat the healthcare cost increases that typically result, we proactively look to (i) connect with our population early in their enrollment with Alignment to assess their care needs, (ii) develop care plans and engage those members with more chronic, complex health challenges in our clinical model, and (iii) continue to monitor and evaluate our healthier members in a preventative fashion over time. Given the Medicare Advantage payment mechanism and the retention of the vast majority of our members who continue to choose Alignment after their initial selection year, we are able to focus our efforts on driving favorable long-term health outcomes for our entire population. As a result, our clinical model efforts have demonstrated the ability to lower the MBRs of our returning members. We believe this is evidence of our ability to manage the financial risk of our members as they age, and that these favorable underlying unit economic trends translate directly to our ability to continue to deliver a richer product to the marketplace. With this dynamic in mind, our consolidated MBR may be impacted year-to-year based on our pace of new member growth and mix of members by cohort. However, we believe our ability to sustain MBR performance improvement over time positions us well to invest in new member growth to drive long-term financial performance.

- **Invest in our Platform and Growth:** We plan to continue to invest in our business in order to further develop our AVA platform, pursue new expansion opportunities and create innovative product offerings. In addition, in order to maintain a differentiated value proposition for our members, we continue to invest in innovative product offerings and supplementary benefits to meet the evolving needs of the senior consumer. We anticipate further investments in our business as we expand into new markets and pursue strategic acquisitions, which we expect will primarily be focused on healthcare delivery groups in key geographies, standalone and provider-sponsored Medicare Advantage plans and other complementary risk bearing assets.
- **Navigate Seasonality to our Business:** Our operational and financial results will experience some variability depending upon the time of year in which they are measured. We experience the largest portion of member growth during the first quarter, when plan enrollment selections made during the annual enrollment period ("AEP") from October 15th through December 7th of the prior year take effect. As a result, we expect to see a majority of our member growth occur on January 1 of a given calendar year. As the year progresses, our per-member revenue often declines as new members join us, typically with less complete or accurate documentation (and therefore lower risk-adjustment scores), and senior mortality disproportionately impacts our higher-acuity (and therefore greater revenue) members. Medical costs will vary seasonally depending on a number of factors, but most significantly the weather. Certain illnesses, such as the influenza virus, are far more prevalent during colder months of the year, which will result in an increase in medical expenses during these time periods. We therefore expect to see higher levels of per-member medical costs in the first and fourth quarters. The design of our prescription drug coverage (Medicare Part D) results in coverage that varies as a member's cumulative out-of-pocket costs pass through successive stages of a member's plan period, which begins annually on January 1 for renewals. These plan designs generally result in us sharing a greater portion of the responsibility for total prescription drug costs in the early stages of the year and less in the latter stages, which typically results in a higher MBR on our Part D program in the first half of the year relative to the second half of the year. In addition, we expect our corporate, general and administrative expenses to increase in absolute dollars for the foreseeable future to support our growth and because of additional costs of being a public company. Due to the timing of many of these investments, including our primary sales and marketing season, we typically incur a greater level of investment in the second half of the year relative to the first half of the year.

### Executive Summary

The following table presents key financial statistics for the periods indicated:

(dollars in '000's, except percentages)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	% Change	2023	2022	% Change
Health plan membership (at period end)	115,600	98,000	18.0 %	115,600	98,000	18.0 %
Medical benefits ratio	86.7 %	86.3 %	0.4 %	88.2 %	85.5 %	2.7 %
Revenues	\$ 456,709	\$ 360,348	26.7 %	\$ 1,358,243	\$ 1,072,348	26.7 %
Loss from Operations	\$ (29,756)	\$ (33,410)	NM <sup>(2)</sup>	\$ (85,904)	\$ (76,533)	NM <sup>(2)</sup>
Net loss	\$ (35,077)	\$ (40,247)	NM <sup>(2)</sup>	\$ (100,942)	\$ (92,644)	NM <sup>(2)</sup>
Adjusted EBITDA <sup>(1)</sup>	\$ (8,420)	\$ (9,493)	NM <sup>(2)</sup>	\$ (15,647)	\$ (3,063)	NM <sup>(2)</sup>
Adjusted gross profit <sup>(1)</sup>	\$ 60,627	\$ 49,467	22.6 %	\$ 159,623	\$ 155,371	2.7 %

(1) See "Adjusted EBITDA" and "Adjusted Gross Profit" below for a reconciliation to the most directly comparable financial measure calculated in accordance with GAAP and related disclosures.

(2) Not meaningful

#### Health Plan Membership

We define Health Plan Membership as the number of members enrolled in our HMO and PPO contracts as of the end of a reporting period. We believe this is an important metric to assess growth of our underlying business, which is indicative of our ability to consistently offer a superior value proposition to seniors. This metric excludes third party payor members with respect to which we are at-risk for managing their healthcare expenditures, which represented approximately 400 members and 500 members as of September 30, 2023 and 2022, respectively. It also excludes the approximately 7,400 traditional Medicare seniors for which we are at-risk for managing their healthcare expenditures through our ACO REACH contract with CMS.

#### Adjusted Gross Profit and Medical Benefits Ratio

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 is a key measure used by our management and Board to understand and evaluate our operating performance and trends before the impact of our consolidated 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.

Adjusted gross profit is reconciled as follows:

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<i>(dollars in thousands)</i>				
Loss from operations	\$ (29,756)	\$ (33,410)	\$ (85,904)	\$ (76,533)
Add back:				
Equity-based compensation (medical expenses)	1,733	1,912	6,024	6,751
Depreciation (medical expenses)	64	57	194	149
Depreciation and amortization	5,497	4,456	15,613	12,586
Selling, general, and administrative expenses	83,089	76,452	223,696	212,418
Total add back	<u>90,383</u>	<u>82,877</u>	<u>245,527</u>	<u>231,904</u>
Adjusted gross profit	<u>\$ 60,627</u>	<u>\$ 49,467</u>	<u>\$ 159,623</u>	<u>\$ 155,371</u>

We calculate our MBR by dividing total medical expenses, excluding depreciation and equity-based compensation, by total revenues in a given period. We believe our MBR is an indicator of our gross profit for our Medicare Advantage plans and demonstrates the ability of our clinical model to produce superior outcomes by identifying and providing targeted care to our high-risk members resulting in improved member health and reduced total population medical expenses. We expect that this metric may fluctuate over time due to a variety of factors, including our pace of new member growth given that new members typically join Alignment with higher MBRs, while our model has demonstrated an ability to improve MBR for a given cohort over time.

When we determine, on an annual basis, whether we have satisfied the CMS minimum Medical Loss Ratio of 85%, adjustments are made to the MBR calculation to include certain additional expenses related to improving the quality of care provided, and to exclude certain taxes and fees, in each case as permitted or required by CMS and applicable regulatory requirements.

#### **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, acquisition expenses, certain litigation costs and settlements, gains or losses on subleases, and equity-based compensation expense. Adjusted EBITDA is a key measure used by our management and our Board to understand and evaluate our operating performance and trends, to prepare and approve our annual budget and to develop short and long-term operating plans. In particular, we believe that the exclusion of the amounts eliminated in calculating Adjusted EBITDA provides useful measures for period-to-period comparisons of our business, as we do not consider the excluded items to be part of our ongoing results of operations. Given our intent to continue to invest in our platform and the scalability of our business in the short to medium-term, we believe Adjusted EBITDA over the long term will be an important indicator of value creation.

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.

Adjusted EBITDA is reconciled as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<i>(dollars in thousands)</i>				
Net loss	\$ (35,077)	\$ (40,247)	\$ (100,942)	\$ (92,644)
Less: Net loss attributable to noncontrolling interest	30	—	134	—
Add back:				
Interest expense	5,466	4,605	15,747	13,496
Depreciation and amortization	5,561	4,513	15,807	12,735
Income taxes	-	167	2	167
EBITDA	(24,020)	(30,962)	(69,252)	(66,246)
Equity-based compensation <sup>(1)</sup>	13,569	18,687	51,183	58,833
Reorganization and transaction-related expenses <sup>(2)</sup>	—	579	—	579
Acquisition expenses <sup>(3)</sup>	81	7	761	1,066
Litigation costs and settlement <sup>(4)</sup>	1,950	—	1,950	—
(Gain) loss on sublease <sup>(5)</sup>	—	—	(289)	509
Loss on extinguishment of debt	—	2,196	—	2,196
Adjusted EBITDA	<u>\$ (8,420)</u>	<u>\$ (9,493)</u>	<u>\$ (15,647)</u>	<u>\$ (3,063)</u>

- (1) Represents equity-based compensation related to grants made in the applicable year, as well as equity-based compensation related to the timing of the IPO, which includes previously issued stock appreciation rights ("SARs") liability awards, modifications related to transaction vesting units, and grants made in conjunction with the IPO.
- (2) Represents legal, professional, accounting and other advisory fees related to a secondary offering that are considered non-recurring and non-capitalizable.
- (3) Represents acquisition-related fees, such as legal and advisory fees, that are non-capitalizable.
- (4) Represents (a) \$0.1 million in legal fees and a \$0.9 million reserve for settlement related to a wage and hour class action lawsuit and (b) \$0.9 million in legal fees related to legal action initiated by the Company seeking injunctive relief prohibiting member solicitation in violation of CMS regulations. Refer to Note 12, "Commitments and Contingencies" in our condensed consolidated financial statements for more information regarding certain related litigation. Costs reflected consist of litigation costs considered outside of the ordinary course of business based on the following considerations which we assess regularly: (i) the frequency of similar cases that have been brought to date, or are expected to be brought within two years, (ii) complexity of the case, (iii) nature of the remedies sought, (iv) litigation posture of the Company, (v) counterparty involved, and (vi) the Company's overall litigation strategy.
- (5) Represents gain or loss related to right of use ("ROU") assets that were subleased in the respective period.

## Results of Operations

The following table sets forth our consolidated statements of operations data for the periods indicated:

<i>(dollars in thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>Revenues:</b>				
Earned premiums	\$ 450,235	\$ 359,978	\$ 1,341,924	\$ 1,071,450
Other	6,474	370	16,319	898
Total revenues	456,709	360,348	1,358,243	1,072,348
<b>Expenses:</b>				
Medical expenses	397,879	312,850	1,204,838	923,877
Selling, general and administrative expenses	83,089	76,452	223,696	212,418
Depreciation and amortization	5,497	4,456	15,613	12,586
Total expenses	486,465	393,758	1,444,147	1,148,881
<b>Loss from operations</b>	(29,756)	(33,410)	(85,904)	(76,533)
Other expenses:				
Interest expense	5,466	4,605	15,747	13,496
Other expenses (income)	(145)	(131)	(711)	252
Loss on extinguishment of debt	—	2,196	—	2,196
Total other expenses	5,321	6,670	15,036	15,944
Loss before income taxes	(35,077)	(40,080)	(100,940)	(92,477)
Provision for income taxes	—	167	2	167
Net loss	\$ (35,077)	\$ (40,247)	\$ (100,942)	\$ (92,644)
Less: Net loss attributable to noncontrolling interest	30	—	134	—
Net loss attributable to Alignment Healthcare, Inc.	\$ (35,047)	\$ (40,247)	\$ (100,808)	\$ (92,644)

The following table sets forth our consolidated statements of operations data expressed as a percentage of total revenues for the periods indicated:

<i>(% of revenue)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>Revenues:</b>				
Earned premiums	99 %	100 %	99 %	100 %
Other	1	—	1	—
Total revenues	100	100	100	100
<b>Expenses:</b>				
Medical expenses	87	87	89	86
Selling, general and administrative expenses	18	21	16	20
Depreciation and amortization	1	1	1	1
Total expenses	106	109	106	107
<b>Loss from operations</b>	(6)	(9)	(6)	(7)
Other expenses:				
Interest expense	1	1	1	2
Other expenses (income)	—	—	—	—
Loss on extinguishment of debt	—	1	—	—
Total other expenses	1	2	1	2
Loss before income taxes	(7)	(11)	(7)	(9)
Provision for income taxes	—	—	—	—
Net loss	(7)	(11)	(7)	(9)
Less: Net loss attributable to noncontrolling interest	—	—	—	—
Net loss attributable to Alignment Healthcare, Inc.	(7)%	(11)%	(7)%	(9)%

## Revenues

	Three Months Ended September 30,		Change	
	2023	2022	\$	%
<i>(dollars in thousands)</i>				
<b>Revenues:</b>				
Earned premiums	\$ 450,235	\$ 359,978	\$ 90,257	25.1%
Other	6,474	370	6,104	1649.7%
Total revenues	\$ 456,709	\$ 360,348	\$ 96,361	26.7%

	Nine Months Ended September 30,		Change	
	2023	2022	\$	%
<i>(dollars in thousands)</i>				
<b>Revenues:</b>				
Earned premiums	\$ 1,341,924	\$ 1,071,450	\$ 270,474	25.2%
Other	16,319	898	15,421	1717.3%
Total revenues	\$ 1,358,243	\$ 1,072,348	\$ 285,895	26.7%

*Revenues.* Earned premium revenues were \$450.2 million and \$360.0 million for the three months ended September 30, 2023 and 2022, respectively, an increase of \$90.2 million or 25.1%. Earned premium revenues were \$1,341.9 million and \$1,071.4 million for the nine months ended September 30, 2023 and 2022, respectively, an increase of \$270.5 million or 25.2%. The increase was driven by a combination of growth in our Health Plan membership and higher revenue per member per month in 2023 as compared to 2022. Health plan membership increased 18.0% between September 30, 2022 and September 30, 2023. The increase in revenue per member per month is primarily attributable to an increase in the CMS benchmark rates. Additionally, ACO REACH revenue, also included in earned premiums, increased \$18.1 million, or 146.9%, for the three months ended September 30, 2023 compared to the three months ended September 30, 2022 and \$55.0 million, or 145.6%, for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022. Other revenues increased \$6.1 million for the three months ended September 30, 2023 compared to the three months ended September 30, 2022, an increase of 1,649.7%. Other revenues increased \$15.4 million for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022, an increase of 1,717.3%. The increase is mainly attributable to an increase in the interest rate of our interest earning cash balances.

## Expenses

	Three Months Ended September 30,		Change	
	2023	2022	\$	%
<i>(dollars in thousands)</i>				
<b>Expenses:</b>				
Medical expenses	\$ 397,879	\$ 312,850	\$ 85,029	27.2%
Selling, general and administrative expenses	83,089	76,452	6,637	8.7%
Depreciation and amortization	5,497	4,456	1,041	23.4%
Total expenses	\$ 486,465	\$ 393,758	\$ 92,707	23.5%

	Nine Months Ended September 30,		Change	
	2023	2022	\$	%
<i>(dollars in thousands)</i>				
<b>Expenses:</b>				
Medical expenses	\$ 1,204,838	\$ 923,877	\$ 280,961	30.4%
Selling, general and administrative expenses	223,696	212,418	11,278	5.3%
Depreciation and amortization	15,613	12,586	3,027	24.1%
Total expenses	\$ 1,444,147	\$ 1,148,881	\$ 295,266	25.7%

*Medical Expenses.* Medical expenses were \$397.9 million and \$312.9 million for the three months ended September 30, 2023 and 2022, respectively, an increase of \$85.0 million, or 27.2%. Medical expenses were \$1,204.8 million and \$923.9 million for the nine

months ended September 30, 2023 and 2022, respectively, an increase of \$280.9 million, or 30.4%. The increase was driven primarily by the growth in Alignment's Health Plan membership, as well as growth in ACO REACH membership. Overall, medical expenses for the three and nine months ended September 30, 2023 grew at a higher rate than earned premium revenues compared to the three and nine months ended September 30, 2022, due to a mix shift of revenue growth with ACO REACH patients, richer member benefits, and a smaller amount of favorable prior year development.

*Selling, General and Administrative Expenses.* Selling, general and administrative expenses were \$83.1 million and \$76.5 million for the three months ended September 30, 2023 and 2022, respectively, an increase of \$6.6 million, or 8.7%. Selling, general and administrative expenses were \$223.7 million and \$212.4 million for the nine months ended September 30, 2023 and 2022, respectively, an increase of \$11.3 million, or 5.3%. The increase for the three and nine months ended September 30, 2023 compared to the three and nine months ended September 30, 2022, respectively, was primarily due to an increase in ongoing investments and expenditures in network development, operations and sales and marketing to drive the growth of Alignment's Health Plan membership, and \$0.9 million related to a potential legal settlement, as discussed in Note 12, "Commitments and Contingencies" in our condensed consolidated financial statements.

*Depreciation and Amortization.* Depreciation and amortization expense was \$5.5 million and \$4.5 million for the three months ended September 30, 2023 and 2022, respectively, an increase of \$1.0 million, or 23.4%. Depreciation and amortization expense was \$15.6 million and \$12.6 million for the nine months ended September 30, 2023 and 2022, respectively, an increase of \$3.0 million, or 24.1%. The increase was primarily due to the amount and timing of our capital expenditures and the associated depreciation relative to 2022.

#### **Other Expenses**

*Interest expense.* Interest expense was \$5.5 million and \$4.6 million for the three months ended September 30, 2023 and 2022, respectively, an increase of \$0.9 million or 19.6%. Interest expense was \$15.7 million and \$13.5 million for the nine months ended September 30, 2023 and 2022, respectively, an increase of \$2.2 million or 16.3%. The increase in interest expense was primarily due to a higher interest rate on our debt balance during the three and nine months ended September 30, 2023 compared to the three and nine months ended September 30, 2022.

*Other expenses (income).* Other expenses (income) were \$(0.1) million and \$(0.1) million for the three months ended September 30, 2023 and 2022. Other expenses (income) were \$(0.7) million and \$0.3 million for the nine months ended September 30, 2023 and 2022, respectively, an increase of \$1.0 million or 333%. The increase is primarily attributable to a gain related to ROU assets that were subleased during the three months ended September 30, 2023.

### **Liquidity and Capital Resources**

#### **General**

To date, we have financed our operations principally through our proceeds raised through an IPO, private placements of our equity securities, revenues, and certain term loans (described below). As of September 30, 2023, we had \$515.6 million in cash, cash equivalents and short-term investments. Deferred premium revenue represented \$146.3 million of the cash balance as of September 30, 2023 and is primarily due to the timing of our monthly premium revenue payments from CMS.

In addition, we operate as a holding company in a highly regulated industry. Alignment Healthcare, Inc., our parent company, is dependent upon dividends and administrative expense reimbursements from our subsidiaries, most of which are subject to regulatory restrictions. We maintain significant levels of aggregate excess statutory capital and surplus in our state-regulated operating subsidiaries. As of September 30, 2023, the parent company had \$187.0 million in cash, cash equivalents and short-term investments.

We may incur operating losses in the future due to the investments we intend to continue to make in expanding our operations and sales and marketing and due to the general and administrative costs we expect to incur in connection with continuing to operate as a public company. As a result, we may require additional capital resources to execute strategic initiatives to grow our business.

We believe that our liquid assets will be sufficient to fund our operating and organic capital needs for at least the next 12 months. Our assessment of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement and involves risks and uncertainties. Our actual results could vary because of, and our future capital requirements will depend on, many factors, including our growth rate, the timing and extent of spending to expand our presence in existing markets, expand into new markets and increase our sales and marketing activities. We may in the future enter into arrangements to acquire or invest in complementary businesses, services and technologies, including intellectual property rights. We have based this estimate on assumptions that may prove to be wrong, and we could use our available capital resources sooner than we currently expect. We may be required to seek additional equity or debt financing. In the event that additional financing is required from outside sources, we may

not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital when desired, or if we cannot expand our operations or otherwise capitalize on our business opportunities because we lack sufficient capital, our business, results of operations, and financial condition would be adversely affected.

Certain states in which we operate as a CMS-licensed Medicare Advantage company may require us to meet certain capital adequacy performance standards and tests. The National Association of Insurance Commissioners has adopted rules which, if implemented by the states, set minimum capitalization requirements for insurance companies, HMOs, and other entities bearing risk for healthcare coverage. The requirements take the form of risk-based capital (“RBC”) rules, which may vary from state to state. Certain states in which our health plans or risk bearing entities operate have adopted the RBC rules. Other states in which our health plans or risk bearing entities operate have chosen not to adopt the RBC rules, but instead have designed and implemented their own rules regarding capital adequacy. Our health plans or risk-bearing entities were in compliance with the minimum capital requirements for all periods presented.

#### *Oxford Term Loan*

On September 2, 2022 (the “Effective Date”), we, Alignment Healthcare USA, LLC, an indirect subsidiary of the Company (the “Borrower”) and certain of our other subsidiaries (together with the Company and the Borrower, the “Borrower Parties”) entered into a term loan agreement (the “Oxford Loan Agreement”) with Oxford Finance LLC (“Oxford”), as administrative agent, collateral agent and a lender, and the other lenders from time to time party thereto (collectively, the “Lenders”), pursuant to which the Lenders have agreed to lend the Borrower an aggregate principal amount of up to \$250.0 million in a series of term loans (the “Term Loans”). Pursuant to the Oxford Loan Agreement, the Borrower received an initial Term Loan of \$165.0 million on the Effective Date and may borrow up to an additional \$85.0 million of Term Loans at its option (such additional Term Loans, the “Delayed Draw Term Loans”). Interest on the Term Loans is a variable rate equal to (i) the secured overnight financing rate administered by the Federal Reserve Bank of New York for a one-month tenor, subject to a floor of 1.00%, plus (ii) an applicable margin of 6.50%. All unpaid principal and accrued and unpaid interest with respect to each Term Loan is due and payable in full on September 1, 2027. The interest rate applied during the quarter ended September 30, 2023 ranged from 11.64% to 11.83%.

The Term Loans are guaranteed by certain of our wholly owned subsidiaries and collateralized by all unrestricted assets.

For certain prepayments of the Term Loans prior to the second anniversary of the Effective Date, we will be required to pay a prepayment fee ranging from 1.00% to 2.00% of the principal amount of the Term Loans being prepaid.

The Oxford Loan Agreement includes customary events of default, including, among others, payment defaults, breach of representations and warranties, covenant defaults, judgment defaults, insolvency and bankruptcy defaults, and change of control. The occurrence of an event of default could result in the acceleration of the obligations under the Oxford Loan Agreement, termination of the Term Loan commitments and the right to foreclose on the collateral securing the obligations. During the existence of an event of default, the outstanding Term Loans will accrue interest at a rate per annum equal to 2.00% plus the otherwise applicable interest rate. Additionally, in the event of any contemplated asset sale or series of asset sales yielding net proceeds in excess of \$2,500, except those excluded per the Oxford Loan Agreement, we are required to prepay the aggregate outstanding principal balance of the Term Loans in an amount equal to the entire amount of the asset sale net proceeds, plus any accrued and unpaid interest.

The Oxford Loan Agreement includes financial covenants that require the Borrower Parties to (i) maintain minimum liquidity, as defined in the Loan Agreement, of \$23.0 million and (ii) satisfy a maximum permitted ratio of debt to trailing twelve-month revenue, as set forth in the Loan Agreement. As of September 30, 2023, we were in compliance with the financial covenants.

#### *Cash Flows*

The following table presents a summary of our consolidated cash flows from operating, investing and financing activities for the periods indicated:

<i>(dollars in thousands)</i>	<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
Net cash provided by operating activities	\$ 128,279	\$ 103,836
Net cash used in investing activities	(146,245)	(20,110)
Net cash provided by financing activities	60	17,120
Net change in cash	(17,906)	100,846
Cash, cash equivalents and restricted cash at beginning of period	411,299	468,350
Cash, cash equivalents and restricted cash at end of period	<u>\$ 393,393</u>	<u>\$ 569,196</u>

### **Operating Activities**

For the nine months ended September 30, 2023, net cash provided by operating activities was \$128.3 million, an increase of \$24.5 million compared to net cash provided by operating activities of \$103.8 million for the nine months ended September 30, 2022. The net cash provided by operating activities for both periods is mainly attributable to the timing of our monthly premium revenue payments from CMS. We typically receive our monthly premium payments from CMS on the first day of the month. However, as the first day of October 2023 and 2022 did not occur on a business day, we received the October premium payments on the last day of September. At September 30, 2023 and September 30, 2022, we recorded deferred premium revenue of \$146.3 million and \$116.8 million, respectively. Excluding deferred premium revenue for the nine months ended September 30, 2023 and 2022, we had net cash used in operating activities of \$17.8 million and \$12.5 million, respectively, an increase of \$5.3 million. The increase is mainly attributable to an increase in net loss for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022.

### **Investing Activities**

For the nine months ended September 30, 2023, net cash used in investing activities was \$146.2 million, an increase of \$126.1 million compared to net cash used in investing activities of \$20.1 million for the nine months ended September 30, 2022. The increase primarily relates to the purchase of short-term treasury securities during the nine months ended September 30, 2023.

### **Financing Activities**

For the nine months ended September 30, 2023, net cash provided by financing activities was \$0.06 million. For the nine months ended September 30, 2022, there was net cash provided by financing activities of \$17.1 million. The decrease in net cash provided by financing activities is mainly attributable to cash received in connection with our long-term debt refinancing in Q3 2022 that did not recur in the current quarter.

#### **Material cash requirements from known contractual and other obligations**

There have been no material changes to our contractual obligations disclosed in our Annual Report.

#### **Off-Balance Sheet Arrangements**

We did not have any off-balance sheet arrangements as of September 30, 2023.

#### **Critical Accounting Policies**

The discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles and include the accounts of our wholly-owned subsidiaries and three variable interest entities (“VIEs”) in California and North Carolina that meet the consolidation requirements for accounting purposes. All intercompany transactions have been eliminated in consolidation. Noncontrolling interest is presented within the equity section of the condensed consolidated balance sheets.

There have been no significant changes in our critical accounting estimate policies or methodologies to our condensed consolidated financial statements. For a description of our policies regarding our critical accounting policies, see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies*” in the Annual Report.

#### **Recent Accounting Pronouncements**

See Note 2 to our condensed consolidated financial statements, “*Summary of Significant Accounting Policies—Recent Accounting Pronouncements Adopted*” for more information.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of exposure due to potential changes in inflation. We do not hold financial instruments for trading purposes.

***Inflation Risk***

Based on our analysis of the periods presented, we believe that inflation has not had a material effect on our operating results. There can be no assurance that future inflation will not have an adverse impact on our operating results and financial condition.

**Item 4. Controls and Procedures.*****Evaluation of Disclosure Controls and Procedures:***

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures were effective as of September 30, 2023.

***Changes to our Internal Controls over Financial Reporting:***

There were no material changes in our internal control over financial reporting during the three months ended September 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. As a result of the COVID-19 pandemic, certain employees began working remotely in March 2020. We have not identified any material changes in our internal control over financial reporting as a result of these changes to the working environment, in part because our internal control over financial reporting was designed to operate in a remote working environment. We are continually monitoring and assessing our remote working environment to determine any potential impact on the design and operating effectiveness of our internal controls over financial reporting.

## PART II—OTHER INFORMATION

### **Item 1. Legal Proceedings.**

See Note 12, Commitments and Contingencies – Legal Proceedings, to Alignment Healthcare, Inc.'s Condensed Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report.

### **Item 1A. Risk Factors.**

There have been no material changes to the risk factors disclosed in the Annual Report.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

#### *Unregistered Sales of Equity Securities*

None.

#### *Use of Proceeds*

On March 25, 2021, the Company's Registration Statement on Form S-1 (SEC File No. 333-253824) for the initial public offering of 27,200,000 shares of common stock was declared effective by the Securities and Exchange Commission. The Company's common stock began trading on March 26, 2021 on Nasdaq under the ticker symbol "ALHC." The IPO closed on March 30, 2021, with the Company selling 21,700,000 shares of common stock and certain selling stockholders selling 5,500,000 shares of common stock, in each case at a price to the public of \$18.00 per share. On Tuesday, April 6, 2021, pursuant to a partial exercise of the underwriters' over-allotment option, certain selling stockholders sold an additional 3,314,216 shares of common stock at the IPO price. In the aggregate, the IPO generated approximately \$361.6 million in net proceeds for the Company, which amount is net of approximately \$24.4 million in underwriters' discounts and commissions and offering costs of approximately \$4.6 million. The IPO commenced on March 25, 2021 and terminated upon the partial exercise of the underwriters' over-allotment options as described above. The representatives of the several underwriters of the IPO were Goldman Sachs & Co. LLC and Morgan Stanley & Co. LLC.

There has been no material change in the use of proceeds described in the IPO prospectus filed with the SEC on March 29, 2021. We may also use a portion of our net proceeds to acquire or invest in complementary businesses, products, services or technologies.

#### *Purchases of Equity Securities by the Issuer and Affiliated Purchasers*

None.

### **Item 3. Defaults Upon Senior Securities.**

None.

### **Item 4. Mine Safety Disclosures.**

Not applicable.

### **Item 5. Other Information.**

None.

**Item 6. Exhibits.**

<b>Exhibit Number</b>	<b>Description</b>
3.1	<a href="#"><u>Amended and Restated Certificate of Incorporation of Alignment Healthcare, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K filed on March 30, 2021).</u></a>
3.2	<a href="#"><u>Amended and Restated Bylaws of Alignment Healthcare, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Form 8-K filed on March 30, 2021).</u></a>
4.1	<a href="#"><u>Registration Rights Agreement, dated as of March 30, 2021, among Alignment Healthcare, Inc. and the other signatories party thereto (incorporated by reference to Exhibit 4.1 to the Company's Form 8-K filed on March 30, 2021).</u></a>
10.1+	<a href="#"><u>Employment Agreement, dated as of September 25, 2023, 2023, between Alignment Healthcare USA, LLC and Hyong (Ken) Kim, M.D. (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on September 6, 2023).</u></a>
10.2+	<a href="#"><u>Separation Agreement and General Release, dated as of August 9, 2023, between Alignment Healthcare USA, LLC and Dinesh Kumar (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on August 15, 2023).</u></a>
10.3*+	<a href="#"><u>Separation Agreement and General Release, dated as of July 13, 2023, between Alignment Healthcare USA, LLC and Richard Cross.</u></a>
10.4+	<a href="#"><u>Form of Performance Share Unit Award Agreement (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on September 15, 2023).</u></a>
31.1*	<a href="#"><u>Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
31.2*	<a href="#"><u>Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
32.1**	<a href="#"><u>Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
32.2**	<a href="#"><u>Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
101.INS*	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document)

\* Filed herewith.

\*\* Furnished herewith

+ Indicates management contract or compensatory plan.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Alignment Healthcare, Inc.

Date: November 2, 2023

By: \_\_\_\_\_  
**John Kao**  
**President and Chief Executive Officer**

Date: November 2, 2023

By: \_\_\_\_\_  
**Thomas Freeman**  
**Chief Financial Officer**

CONFIDENTIAL SEPARATION AGREEMENT AND GENERAL RELEASE

This Confidential Separation Agreement and General Release (“**Agreement**”), dated July 13, 2023 (the “**Execution Date**”), is made by and between Richard Cross (“**Employee**”), on the one hand, and Alignment Healthcare USA, LLC (“**Alignment**” or the “**Company**”), on the other hand. The parties to this Agreement may be referred to singularly as a “**Party**” or collectively as the “**Parties.**”

RECITALS

A. Alignment and Employee are parties to that certain Amended & Restated Employment Agreement, effective March 26, 2021 (the “**EA**”). Capitalized terms used but not defined herein shall have the meaning set forth in the EA;

B. The Parties desire to enter into this Agreement to effectuate Employee’s separation from Alignment and termination of Employee’s employment with Alignment; and

C. In furtherance thereof, the Parties desire to provide for certain separation payments and a general release of claims, as set forth herein.

NOW, THEREFORE, in consideration of the Recitals above and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

AGREEMENT

1. Termination Date. Employee’s employment with Alignment is hereby terminated by mutual agreement under Section 5(c) of the EA, effective on September 1, 2023 (the “**Effective Date**”). As of the Effective Date, the EA is hereby terminated, except for any covenants or other obligations of Employee that survive by their terms (including, without limitation, the provisions set forth in Sections 8 through 15).
2. Separation Package and Equity Awards.
  - a. Separation Package. In consideration of and in return for the promises and covenants undertaken by the Employee and the general release herein, and when the Effective Date has occurred (and provided Employee reaffirms this Agreement, as set forth below, on the Effective Date), the Company shall provide to or for the Employee the following separation package (“**Separation Package**”).
    - i. Alignment Healthcare, Inc. (the “**Parent**”) shall provide for the vesting of the Accelerated RSUs (as defined in Section 2(b) below). Employee hereby accepts the acceleration of the Accelerated RSUs in substitution for any cash severance payment to which he may be entitled under the EA.
    - ii. The Company shall pay Employee a pro rata amount of the bonus, if any, which would have been payable to Employee for calendar year 2023, determined after the end of calendar year 2023 and equal to the amount which would have been payable to Employee if Employee’s employment had not been terminated during

2023, multiplied by the fraction, the numerator of which is the number of whole months the Employee was employed by Employer during such calendar year and the denominator of which is twelve (12). Such bonus shall be paid at the same time(s) at which other senior executives of the Company receive such bonuses.

iii. The Company shall pay Employee the remaining portion of the Bonus for the 2022 calendar year performance period (“**Second Bonus Payment**”) on or about the same date that other senior executives of the Company receive the Second Bonus Payment.

iv. Employee acknowledges and agrees that as of the Effective Date, except for the vesting and bonus payments described in Section 2(a)(i) through (iii) above, the Company will have paid Employee all wages earned, and no additional compensation or benefit is due to Employee as of the Effective Date.

v. If the Employee elects COBRA benefits, the Company shall pay the Employee’s share of the premium for such COBRA benefits for a twelve (12) month period beginning September 1, 2023, unless the Employee sooner becomes eligible to receive health benefits through new employment; it being understood that (x) the Employee is required to notify the Company immediately if Employee begins new employment during such period and to repay promptly any excess benefits contributions made by the Company; and (y) after the Company’s payment or reimbursement obligation ends, the Employee may continue benefits coverage for the remainder of the COBRA period, if any, provided Employee pays the full cost of such continuation of coverage. Employee shall receive additional information regarding COBRA under separate cover, and Employee shall be solely responsible for electing COBRA coverage, if any, by properly returning the COBRA election form.

b. Equity Awards. The following is a summary of the equity awards granted to Employee by Parent from on or about the closing of the Parent’s initial public offering through the Execution Date (the “**Equity Summary**”):

<u>Restricted Shares</u>	<u>Vested</u>	<u>Unvested</u>	<u>Total</u>
Restricted Shares	179,640	0	179,640
<u>RSUs</u>	<u>Vested</u>	<u>Unvested</u>	<u>Total</u>
RSUs granted at IPO	9,750	9,750	19,500
RSUs granted March 2022	12,418	37,251	49,669
RSUs granted Sept. 2022	0	102,759	102,759
<b>Total RSUs</b>	<b>22,168</b>	<b>149,760</b>	<b>171,928</b>
<u>Options</u>	<u>Vested</u>	<u>Unvested</u>	<u>Total</u>
Options granted at IPO @ \$18/share	122,778	122,778	245,556
Options granted March 2022 @ \$9.06/share	9,124	27,372	36,496
<b>Total Options</b>	<b>131,902</b>	<b>150,150</b>	<b>282,052</b>

Employee acknowledges and agrees that the foregoing Equity Summary includes an accurate and complete listing of all such equity awards, including, without limitation, all restricted shares of common stock of the Parent converted from pre-IPO limited partnership units of Parent’s predecessor (“**Restricted Shares**”), restricted stock units of

the Parent (“**RSUs**”) and options to purchase shares of common stock of the Parent (“**Options**”), as well as an accurate and complete breakdown of the amount of each type of equity award that has vested and the amount remaining unvested, all as of the Execution Date. For clarity, the Equity Summary does not account for any purchases, sales or other transactions undertaken by Employee in the public market (including, without limitation, any sales made in connection with a vesting event to cover tax withholding obligations), and therefore is not intended to reflect Employee’s total beneficial ownership of shares of Parent common stock or any derivative securities as of any date. The Restricted Shares, RSUs and Options listed under the columns labeled “Vested” in the Equity Summary are referred to herein collectively as the “**Vested Securities**.”

Subject to receipt of approval of this Agreement by the Compensation Committee of the Board of Directors of Parent, Parent hereby agrees that, as of immediately prior to the effectiveness of Employee’s termination of employment, it shall cause the acceleration of vesting of:

- (i) Seventeen Thousand Two Hundred Ninety-Two (17,292) RSUs; and
- (ii) an additional number of RSUs equal to (x) Six Hundred Thousand Dollars (\$600,000), *divided by* (y) the closing price per share of the Company’s common stock on the Nasdaq Stock Market on the Effective Date (the RSUs described under clauses (i) and (ii), together, the “**Accelerated RSUs**”).

Other than the Vested Securities and the Accelerated RSUs, Employee acknowledges and agrees that (A) all of the remaining Options and RSUs are unvested and shall be cancelled in their entirety as of the Effective Date without payment; (B) any vested Options may be exercised by Employee at any time within a period of ninety (90) days from the Effective Date, after which time such vested Options shall terminate and expire without payment; and (C) he has no rights to any additional or other equity or equity-based compensation (including Restricted Shares, RSUs and Options).

- c. *Tax Matters*. All payments under this Agreement (including, without limitation, the Accelerated RSUs) may be reduced by applicable taxes and withholdings. For the avoidance of doubt, Employee agrees that there shall be a withholding or sale of a sufficient number of shares upon settlement of the Accelerated RSUs to cover any applicable tax or withholding obligations. Employee shall be exclusively responsible for any tax consequences arising from the Separation Package; Employee agrees to fully defend and indemnify the Company from and against any tax-related claim stemming from Employee’s receipt of the Separation Package.
3. *General Release of Claims by Employee*. In consideration of and in return for the promises and covenants undertaken herein, and for other good and valuable consideration, receipt of which is hereby acknowledged, Employee, and anyone and any entity claiming through Employee, including, but not limited to, Employee’s heirs, administrators, successors in interest, assigns, and agents, and each and all of them, hereby releases, relieves, and forever discharges the Company, and each of its past, present and future employees, officers, directors, members, agents, trustees, administrators, representatives, owners, shareholders, partners, insurers, fiduciaries, attorneys, vendors, customers, clients, patients, subsidiaries, parent companies, affiliates (including, without limitation, Alignment Healthcare Partners, LP and Parent), related entities, assigns, predecessors

and successors in interest, and each and all of them (collectively, the “**Releasees**”), of and from any and all claims, rights, actions, causes of action, complaints, demands, obligations, promises, contracts, controversies, debts, expenses, damages, injuries, losses, liens, costs, attorneys’ fees, interest, judgments, and liabilities of any nature whatsoever, whether or not now known, suspected or unsuspected, matured or unmatured, fixed or contingent (collectively, the “**Claims**” and each a “**Claim**”), which Employee, and anyone and any entity claiming through Employee, including, but not limited to, Employee’s heirs, administrators, successors in interest, assigns, and agents, and each and all of them, ever had, now has, or may claim to have from the beginning of time to the moment Employee signs this Agreement, against the Releasees (whether directly or indirectly), or any of them, including, without limiting the generality of the foregoing, any and all Claims arising out of, connected with, or relating to: (1) Employee’s relationship and/or employment with the Company (and any of the Releasees) or the cessation of that relationship and/or employment; (2) any act or omission by or on the part of the Releasees, or any of them, up to and including the date Employee signs this Agreement; (3) any federal, state or local law prohibiting discrimination, harassment, or retaliation of any kind, whether such claim is based upon an action filed by Employee or by a governmental agency; (4) any alleged statutory (federal or state) violation, including, without limitation, the California Labor Code, applicable California Wage Order, California Civil Code, Fair Employment and Housing Act, Americans with Disabilities Act, Age Discrimination in Employment Act, Family and Medical Leave Act, California Family Rights Act, California Business and Professions Code, Fair Labor Standards Act, or Consolidated Omnibus Budget Reconciliation Act (COBRA), as amended; (5) assault, battery, breach of any express or implied employment contract or agreement, wrongful discharge, breach of the implied covenant of good faith and fair dealing, intentional or negligent infliction of emotional distress, fraud, intentional or negligent misrepresentation, defamation, or interference with prospective economic advantage or contractual relations, or any other tort or violation of common law; (6) any state, federal or local law regulating compensation, salaries, equity, wages, hours, bonuses, commissions, overtime, benefits, monies, pay, allowances, benefits, sick pay, severance pay, retention pay or benefits, paid leave benefits, vacation pay, penalties, interest, or damages; and (7) any claim for attorneys’ fees, costs, or expenses; provided, however, that the foregoing does not purport to release any Claims that may not be released as a matter of law. Employee further agrees to waive Employee’s right to any monetary or equitable recovery in connection with any federal, state, or local administrative agency’s investigation into any claims arising out of or related to Employee’s employment with and/or separation from employment with the Company, to the extent permitted by law. Notwithstanding the foregoing, this release does not release any claims which may not be released as a matter of law.

4. Release of Unknown Claims and Civil Code Section 1542 Waiver. Employee understands that the foregoing release of claims is intended to be comprehensive in scope and to cover claims that Employee knows about and those Employee may not foresee or know about, in connection with the matters released. Therefore, Employee waives and relinquishes all rights and benefits Employee has under Section 1542 of the California Civil Code, or any similar statute or provision of any other state, which reads as follows:

“A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release, and that if known by him or her would have materially affected his or her settlement with the debtor or related party.”

This Agreement extends to all claims or causes of action, of every nature and kind whatsoever, known or unknown, enumerated in this Agreement or otherwise. Employee may hereafter discover

presently unknown facts or claims different from or in addition to those that Employee now knows as to the matters released herein. Nevertheless, it is Employees' intention, through this Agreement, to fully release all such matters and all claims related thereto, which do now exist, may exist or heretofore have existed.

5. Covenant Not to Sue. Employee has not and will not directly or indirectly institute any legal action against the Releasees, or any of them, based upon, arising out of, or relating to any Claims released herein. Employee has not and will not directly or indirectly encourage and/or solicit any third party to institute any legal action against the Releasees, or any of them.
6. Older Worker's Benefit Protection Act. This Agreement constitutes a knowing and voluntary waiver of any and all rights or claims that Employee has or may have under the federal Age Discrimination in Employment Act ("ADEA"), as amended by the Older Workers' Benefit Protection Act of 1990, 29 U.S.C. §§ 621 et seq. This paragraph and this Agreement are written in a manner calculated to be understood by Employee. Employee is hereby advised in writing to consult with an attorney before signing this Agreement. Employee has up to 21 days in which to consider signing this Agreement. If Employee decides not to use all 21 days, Employee knowingly and voluntarily waives any claims that Employee was not given the 21-day period or did not use the entire 21 days to consider this Agreement. Employee may revoke this Agreement at any time within the 7-day period following the date Employee signs this Agreement by providing written notice of revocation to Alignment Healthcare USA, LLC, Attn: Legal Department, 1100 Town & Country Road, Suite 1600, Orange, CA, so that Employer receives such written notice before the 7-day revocation period expires. This Agreement shall not become effective or enforceable until the Effective Date.
7. Right to Consult Legal Counsel. Company hereby advises Employee to seek the advice of legal counsel of Employee's choosing prior to signing this Agreement, and by signing this Agreement and the general release herein, Employee affirms that Employee fully understands Employee's right to seek the advice of legal counsel.
8. No Admissions. The Company expressly denies any violation of any federal, state or local statute, ordinance, rule, regulation, policy, order, or other law. The Company also expressly denies any liability to Employee. This Agreement is the compromise of disputed claims and nothing contained herein is to be construed as an admission of liability on the part of anyone hereby released, or any of them, by whom liability is expressly denied. Moreover, neither this Agreement nor anything in it shall be construed to be or shall be admissible in any proceeding as evidence of an admission by anyone hereby released of any violation of any federal, state or local statute, ordinance, rule, regulation, policy, order, or other law. This Agreement may be introduced, however, in any proceeding to enforce the Agreement.
9. Good Faith Dispute. There is a good faith dispute between the Parties as to whether Employee is owed any additional payments, including but not limited to wages, commissions, bonuses, PTO, vacation, sick leave, holidays, reimbursements, benefits, and/or penalties, except for the Separation Package expressly set forth above in Section 2, and Employee is willing to compromise and resolve all such claims by accepting the Separation Package under the terms of this Agreement.
10. Confidentiality. Employee acknowledges and warrants that Employee has not disclosed to anyone (other than Employee's attorneys) any of the terms of this Agreement. Employee agrees to maintain in strict confidence and not to disclose any of the terms of this Agreement to any third

party without the prior written consent of the Company, except (i) as required by applicable law or order of a court, provided that the Company is given written notice thereof as soon as practicable, and provided further that Employee cooperates fully with the Company in connection with any request for a protective order, and only such information is disclosed as is legally required to be disclosed; and (ii) on an as-needed and *confidential* basis to Employee's accountant, spouse or attorney, so long as any such person is instructed to abide by this confidentiality provision. Notwithstanding the above, Employee may disclose the fact of this Agreement, the Execution and Effective Date, and any terms of the Agreement which relate to Employee's obligations under this Agreement, including any restrictive covenants, to a potential employer upon request. This paragraph does not prohibit statements that are required or compelled by law or court order, or necessary to enforce this Agreement. Nothing in this provision or Agreement prevents Employee from discussing or disclosing information about unlawful acts in the workplace, such as harassment or discrimination or any other conduct that Employee has reason to believe is unlawful.

11. Covenant Not to Publicize Information. Employee and Company agree that, if asked about Employee's departure from the Company, both Employee and Company shall state, in sum and substance, that Employee's separation from the Company was mutually agreed-upon and nothing more. With respect to any Company-wide announcements, the Company will discuss with Employee the content of such announcements and will give Employee the opportunity to provide feedback, which the Company will consider in good faith. Both Employee and Company agree not to make any public announcements regarding Employee's departure except as otherwise required by law, including, without limitation, pursuant to Company's disclosure obligations under federal securities laws. Without limitation of the foregoing, Employee acknowledges and understands that Parent may, if determined by legal counsel that such disclosure is required, file with the U.S. Securities and Exchange Commission a Current Report on Form 8-K disclosing Employee's termination, the date thereof, and the material terms and conditions of this Agreement, including the amounts payable to Employee hereunder. If so required, the substance of the Form 8-K will be as mutually agreed upon by the Parties.
12. Transition Support. The Company agrees that it will provide reasonable and customary support to Employee with respect to his transition to new employment, including through letters of reference or recommendations, as reasonably necessary; provided, however, Employee acknowledges that the Company cannot guarantee that Employee will secure his desired employment.
13. Return of Company Property; Confidential Information; Continuing Covenants.
  - a. Employee agrees he has returned all keys and other means of access to the property of the Releasees, or any of them, as well as all other personal property, equipment and credit cards, and that he has returned or destroyed all records and documents in Employee's possession or under Employee's control. Employee covenants that should Employee at any future time discover additional items of property belonging to the Releasees, or any of them, Employee will promptly return or destroy, as applicable, such property to the Company. The term "personal property" includes, without limitation, all office equipment, laptop computers, cell phones, books, manuals, records, reports, notes, contracts, requests for proposals, bids, lists, blueprints, and other documents, or materials, or copies thereof (including computer files), and all other proprietary and non-proprietary information relating to the business of the Company.

- b. Employee shall not make or ratify, in any form, any false or disparaging comments or statements about the Releasees, or any of them. The Company shall direct its executive officers not to make any false or disparaging comments or statements about Employee. Employee also agrees to preserve in confidence and not disclose, either directly or indirectly, any confidential, proprietary, private, personal, or trade secret information relating to the Releasees, or any of them.
  - c. Employee agrees to abide by the terms of any and all cooperation, confidentiality and/or non-disclosure and/or privacy and/or non-disparagement and/or restrictive covenants Employee made as part of Employee's employment with the Company, including but not limited to those set forth in the EA, which are incorporated herein by reference and which shall survive the separation of Employee's employment.
  - d. This paragraph does not prohibit statements that are required or compelled by law or court order, or necessary to enforce this Agreement. Nothing in this provision or Agreement prevents Employee from discussing or disclosing information about unlawful acts in the workplace, such as harassment or discrimination or any other conduct that Employee has reason to believe is unlawful.
14. Protected Rights. Employee acknowledges that during the course of his employment with the Company, he was privy to confidential and/or privileged information of and important to the Company and known to Employee only by virtue of his employment with the Company. Employee further agrees that Employee will not, for any reason, disclose to others or use for the benefit of anyone other than the Releasees any confidential, proprietary, sensitive, financial, private, personal, family or trade secret information of the Company or the Releasees, or any of them. The use of confidential, proprietary, sensitive, financial, private, personal, or trade secret information of the Company or the Releasees, or any of them, shall be a material breach of this Agreement. Notwithstanding anything contained herein or in any other confidentiality provision to which Employee may be or may have been subject as a result of Employee's employment with the Company, nothing shall prohibit Employee from communicating with government authorities concerning any possible legal violations. The Company nonetheless asserts and does not waive its attorney-client privilege over any information appropriately protected by the privilege. Employee is advised that pursuant to the Defend Trade Secrets Act an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (a) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. However, Employee understands that in the event that disclosure of the Company's trade secrets was not done in good faith pursuant to the above, Employee will be subject to substantial damages, including punitive damages and attorneys' fees.
15. Arbitration of Disputes Arising under This Agreement. The Parties hereby agree to submit any claim or dispute arising out of the terms of this Agreement, or in any way relating to its subject matter, to private and confidential arbitration by a single neutral arbitrator with the American Arbitration Association ("AAA"). The then-current AAA Employment Arbitration Rules will also govern the procedure for the arbitration proceedings between the Parties, which shall take place in Orange County, California. The arbitrator in this matter shall not have the power to modify any of the provisions of this Agreement. The decision of the arbitrator shall be final and binding on all Parties to this Agreement, and judgment thereon may be entered in any court

having jurisdiction. The Parties shall split the arbitrator's fee, and the prevailing party in any dispute related to this Agreement shall be entitled to recover all expenses incurred, specifically including but not limited to attorneys' fees, expert witness fees, and costs. THE PARTIES HEREBY WAIVE ANY RIGHT TO A JURY TRIAL ON ANY DISPUTE OR CLAIM COVERED BY THIS SECTION.

16. No Assignment of Claims. Employee represents and warrants that Employee has not, directly or indirectly, heretofore assigned or transferred or purported to assign or transfer to any person or entity any Claim or any other matter herein released. Employee agrees to indemnify and hold the Releasees, and each of them, harmless against any Claim, including attorneys' fees actually paid or incurred, arising out of or in any way connected with any such transfer or assignment or any such purported or claimed transfer or assignment.
17. Remedies and Injunctive Relief. In the event of a breach or threatened breach by Employee of any provision of this Agreement, Employee hereby consents and agrees that money damages would not afford an adequate remedy and that the Company shall be entitled to seek a temporary or permanent injunction or other equitable relief against such breach or threatened breach from any court of competent jurisdiction, without the necessity of showing any actual damages, and without the necessity of posting any bond or other security. Any equitable relief shall be in addition to, not in lieu of, legal remedies, monetary damages, or other available relief. In the event Employee materially breaches any of the terms of this Agreement or continuing obligations contained in it or the EA, the Company may, in addition to any other available remedies, seek to reclaim any amounts paid to Employee under the provisions of this Agreement and may terminate any benefits or payments that are later due under this Agreement, without waiving the releases provided in it.
18. No Waiver. Failure by the Company to insist on compliance with any term, covenant or condition contained in this Agreement shall not be deemed a waiver of that term, covenant or condition, nor shall any waiver or relinquishment by the Company of any right or power contained in this Agreement at any time be deemed a waiver or relinquishment of any such right or power at any other time.
19. Construction and Severability. This Agreement and the provisions contained herein shall not be construed or interpreted for or against any Party hereto because that Party drafted or caused that Party's counsel to draft any of its provisions. In the event that any provision of this Agreement is held to be void, null or unenforceable, the remaining portions will remain in full force and effect. Any uncertainty or ambiguity in this Agreement will not be construed for or against the drafter of the Agreement.
20. No Revival of Claims. This Agreement irrevocably and forever extinguishes all of the claims listed herein and such claims cannot be revived in any way, including but not limited to, by any alleged breach of this Agreement by any of the Parties.
21. Binding on Successors. This Agreement shall be binding upon, inure to the benefit of, and be enforceable by the Parties and each of their respective representatives, heirs, assigns, and successors.
22. Choice of Law. This Agreement shall be construed in accordance with, and be deemed governed by, the laws of the State of California.

23. Entire Understanding. The undersigned each acknowledge and represent that no promise or representation not contained in this Agreement has been made to them and acknowledge and represent that this Agreement contains the entire understanding between the Parties and contains all terms and conditions pertaining to the compromise and settlement of the subjects referenced herein. The undersigned further acknowledge that the terms of this Agreement are contractual and not a mere recital. Any modification to this Agreement must be in writing and signed by all Parties.
24. Counterparts. This Agreement may be executed in counterparts, and when each Party has signed and delivered at least one such counterpart, each counterpart shall be deemed an original, and, when taken together with other signed counterparts, shall constitute one Agreement, which shall be binding upon and effective as to all Parties.
25. Review of Agreement. The Parties hereto acknowledge each has carefully read this Agreement, that each fully understands their rights, privileges, and duties under the Agreement, and that each enters this Agreement freely and voluntarily. Each Party further acknowledges each has had the opportunity to consult with an attorney of their choice to explain the terms of this Agreement.
26. Authorized Signatories. The undersigned Parties hereby warrant that they are legally authorized and entitled to enter into this Agreement and to be bound by it.

*[Signature Page Follows]*

Dated: July 13, 2023

/s/ Richard Cross  
Richard Cross

ALIGNMENT HEALTHCARE USA, LLC

Dated: July 13, 2023

/s/ John Kao  
By: John Kao  
Its: Chief Executive Officer

Solely for purposes of Sections 2(a)(i) and 2(b):  
ALIGNMENT HEALTHCARE, INC.

Dated: July 13, 2023

/s/ John Kao  
By: John Kao  
Its: Chief Executive Officer

**REAFFIRMATION**

I hereby reaffirm this Agreement, including but not limited to the foregoing releases set forth in Sections 3-6 above.

Dated: September 1, 2023

/s/ Richard Cross  
Richard Cross

[SIGNATURE PAGE TO SEPARATION AGREEMENT]

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**CERTIFICATION PURSUANT TO  
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Thomas Freeman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Alignment Healthcare, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2023

By: \_\_\_\_\_ /s/ Thomas Freeman

**Thomas Freeman**  
**Chief Financial Officer**

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Alignment Healthcare, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John Kao, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 2, 2023

By: \_\_\_\_\_ /s/ John Kao  
**John Kao**  
**President and Chief Executive Officer**

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Alignment Healthcare, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas Freeman, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 2, 2023

By: \_\_\_\_\_ /s/ Thomas Freeman  
**Thomas Freeman**  
**Chief Financial Officer**

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