

Krause Fund Research April 16th, 2024

Elevance Health (NASDAQ: ELV)
Current Price: \$500.09
Target Price: \$590-\$690
Recommendation: **BUY**

Company Description

Elevance Health, Inc. (NASDAQ: ELV) is an American health insurance provider. ELV's companies serve more than 118 million people through medical, pharmaceutical, dental, behavioral health, long-term care, and disability plans and services through affiliated companies such as Anthem Blue Cross and Blue Shield, Wellpoint, and Carelon. Its affiliates offer commercial, Medicare, and Medicaid plans, and it is the largest for-profit managed health care company in the Blue Cross Blue Shield Association.

Financial Snapshot

Stock Performance Highlights

Current Price: \$500.09
52wk range: 412-521
Market Cap: \$118.1B
Shares Outstanding: 223

Krause Fund Valuation Models

DCF/EP: \$688.46
DDM: \$458.71
Relative Valuation: \$421-\$475
WACC: 7.63%
Beta: 0.81

Financial Metrics

2023 Revenue: \$171,340.0M
2024E Revenue: \$171,497.4M

Financial Ratios

2023 ROE: 16.52%
2023 ROIC: 71.36%
2023 ROA: 5.5%
2023 Debt-to-Equity: 64%

Earnings Estimates

Year	2022	2023	2024E	2025E	2026E	2027E
EPS	25.1	25.38	25.1	26.7	29	31.9
growth		1.1%	-1.1%	6.4%	8.6%	10.0%



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Investment Thesis

We recommend a **BUY** rating on Elevance with a target price of \$590-\$690.

Drivers of Thesis

- Exclusive right to market products under the Blue Cross Blue Shield Association (BCBS): Elevance Health having the rights to market their products with the support of a huge name such as BCBS provides them with greater brand recognition over competition and can increase consumer trust
- Integration with pharmacy benefit managers (PBMs) diversifies business results
- Growing population over age 65: The growing population of individuals over 65 years old will drive higher revenue growth for Elevance's CarelonRx segment and bring more customers to their insurance segment

Risks of Thesis

- Growing population over 65: the growing population of individuals over 65 could lead to higher costs of claims payments for Elevance, and the benefits of this growing population may not be enough to offset claims payments
- Medicaid enrollment declines: With the expected declines in Medicaid enrollment, Elevance is at risk of losing customers

12 Month Stock Performance

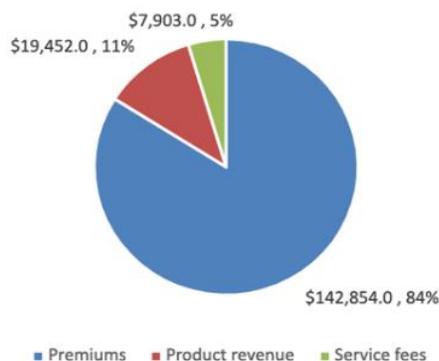


Company Description

Incorporated in 2001, Elevance Health, Inc., is a health benefits company operating in the United States. Elevance Health is an independent licensee of the Blue Cross and Blue Shield Association, an association of independent health benefit plans, and does most of its business through the Anthem Blue Cross and Blue Shield, Wellpoint, and Carelon brand names. In the first quarter of 2023, Elevance Health changed its reportable business segments to the following: Health Benefits, CarelonRx, Carelon Services, and Corporate and Other. The Health Benefits segment offers a wide range of health benefit plans and services to individual, employer-based, and government-based customers. The Medicare, Medicaid, and Federal Employees Health Benefits programs constitute the government-based offerings. Additionally, the core health insurance business is augmented by ancillary offerings, such as vision, stop loss, life, disability, and other supplemental benefits. The CarelonRx segment includes the company's core pharmacy business, which comprises home delivery, specialty pharmacy, claims adjudication, and other related services. Business units in the Carelon Services segment focus on analytics-driven healthcare utilization, behavioral health management, and personalized care delivery services. The Corporate and Other segment includes all business units that, individually, do not meet the company's threshold for a formal operating segment plus any corporate expenses not allocated to other reportable segments^[8,9].

Revenue Decomposition and Segment Discussions

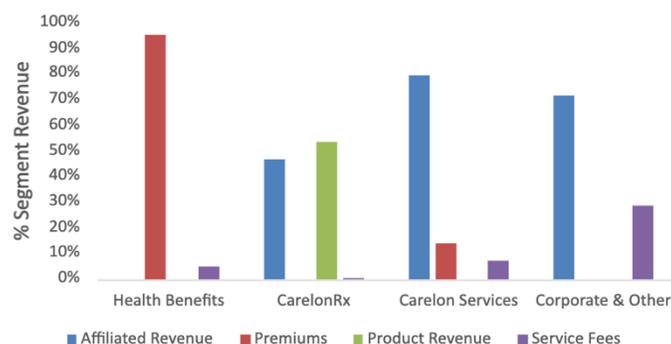
FY2023 Operating Revenues (\$ U.S. millions) by Type



In the pie chart above, Elevance Health's FY2023 operating revenues are decomposed into premiums, product revenue, and service fees, net of any eliminations reported by the company during a given period. Premium revenues are generated from medical, health and life insurance customers whose rates are risk-based as opposed to fee-based. Product revenues stem from services rendered by the

CarelonRx business for unaffiliated pharmacy customers, which include fee-based employer groups that contract with CarelonRx for pharmacy services, as well as customers who are not enrolled in a health plan owned by Elevance Health. Service fees include revenues from fee-based insurance customers, from the Medicare processing business, and from other health-related businesses. As seen in the chart, premium revenues accounted for most of Elevance Health's operating revenues in FY2023, consistent with a 4-year (2020-2023) historical average of about 85% of total operating revenues. It must be noted that the CarelonRx segment started as a reportable segment back in 2020, and the Carelon Services segment's first year as a reportable segment was 2023^[8,9].

Intra-Segment Revenue Decomposition



The bar graph depicts historical 3-year (2021-2023) averages of different contributions to operating segment revenues (revenues used in calculations were not net of pertinent eliminations). Affiliated revenues are those from Elevance's plan members that are not premium revenues. The intra-segment revenue decomposition was an integral part of forecasting each segment's operating revenues and, by extension, total operating revenues.

As far as forecasting revenues, management's discussions about future operating performance (found in earnings call documents and annual SEC filings), information about premium rate increases U.S. health and medical insurance industry reports, and judgments based on historical performance and economic factors were factored into the methodologies. For premiums, a 10-year historical premium per member figure was determined for both the medical insurance and other health insurance offerings. For forecast years 2024-2026, a 1% Y/Y growth rate was projected for insurance premiums. A recent U.S. health and medical insurance industry report forecasted a 1% CAGR for revenue over the next five years^[11]. For forecast years 2027-2028 and 2029-2030 (2030 projected to be CV year), premiums were forecasted to grow at progressively higher, but reasonable (influenced by inflation assumption of 3%) Y/Y percentages. Historical changes in membership for the insurance lines also had to be analyzed. For medical and other insurance membership, a 10-year historical average and a 9-year historical average (2020 figure deemed an outlier) Y/Y change, respectively, was calculated. For medical membership, enrollment declines in forecast years

2024 and 2025 were based on management’s guidance in the company’s Q4 FY2023 earnings release, and an assumption to cut the 2024 change in half and apply it to 2025^[8]. The primary driver for medical membership losses is a Medicaid eligibility redetermination issue and consequent losses of coverage for those customers. Back in 2020, U.S. Congress passed the Families First Coronavirus Response Act, a provision that stopped state Medicaid authorities from disenrolling covered individuals specifically requested it^[15]. This continuous enrollment provision ended on March 31, 2023, and, as a result, millions of people would potentially lose Medicaid coverage (U.S. Health and Human Services estimate) as state agencies move forward with their respective redetermination campaigns^[15]. Elevance management discussed intensive efforts over the next couple years to reacquire former Medicaid members or help former Medicaid members obtain new insurance coverage through other Elevance products^[8]. Starting in forecast year 2026, medical membership is projected to grow (Y/Y) by the historical 10-year average change. For Elevance’s other insurance offerings, membership is projected to grow (Y/Y) by the 9-year historical average change beginning in forecast year 2025. In forecast year 2024, the increase in membership is less than the other figures due to the company’s pending divestiture of its life and disability insurance businesses, which is expected to close halfway through FY2024^[9].

For the CarelonRx segment, management projected a low-single-digit Y/Y revenue growth rate for FY2024; 3% was chosen and applied to forecast years 2024-2026^[8]. Actual revenue growth may be higher due to the recent acquisition of BioPlus Parent LLC, a large, formerly independent specialty pharmacy organization. For the remaining forecast years, a 10% growth rate was assumed, and the rationale was tied to the segment’s historical 3-year average Y/Y growth rate of 15.62%. For the Carelon Services segment, management projected a Y/Y revenue growth rate in the high-teen to low-twenty range; 19% was chosen as the assumed growth rate for forecast years 2024-2026^[8]. For the remaining forecast years, the segment revenue is assumed to decrease until it grows at the same rate (10%) as the CarelonRx segment in the forecasted CV year. For a given forecast year, an average of the insurance premium growth rate and the Carelon Services segment growth rate is used as a proxy for the revenue growth rate of the Corporate and Other segment.

Cost Structure Analysis

The most important elements of Elevance Health’s cost structure are its benefit expense ratio (also known as medical loss ratio), cost of goods sold, and SG&A (selling, general, and administrative) expenses. As far as historical averages, the benefit expense ratio (costs of medical care as a percentage of premiums revenue) has been 85.5% (10-year average), the cost of goods sold (cost of

pharmaceuticals dispensed by CarelonRx to customers unaffiliated with Elevance Health) has been 8.5% of total operating revenue (4-year average), and SG&A expenses have been 11.8% of total operating revenue (10-year average). In FY2023, Elevance Health’s medical loss ratio was 87.0%^[8]. As far as competition, the FY2023 medical loss ratios for Humana, United Health Group, Cigna, and Centene Corporation were as follows: 87.3%, 83.2%, 82%, and 87.7%. These figures were calculated based on 2023 annual reports for each company. With respect to this metric, Elevance is not leading the industry, but it is not an outlier as far as having an extremely high ratio.

Debt Outlook

As of 2024, ELV has \$25.1 billion worth of debt outstanding and there is a required payment of \$1.6 billion by the end of the year. The company’s senior debt is currently rated “A” by S&P Global Ratings, “BBB+” by Fitch Ratings, and “Baa2” by Moody’s Investor Service Inc.⁸. This suggests a strong credit rating and low default risk for the company. ELV also reported that it still has \$4 billion worth of borrowing capacity under its revolving credit agreements that mature in 2027. Furthermore, over the past decade, ELV has maintained a debt-to-capital ratio between 0.37 to 0.43 and anticipates staying within this range in the coming years. Recently, ELV has been aggressive in M&A activity and consequently their credit risk could be subject an increase. Most of their M&A deals are paid in cash, but because ELV maintains high cash reserves, the overall impact on their financial position is minimal. This coupled with the company’s strong recurring cash flow, high liquidity, and low debt-to-capital ratio, is evidence to the Krause Fund of ELV’s ability to pay off its debt obligations. Below is ELV’s five-year debt maturity schedule:

5-year Debt Maturity Schedule

Fiscal Year	Coupon %	Payment (\$mil)
2024		1649
2025		1650
2026		1243
2027		1595
2028		1236
Thereafter		17522
Total		24895

Source: 2024 ELV 10-K

Capital Expenditures

In 2023, Elevance’s capital expenditures totaled \$1.298B. Elevance has capital expenditures for both their insurance side and their CarelonRx segment. Elevance’s capital expenditures grew steadily from 2013-2017 with a 4-year growth rate of approximately 24%. Starting in 2018, capital expenditures began to grow at a faster rate, which is likely

due to capital requirements to support the CarelonRx segment as that segment began producing revenue in 2020. The 5-year growth rate of capital expenditures from 2017-2023 was approximately 62%.

Payout Policy

ELV currently has a dividend yield of 1.19%, which is slightly below the S&P500 yield of 1.35% as of March 2024. Over the last 10 years, ELV has maintained a payout ratio between 17% and 28%, with an average of 20.8%. The modeled dividend forecast follows an increase in dividend per share of \$0.44 per year based on the 10-year historical average of dividend payment increases.

Industry Analysis

Managed Healthcare Overview

Managed Healthcare is a sub-sector of the Health and Medical Insurance industry. The Health and Medical Insurance industry provides a variety of products that decrease the cost of healthcare for individuals who pay monthly premiums. There are many types of plans that individuals can pay for with varying levels of out-of-pocket costs and coverage.

This industry has multiple key product and service lines. One of these is Managed Care, which is the category that Elevance Health falls into. Managed Care makes up 8.1% of the Health and Medical Insurance industry. Managed Health Care companies offer a variety of health benefit/coverage plans and other crucial services at a lower cost than paying out of pocket and/or shopping for plans through the Affordable Care Act (ACA) Marketplace platform. The plan participant pays monthly premiums to the provider in exchange for health care coverage. Many plans are either employer-provided or government-operated, but a private-sector market also exists. The most well-known government-operated plans are Medicare and Medicaid. Managed Care differs from the overall health insurance industry because managed care focuses on coverage to reduce costs while also having control over quality of care through provider networks, provider oversight, and prescription drug coverage tiers ^[3]

Mergers and Acquisitions

There is a high level of mergers and acquisitions in this industry. With a shift to public-sector companies, like Medicare and Medicaid, smaller firms are pushed to merge to be able to compete on a scale with the major public programs. M&A in health insurance has plenty of benefits such as revenue growth, savings on operating expenses, and improved asset efficiency. Economies of scale and cost

efficiency benefits are achieved by larger companies, which allows them to have more bargaining power with clinical providers. ^[7]

Demand Consistency

Since everyone needs healthcare, the demand for health insurance does not change drastically year-to-year ^[11]. This can be seen as a benefit to the industry because it allows for consistency, however this also means that growth can be limited. Growth in customers typically must come from competitors.

Regulatory Environment

The health insurance industry is heavily regulated by both state and federal entities ^[11]. These regulations can be complex, which can lead to increased costs for companies in this industry to maintain compliance. In addition, companies that provide Medicaid or Medicare related services have even more regulations. These regulations can also lead to higher costs due to potential lawsuits.

Intro of Integrated PBMs

Recently, several of the largest managed health care firms have integrated pharmacy benefit managers (PBMS). Traditionally, PBMs have acted as a middleman to help employers and insurers select and purchase medications for their health plans. As of 2024, PBMs control 80% of the prescription drug market. They also negotiate discounts with drug manufacturers and set payment terms for pharmacies. As a result, they have high fees and large pricing power. However, there is increase momentum in government regulation of PBMS with greater price transparency. The major firms that have adopted/integrated PBMs are UNH, HUM, CNC, and ELV. This vertical integration with PBMs and health providers has and will likely continue to help reduce medical costs and improve negotiating positions for 2024¹⁹.

Industry Key Metrics

The table below demonstrates the comparison between key players in the Managed Care industry using metrics including market capitalization, P/E ratio, and operating margin. All data is from FY 2023.

	Market Cap (\$ Billions)	EPS (\$)	Net Profit Margin
ELV	118.1B	\$25.38	3.52%
UNH	488.56B	\$24.12	6.23%
CVS	101.21B	\$6.49	2.34%
CI	88.01B	\$17.57	2.82%
HUM	56.71B	\$20.09	2.34%
CNC	40.23B	\$4.97	1.75%

*EPS and Net Profit Margin data from 10k statements
[3] [4] [6] [8] [10] [20]

Managed Care Porter's Five Forces Analysis

Threat of New Entrants: Low

The threat of new entrants in the Managed Care sector is low due to high barriers to entry, specifically for the insurance side of the industry. These barriers include building enough business to diversify risk, high capital requirements, and specific regulatory requirements. ^[11]

Bargaining Power of Customers: Moderate

The bargaining power of customers is moderate because buyers in this industry value trust and affordability. If consumers do not trust a company or feel that the company's prices are expensive, they will simply choose another provider. (IBIS World). This puts pressure on companies to maintain a price level relative to the industry.

Threat of Substitutes: Low

There are limited substitutions for health insurance. Aside from current players in the market, other companies cannot easily provide the same services due to heavy regulations. The only real substitute for private health insurance is government provided services. Individuals do not have much of a choice outside of the private or public health insurance options due to the high cost of healthcare with no insurance. ^[11]

Bargaining Power of Suppliers: High

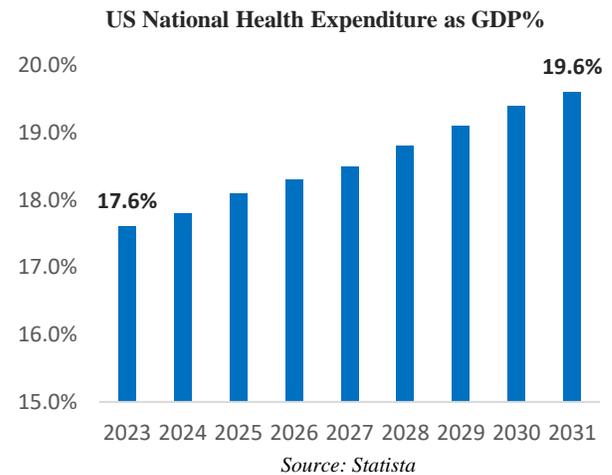
Suppliers have a high level of bargaining power due to the high cost and heavy regulations in the industry. Maintaining a network with suppliers and inputs is expensive for companies in this industry. This gives suppliers power over the industry and its pricing. In addition, the government as a supplier of healthcare through public services as well as having an influence on regulations makes them a significant force in the industry. ^[11]

Degree of Competitive Rivalry: High

The environment in this industry is highly competitive due to the need for economies of scale. Since insurers benefit from larger numbers of members, companies are consistently looking to grow membership, whether that is through advertising, mergers, or acquisitions. ^[11]

National Health Care Expenditure (NHE)

These expenditures represent the amount spent on health care and related activities such as private and public health insurance, research, and public health activities. In 2022, the United States' NHE was \$4.5 trillion dollars or \$13,493 per person. The federal government held the largest share of health care expenditure at 33%. As for the private health insurance spending, it accounted for 29% of total NHE^[5]. Over the next 10 years, the US center for Medicare and Medicaid services projects the average growth for NHE as 5.4% which outpaces the estimated GDP growth of 4.6%^[5]. The result is shown in the chart below which forecasts the NHE as a percentage of GDP.



This economic indicator directly represents the government's spending on programs such as Medicare and Medicaid and is closely linked to the managed care industry. The trend in NHE also helps health insurance companies understand the growth rate. The major health insurance companies of the industry are also subject to concern based on the % of their customers that have a Medicaid membership. We believe that ELV's strong strategic agility and historical success in navigating the industry, will present ELV with revenue growth opportunities. The amount that this could affect ELV also depends on the regulatory dynamics.

Uninsured Rate

Medicaid enrollment is estimated to decline from 90.4 to 81.1 million by 2025 as more beneficiaries will be disenrolled by states because they are no longer eligible for coverage^[5]. It is important to note that the previous high number of Medicaid enrollment was due in part by COVID-19 and, as a result, the US saw a drop in the uninsured rate. However, the continuous enrollment provision was delinked by Congress and went into effect on March 31, 2023^[16]. The consequence of this action is that the insured share of the population is projected to decrease from 92.3% in 2023 to 90.51% by 2031^[5]. This impacts the

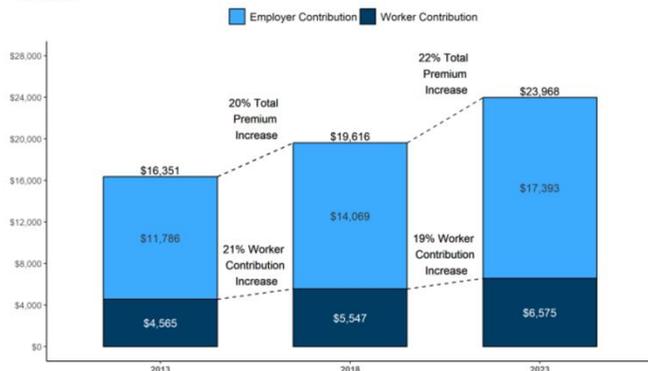
Economic Outlook

major players of the health insurance and managed care industry as they try to mitigate the losses from a decrease in Medicaid enrollment eligibility. ELV's management discussion cited that a big barrier for reenrollment is awareness of the process and required actions to maintain coverage. To combat this, ELV launched a renewal campaign that reached over 3 million people. We will be able to see the result of this campaign throughout the year in 2024.

Unemployment Rate

The unemployment rate is another key metric for this industry as many employers offer health insurance plans to their employees. In 2023, roughly 59 of workers at firms that offer health benefits were enrolled and had coverage. In Q1 of 2024, the unemployment rate was 3.9% and is expected to increase to 4.2% by 2025. The unemployment rate increase might be indicative of a recession^[13]. Of the population that is covered from employee-sponsored plans, most of them contribute a percentage of premium along with their employer. The graph below depicts the trend for the worker and employer premium contribution percentages.

Figure A
Average Annual Worker and Employer Premium Contributions for Family Coverage, 2013, 2018, and 2023

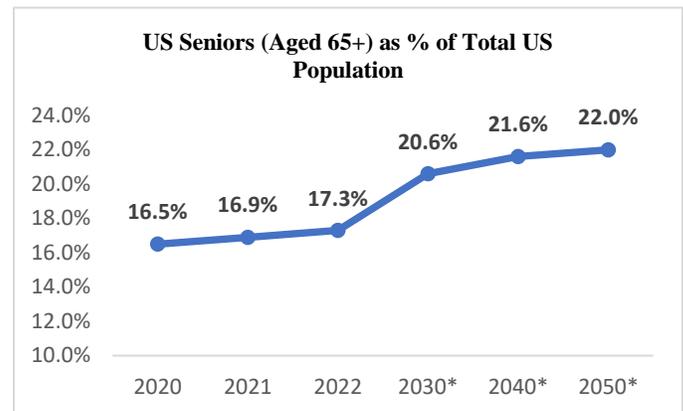


Source: KFF

Overall, premiums have been on the rise which has impacted both the employers and workers. From 2018 to 2023 the total premium increased by 22% and the worker contribution increased by 19%^[12]. For perspective, the average annual single premium and the average annual family premium each increased by 7% from 2022 to 2023. In the same period, there was an increase of 5.2% in workers' wages and inflation of 5.8%^[12]. As health insurance continues to cost more, the demand may go down and employers may have to find ways to cut costs with their employer-sponsored plan expense increasing. For health insurance companies and the overall economic outlook, adjustment may need to be made to pricing to remain attractive for customers on the employer level and on the individual level.

Population Demographics

The recent and forecasted population demographics are a key metric for this industry to watch. From 2022 to 2050 the percentage of population aged 65 and up is forecasted to increase from 17.3% to 22% in the US^[18]. The US trend of an aging population has several impacts to the industry. This population demographic has the highest health care spending, almost 2.5x more than the spending for working-age persons and at an average \$22,356 per person for the elderly^[5]. The graph below depicts the historical and forecast for the population demographic of 65 aged-persons and above.



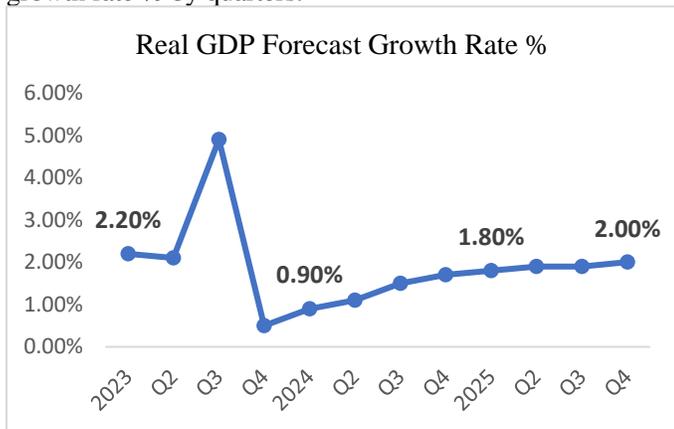
Source: Statista

Overall, this means that the managed care industry will be seeing growth in the next ~30 years as the health expenditures of the nation are expected to increase. However, the higher utilization of healthcare services for this demographic can lead to increased costs for the health insurance companies. Additionally, as the population ages the proportion of older individuals in the risk pool increases as they generally have more claims/costs. This could put pressure on health insurers to increase premiums or find increasing ways to cut costs. For ELV, the aging population trend is positive for their CarelonRx segment as there will be an increase in demand for prescription medicine. However, their main revenue stream of health insurance might be impacted depending on how the company adjusts premiums. The impact of AI and technology advancements of telehealth might be able to offset some of these negative impacts by decreasing expenses overall.

GDP Growth

Real GDP growth indicates overall economic performance and health of the economy. It also indicates whether the economy is expanding or contracting. Since the major dip in peak and fall in 2023's Q3 and Q4, the annual total real GDP growth rate is expected to be 1.54% in 2024. In 2025, the real GDP growth rate for the year is expected to be 1.74%, a slight increase from 2024. However, overall, the GDP growth in the US is slightly lower than we would prefer. Although it is a good sign that Real GDP growth is positive, as it is greater than the inflation growth^[14]. The graph below depicts the real GDP forecasted and historical

growth rate % by quarters.



Source: OECD

Valuation

Revenue Decomposition

We forecasted revenues based on ELV management's reportable segments in FY2023: Health Benefits, CarelonRx, Carelon Services, and Corporate and Other. For the company's insurance businesses (Health Benefits, Corporate and Other), historical average premiums per member and changes in enrollment had to be analyzed. Also, Y/Y growth rate assumptions took industry reports from external analysts and ELV management's guidance into account. ELV management's guidance and historical average analysis contributed to forecasted growth rates for both Carelon segments. For the Corporate and Other segment, an average of insurance premium growth and Carelon Services revenue growth was used as a proxy for its respective revenue growth rate. This figure didn't always change on a yearly basis.

Cost of Equity

We calculated ELV's cost of equity using the Capital Asset Pricing Model (CAPM). For the risk-free rate, we used 4.205%, which is the yield of a 10-year treasury bond. The beta used is 0.81 which is the 5-year monthly beta from Bloomberg Terminal^[1]. Additionally, we used the 1928-2023 geometric average of S&P500 returns as the equity risk premium, which is 5.26%. These values return a cost of equity of 8.46%.

Cost of Debt

To calculate ELV's cost of debt, we started with the YTM on ELV's 10-year corporate bond, which is 5.17%. As stated previously, the risk-free rate used in this model is 4.205%. The difference between the pre-tax cost of debt and the risk-free rate is the implied default premium, which is 0.965%. We then multiplied the pre-tax cost of debt (5.17%) by (1-Elevance's marginal tax rate of 22.6%) to find an after-tax cost of debt of 4.00%.

WACC

ELV's WACC was calculated using the market weights and current capital structure of the company. The cost of equity used was 8.46%, and the cost of debt was 4.00%, as calculated previously. Based on shares outstanding and current share price, the market value weight of equity is 81.45%. Based on the market value of total debt, the weight of debt is 18.55%. These weights translate to a WACC of 7.63%.

Gross Margin

For ELV's two larger sources of revenue, premiums and product revenue, there is an operating expense that is highly correlated to each of those revenue streams. For premiums revenue, this account is benefit expense. For product revenue, this account is the cost of products sold. Solely based on these two expense categories (because other expense categories are not directly correlated to a specific revenue stream), both sources of revenue produce similar profit margins. We utilized historical averages of these accounts as a percentage of revenue to forecast these accounts. Based on our forecasts, premiums has a gross margin of 12.69% and products have a gross margin of 12.66%. We expect these margins to stay constant over the forecast period due to rising premiums and other increases in revenue inputs being offset by industry events and trends such as the decrease in Medicaid enrollment.

Valuation Models

Discounted Cash Flow (DCF) and Economic Profit (EP)

Estimated Share Price: \$688.86

The discounted cash flows and economic profit valuation methods estimate the implied value of a share of a company's stock. When creating the DCF model, we started by projecting free cash flow (FCF) for the projection years 2024-2030, with 2030 being the year that Elevance reaches steady state. FCF was calculated by subtracting changes in invested capital from NOPLAT. Next, we discounted these cash flows back to present value using the WACC and summed the present values to arrive at a value of operating assets. We then accounted for non-operating adjustments to calculate Elevance's value of equity. This number was divided by total shares outstanding to calculate a price per share.

The EP model was calculated by discounting economic profit for each forecast year back to time zero using the WACC, then adding in beginning invested capital to calculate the value of operating assets. We then followed the same steps as the DCF to arrive at the value of a share.

These models returned a share price of \$688.86 for Elevance, which is approximately 37% upside from the current stock price. We believe the DCF model most accurately measures the intrinsic value of Elevance because it considers risk, profitability, and growth.

The DCF model is highly sensitive to changes in the company's long-term growth rate of 2% and the WACC of 7.63%. Changes in these values based on industry trends and risks would lead to significant differences in our valuation. We believe that the Managed Care industry will be a steady growth industry, therefore 2% is a reasonable assumption. We also believe that a WACC of 7.63% accurately depicts the cost of owning a company in the Managed Care industry.

DDM

Estimated Share Price: \$458.71

The dividend discount model (DDM) allows the analyst to calculate the value of a share of a company's stock as the discounted present value of expected future dividends paid by the company. This assumes a constant discount rate, which is the cost of equity. Forecasted basic earnings per share (EPS) figures were calculated in and pulled from the forecast income statement. The key assumptions for the estimated share price were as follows: CV growth of EPS at 4%, CV year return on equity (ROE) at 15.04%, and cost of equity 8.46%. The model's estimated share price for ELV is approximately 11% down from the current share price. The discrepancy between the estimated and actual current ELV share prices is not unreasonable because the DDM assumes steady-state growth conditions and the forecasted DPS (dividends per share) figures are based on theoretical payouts by the firm. It is very possible that ELV may be able to pay more than what these theoretical figures are, especially if actual results from operations exceed expectations of management and those set forth by Krause Fund forecasts. Per DDM rationale, if future cash flows (dividends) are lower in magnitude, then their discounted present values will also be smaller, thereby giving rise to an estimated share price that undercuts the current share price for the firm.

Relative Valuation

The Krause Fund used 5 other comparable companies for the relative valuation including: The Cigna Group (CI), The United Health Group (UNH), Centene Corporation (CNC), Humana (HUM), and CVS Health (CVS). For the P/E multiples, the higher end of the range was used (CI, UNH, and HUM) as they more directly correlated with ELV's multiples. Therefore, it showed ELV's competitive position more clearly in the industry. For the EV/EBITDA multiple, the industry average was used as there was not significant differences between the industry's competitors. Based on using data from the industry and its main competitors, the implied relative value for ELV shows that it would be

trading lower than the actual stock price as of today. Overall, the implied relative valuation method does have its shortcomings as it may not accurately depict market sentiment and offers a broader perspective. Thus, it is not the best estimate of ELV's value as it does not capture some of companies' unique factors or circumstances.

Implied Relative Value:

P/E (EPS24)	\$ 475.37	<i>*using CI, UNH, and HUM multiples</i>
P/E (EPS25)	\$ 400.56	<i>*using CI, UNH, and HUM multiples</i>
EV/EBITDA (2024)	\$ 421.74	<i>*using industry average</i>

Source: The Krause Fund

Sensitivity Analysis

Beta vs Risk-Free Rate

		Beta						
		0.66	0.71	0.76	0.81	0.86	0.91	0.96
Risk-free Rate	3.91%	794.60	765.67	739.15	714.76	692.25	671.42	652.09
	4.01%	783.29	755.31	729.63	705.98	684.14	663.89	645.09
	4.11%	772.35	745.28	720.40	697.47	676.25	656.57	638.27
	4.21%	761.77	735.57	711.46	689.20	668.59	649.45	631.63
	4.31%	751.54	726.16	702.78	681.17	661.14	642.52	625.17
	4.41%	741.63	717.04	694.36	673.37	653.89	635.77	618.87
	4.51%	732.03	708.19	686.18	665.78	646.84	629.20	612.73

This sensitivity table provides insight into the effects that changes in the beta and risk-free rate have on the DCF stock price. Both variables are included in the calculation of the WACC, thus they both have a significant impact on the stock price. Based on the table, the stock price is more sensitive to changes in the beta relative to changes in the risk-free rate.

SG&A Expense vs WACC

		SG&A as % of Total Operating Revenue						
		11.21%	11.41%	11.61%	11.81%	12.01%	12.21%	12.41%
WACC	7.33%	806.49	777.45	748.40	719.35	690.31	661.26	632.22
	7.43%	793.91	765.42	736.94	708.45	679.96	651.47	622.98
	7.53%	781.79	753.84	725.89	697.94	669.99	642.03	614.08
	7.63%	770.10	742.67	715.23	687.80	660.37	632.93	605.50
	7.73%	758.82	731.89	704.95	678.02	651.09	624.15	597.22
	7.83%	747.93	721.48	695.03	668.58	642.13	615.67	589.22
	7.93%	737.41	711.43	685.44	659.45	633.47	607.48	581.50

SG&A expenses were forecasted in the valuation model based on the 10-year historical average of SG&A expenses as a percentage of total operating revenue, which was 11.81%. This value impacts the free cash flow, which impacts the DCF model. The WACC is an essential value in the DCF model. This table shows that increases in the SG&A expenses and the WACC lead to a higher stock price. Relative to the WACC, SG&A expenses have a larger impact on the stock price.

CV Growth of NOPLAT vs Marginal Tax Rate

		CV Growth of NOPLAT							
		687.92	1.40%	1.60%	1.80%	2.00%	2.20%	2.40%	2.60%
Marginal Tax Rate	19.60%	681.99	681.99	681.99	681.99	681.99	681.99	681.99	681.99
	20.60%	683.96	683.96	683.96	683.96	683.96	683.96	683.96	683.96
	21.60%	685.93	685.93	685.93	685.93	685.93	685.93	685.93	685.93
	22.60%	687.92	687.92	687.92	687.92	687.92	687.92	687.92	687.92
	23.60%	689.91	689.91	689.91	689.91	689.91	689.91	689.91	689.91
	24.60%	691.91	691.91	691.91	691.91	691.91	691.91	691.91	691.91
	25.60%	693.91	693.91	693.91	693.91	693.91	693.91	693.91	693.91

		Current Dividend Yield							
		687.92	1.04%	1.09%	1.14%	1.19%	1.24%	1.29%	1.34%
Equity Risk Premium	4.96%	708.26	708.27	708.27	708.27	708.27	708.28	708.28	708.29
	5.06%	701.31	701.32	701.32	701.32	701.32	701.33	701.33	701.34
	5.16%	694.53	694.53	694.54	694.54	694.55	694.55	694.55	694.55
	5.26%	687.91	687.91	687.91	687.92	687.92	687.92	687.93	687.93
	5.36%	681.44	681.44	681.45	681.45	681.45	681.45	681.46	681.46
	5.46%	675.12	675.12	675.13	675.13	675.13	675.13	675.14	675.14
	5.56%	668.94	668.95	668.95	668.95	668.95	668.96	668.96	668.96

When computing the DCF valuation, CV growth of NOPLAT is an essential piece of the calculation. The marginal tax rate impacts the NOPLAT calculation which affects free cash flow, and therefore the DCF valuation. However, based on this sensitivity table, incremental changes in these variables do not have a significant impact on the stock price.

Based on this sensitivity table, the current dividend yield does not have a significant impact on the stock price. The equity risk premium largely affects the stock price, with the price increasing as the equity risk premium decreases. This can be attributed to the equity risk premium impacting the WACC.

Pre-Tax Cost of Debt vs Cost of Equity

		Pre-Tax Cost of Debt							
		687.92	4.87%	4.97%	5.07%	5.17%	5.27%	5.37%	5.47%
Cost of Equity	8.16%	692.18	690.74	689.31	687.88	686.47	685.06	683.65	682.24
	8.26%	692.19	690.75	689.32	687.89	686.48	685.07	683.66	682.25
	8.36%	692.20	690.76	689.33	687.91	686.49	685.08	683.68	682.26
	8.46%	692.21	690.78	689.34	687.92	686.50	685.09	683.69	682.27
	8.56%	692.23	690.79	689.36	687.93	686.51	685.10	683.70	682.28
	8.66%	692.24	690.80	689.37	687.95	686.53	685.12	683.72	682.29
	8.76%	692.26	690.82	689.38	687.96	686.54	685.13	683.73	682.30

The pre-tax cost of debt and equity values impact the WACC which changes the DCF valuation results. Based on this sensitivity table, the cost of equity has a minimal impact on the DCF stock price. The pre-tax cost of debt has a larger impact compared to the cost of equity, with the stock price decreasing as pre-tax cost of debt increases.

Disclaimer

This report was created by students enrolled in the Applied Equity Valuation class at the University of Iowa. The report was originally created to offer an internal investment recommendation for the University of Iowa Krause Fund and its advisory board. The report also provides potential employers and other interested parties an example of the students' skills, knowledge, and abilities. Members of the Krause Fund are not registered investment advisors, brokers or officially licensed financial professionals. The investment advice contained in this report does not represent an offer or solicitation to buy or sell any of the securities mentioned. Unless otherwise noted, facts and figures included in this report are from publicly available sources. This report is not a complete compilation of data, and its accuracy is not guaranteed. From time to time, the University of Iowa, its faculty, staff, students, or the Krause Fund may hold a financial interest in the companies mentioned in this report.

Medical Claims Payable vs Inflation Rate

		Medical Claims Payable as % of Premiums Revenue							
		687.92	10.98%	11.08%	11.18%	11.28%	11.38%	11.48%	11.58%
Inflation Rate	2.70%	688.48	688.57	688.66	688.74	688.83	688.92	689.01	689.10
	2.80%	688.21	688.29	688.38	688.47	688.56	688.64	688.73	688.82
	2.90%	687.93	688.02	688.11	688.20	688.28	688.37	688.46	688.55
	3.00%	687.66	687.75	687.83	687.92	688.01	688.10	688.18	688.27
	3.10%	687.38	687.47	687.56	687.64	687.73	687.82	687.91	688.00
	3.20%	687.10	687.19	687.28	687.37	687.45	687.54	687.63	687.72
	3.30%	686.83	686.91	687.00	687.09	687.18	687.26	687.35	687.44

Medical claims payable is a liability account for ELV that was forecasted based on the historical average of medical claims payable as a percentage of premiums revenue. Changes in this account can impact invested capital, therefore impacting the DCF model through free cash flow. Inflation measures the increase in prices of goods and services over time, so this value was used in forecasts for multiple revenue and expense accounts. Therefore, this value can impact the DCF model. As shown in the table, the inflation rate decreasing leads to a higher stock price. The change in medical claims payable has a less significant impact on the stock price, with increases in this account leading to a higher stock price.

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Dividend Yield vs Equity Risk Premium

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Elevance Health Inc.

Income Statement

(in millions U.S. \$)

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenues										
Premiums	\$ 117,373.0	\$ 133,229.0	\$ 142,854.0	\$ 136,751.3	\$ 139,617.6	\$ 147,093.5	\$ 156,895.6	\$ 167,430.4	\$ 180,988.3	\$ 194,173.4
Product revenue	12,657.0	14,978.0	19,452.0	25,635.7	26,466.3	27,077.1	30,048.4	33,330.0	36,833.1	40,782.6
Service fees	6,913.0	7,453.0	7,903.0	7,287.1	7,546.1	8,042.4	8,635.5	9,279.7	10,091.4	10,845.2
Total operating revenue	\$ 136,943.0	\$ 155,660.0	\$ 170,209.0	\$ 169,674.1	\$ 173,630.1	\$ 182,213.0	\$ 195,579.6	\$ 210,040.1	\$ 227,912.8	\$ 245,801.1
Net investment income	1,378.0	1,485.0	1,825.0	1,823.3	1,913.5	2,008.3	2,107.7	2,212.0	2,321.6	2,436.5
Net gains (losses) on financial instruments	318.0	(550.0)	(694.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other-than-temporary impairment losses recognized in income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total revenues	\$ 138,639.0	\$ 156,595.0	\$ 171,340.0	\$ 171,497.4	\$ 175,543.6	\$ 184,221.3	\$ 197,687.2	\$ 212,252.2	\$ 230,234.3	\$ 248,237.6
Expenses										
Benefit expense	102,645.0	116,487.0	124,330.0	119,392.4	121,894.8	128,421.7	136,979.6	146,177.1	158,014.0	169,525.4
Cost of products sold	10,895.0	13,035.0	17,293.0	22,389.1	23,114.6	23,648.0	26,243.0	29,109.1	32,168.4	35,617.8
Selling, general & administrative expense	15,053.0	16,778.0	19,227.0	20,035.5	20,502.6	21,516.1	23,094.5	24,802.0	26,912.5	29,024.7
Depreciation expense	861.0	908.0	860.0	1,014.8	1,044.0	1,099.5	1,179.4	1,282.6	1,408.9	1,558.8
Amortization of other intangible assets	441.0	767.0	885.0	438.0	374.0	318.0	277.0	236.0	236.0	236.0
Interest expense	798.0	851.0	1,030.0	749.2	783.4	820.2	813.1	1030.5	993.2	1038.4
Loss (gain) on extinguishment of debt	21.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total expenses	\$ 130,714.0	\$ 148,826.0	\$ 163,625.0	\$ 164,019.1	\$ 167,713.4	\$ 175,823.6	\$ 188,586.6	\$ 202,637.2	\$ 219,733.0	\$ 237,001.1
Income (loss) before income tax expense	7,925.0	7,769.0	7,715.0	7,478.3	7,830.2	8,397.7	9,100.7	9,615.0	10,501.3	11,236.5
Income tax expense (benefit)	1,830.0	1,750.0	1,724.0	1,690.1	1,769.6	1,897.9	2,056.8	2,173.0	2,373.3	2,539.4
Income from continuing operations	6,095.0	6,019.0	5,991.0	\$ 5,788.2	\$ 6,060.5	\$ 6,499.8	\$ 7,043.9	\$ 7,442.0	\$ 8,128.0	\$ 8,697.0
Income (loss) from discontinued operations, net of tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income (loss)	6,095.0	6,019.0	5,991.0	\$ 5,788.2	\$ 6,060.5	\$ 6,499.8	\$ 7,043.9	\$ 7,442.0	\$ 8,128.0	\$ 8,697.0
Net income (loss) attributable to noncontrolling interests	9.0	6.0	(4.0)	3.7	3.8	4.0	4.2	4.4	4.7	4.9
Shareholders' net income (loss)	\$ 6,104.0	\$ 6,025.0	\$ 5,987.0	\$ 5,791.9	\$ 6,064.4	\$ 6,503.9	\$ 7,048.2	\$ 7,446.5	\$ 8,132.7	\$ 8,701.9
Basic Earnings per share (EPS)	\$ 25.04	\$ 25.10	\$ 25.38	\$ 25.1	\$ 26.7	\$ 29.0	\$ 31.9	\$ 34.2	\$ 37.8	\$ 41.0
Total shares outstanding (millions of shares)	241.8	238.0	233.1	229	226	222	219	217	214	211
Weighted average shares outstanding - basic (millions of shares)	243.8	240.0	235.9	231.2	227.5	224.1	220.9	218.0	215.0	212.2
Dividends per share	\$ 4.52	\$ 5.12	\$ 5.92	\$ 6.52	\$ 6.96	\$ 7.40	\$ 7.85	\$ 8.29	\$ 8.73	\$ 9.17

Elevance Health Inc.

Balance Sheet

in millions

<i>Fiscal Years Ending Dec. 31</i>	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Assets										
Current Assets:										
Cash & cash equivalents	4,880.0	7,387.0	6,526.0	8,301.9	10,022.0	12,071.0	15,556.9	18,574.8	24,973.0	29,424.8
Fixed maturity securities	26,267.0	25,952.0	29,614.0	31,080.2	32,619.0	34,233.9	35,928.9	37,707.7	39,574.6	41,533.9
Equity securities	1,881.0	953.0	229.0	240.3	252.2	264.7	277.8	291.6	306.0	321.2
Other invested assets, current	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accrued investment income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Premium & self-funded receivables	9,691.0	11,746.0	12,460.0	11,758.4	12,004.9	12,647.7	13,490.5	14,396.3	15,562.1	16,695.8
Other receivables	3,749.0	4,298.0	5,405.0	4,958.7	5,075.7	5,326.6	5,716.0	6,137.1	6,657.1	7,177.6
Income taxes receivable	173.0	440.0	543.0	319.7	334.8	359.0	389.1	411.1	449.0	480.4
Securities lending collateral	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred tax assets, net	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other current assets	4,481.0	4,841.0	5,252.0	5,512.0	5,784.9	6,071.3	6,371.9	6,687.4	7,018.5	7,366.0
Assets held for sale	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total current assets	\$ 51,122.0	\$ 55,617.0	\$ 60,029.0	\$ 62,171.3	\$ 66,093.5	\$ 70,974.3	\$ 77,731.1	\$ 84,206.0	\$ 94,540.2	\$ 102,999.7
Long-term investments:										
Fixed maturity securities	632.0	752.0	876.0	919.4	964.9	1,012.7	1,062.8	1,115.4	1,170.6	1,228.6
Equity securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other invested assets	5,225.0	5,685.0	6,107.0	6,409.4	6,726.7	7,059.7	7,409.2	7,776.1	8,161.1	8,565.1
Property & equipment, net	3,919.0	4,316.0	4,359.0	4,484.3	4,722.8	5,065.8	5,509.0	6,051.6	6,695.6	7,445.9
Goodwill	24,228.0	24,383.0	25,317.0	25,317.0	25,317.0	25,317.0	25,317.0	25,317.0	25,317.0	25,317.0
Other intangible assets, net	10,615.0	10,315.0	10,273.0	9,835.0	9,461.0	9,143.0	8,866.0	8,630.0	8,394.0	8,158.0
Other noncurrent assets	1,719.0	1,687.0	1,967.0	2,064.4	2,166.6	2,273.9	2,386.4	2,504.6	2,628.6	2,758.7
Total assets	\$ 97,460.0	\$ 102,755.0	\$ 108,928.0	\$ 111,200.7	\$ 115,452.5	\$ 120,846.4	\$ 128,281.6	\$ 135,600.7	\$ 146,907.1	\$ 156,473.1
Liabilities and Stockholders' Equity										
Current Liabilities:										
Medical claims payable	13,518.0	15,596.0	16,111.0	14,011.3	14,305.0	15,070.9	16,075.2	17,154.6	18,543.7	19,894.6
Reserves for future policy benefits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other policyholder liabilities	5,521.0	5,933.0	5,600.0	4,991.6	5,096.2	5,369.1	5,726.9	6,111.4	6,606.3	7,087.5
Unearned income	1,153.0	1,112.0	1,402.0	1,795.1	1,837.4	1,928.3	2,069.2	2,221.7	2,409.9	2,598.3
Accounts payable & accrued expenses	4,970.0	5,607.0	6,910.0	6,768.7	6,928.4	7,270.8	7,802.3	8,377.2	9,086.9	9,797.4
Security trades pending payable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Securities lending payable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short-term borrowings	275.0	265.0	225.0	269.1	275.1	289.6	309.5	330.8	358.0	384.7
Current portion of long-term debt	1,599.0	1,500.0	1,649.0	1,649.0	1,650.0	1,243.0	1,595.0	1,236.0	3,504.4	3,504.4
Other current liabilities	7,849.0	9,683.0	9,894.0	10,383.9	10,898.0	11,437.5	12,003.8	12,598.1	13,221.8	13,876.4
Liabilities held for sale	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total current liabilities	\$ 34,885.0	\$ 39,696.0	\$ 41,791.0	\$ 39,868.6	\$ 40,990.0	\$ 42,609.2	\$ 45,581.9	\$ 48,029.7	\$ 53,731.0	\$ 57,143.5
Long-term debt, less current portion										
Reserves for future policy benefits	21,157.0	22,349.0	23,246.0	24,796.8	25,406.8	26,212.9	27,164.6	28,201.1	29,383.9	30,616.4
Deferred tax liabilities, net	802.0	803.0	778.0	834.5	852.0	897.6	957.4	1,021.7	1,104.4	1,184.9
Other noncurrent liabilities	2,805.0	2,015.0	1,970.0	1,961.3	1,952.6	1,944.0	1,935.4	1,926.8	1,918.3	1,909.8
Other noncurrent liabilities	1,683.0	1,562.0	1,738.0	2,068.1	2,116.9	2,221.6	2,384.0	2,559.6	2,776.5	2,993.6
Total liabilities	\$ 61,332.0	\$ 66,425.0	\$ 69,523.0	\$ 69,529.2	\$ 71,318.3	\$ 73,885.2	\$ 78,023.3	\$ 81,738.9	\$ 88,914.1	\$ 93,848.0
Stockholders' equity										
Common Equity (Total Common Stock + APIC)	9,150.0	9,086.0	8,870.0	8,975.3	9,080.5	9,185.8	9,291.1	9,377.4	9,377.4	9,377.4
Retained earnings (accumulated deficit)	27,088.0	29,647.0	31,749.0	33,906.6	36,260.1	38,977.8	42,165.5	45,678.1	49,804.7	54,431.9
Accumulated other comprehensive income (loss)	(178.0)	(2,490.0)	(1,313.0)	(1,313.0)	(1,313.0)	(1,313.0)	(1,313.0)	(1,313.0)	(1,313.0)	(1,313.0)
Total stockholders' equity	\$ 36,060.0	\$ 36,243.0	\$ 39,306.0	\$ 41,568.8	\$ 44,027.6	\$ 46,850.6	\$ 50,143.6	\$ 53,742.5	\$ 57,869.1	\$ 62,496.3
Noncontrolling interests	68.0	87.0	99.0	102.7	106.5	110.6	114.8	119.2	123.9	128.8
Total equity	\$ 36,128.0	\$ 36,330.0	\$ 39,405.0	\$ 41,671.5	\$ 44,134.1	\$ 46,961.1	\$ 50,258.4	\$ 53,861.7	\$ 57,993.0	\$ 62,625.1
Total liabilities and equity	\$ 97,460.0	\$ 102,755.0	\$ 108,928.0	\$ 111,200.7	\$ 115,452.5	\$ 120,846.4	\$ 128,281.6	\$ 135,600.7	\$ 146,907.1	\$ 156,473.1

Elevance Health Inc.

Historical Cash Flow Statement (millions, U.S. \$)

*2023 data pulled from Q4 earnings release

Fiscal Years Ending Dec. 31

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operating Activities											
Net income (loss)	\$ 2,489.7	\$ 2,569.7	\$ 2,560.0	\$ 2,469.8	\$ 3,842.8	\$ 3,750.0	\$ 4,807.0	\$ 4,572.0	\$ 6,095.0	\$ 6,019.0	\$ 5,991.0
Adjustments to reconcile net income to net cash provided by operating activities:											
Net losses (gains) on financial instruments	(271.9)	(177.0)	(157.5)	(4.9)	(144.8)	180.0	(114.0)	(182.0)	(318.0)	550.0	694.0
Equity in net earnings (losses) of other invested assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(562.0)	(293.0)	33.0
Other-than-temporary impairment losses recognized in income	98.9	49.0	83.4	115.4	33.1	26.0	47.0	0.0	0.0	0.0	0.0
Loss (gain) on extinguishment of debt	145.3	81.1	(9.3)	0.0	282.4	11.0	2.0	0.0	0.0	0.0	0.0
Loss (gain) on disposal from discontinued operations	221.8	(3.2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loss (gain) on disposal of assets	3.9	(1.7)	16.0	4.5	13.0	8.0	3.0	0.0	0.0	0.0	0.0
Deferred income taxes	59.1	30.7	(65.9)	126.9	(1,272.1)	91.0	81.0	(540.0)	326.0	(76.0)	(602.0)
Depreciation and Amortization	908.8	851.0	907.9	911.8	891.0	1,132.0	1,133.0	1,154.0	1,302.0	1,675.0	1,745.0
Impairment of property & equipment	47.7	7.9	1.8	44.8	2.5	5.0	0.0	198.0	73.0	7.0	446.0
Share-based compensation	146.0	168.9	148.2	164.6	169.6	226.0	294.0	283.0	255.0	264.0	289.0
Excess tax benefits from share-based compensation	(30.1)	(46.4)	(95.8)	(53.5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Changes in operating assets and liabilities:											
Receivables, net	(418.3)	(1,899.7)	(42.9)	(1,380.5)	(22.2)	(695.0)	(1,053.0)	(256.0)	(2,138.0)	(2,510.0)	(1,762.0)
Other invested assets	(15.1)	(21.7)	5.9	(19.4)	(35.5)	(1.0)	(48.0)	(32.0)	(70.0)	11.0	(79.0)
Other assets	(33.6)	405.5	33.8	(127.7)	(629.0)	(26.0)	(170.0)	(283.0)	37.0	120.0	(675.0)
Policy liabilities	(345.8)	1,240.6	193.0	321.7	731.6	(1,059.0)	1,826.0	3,528.0	2,597.0	2,254.0	147.0
Unearned income	(73.8)	255.1	33.9	(173.6)	(120.1)	(36.0)	115.0	202.0	(113.0)	(42.0)	290.0
Accounts payable & accrued expenses	303.6	(14.4)	(219.3)	116.6	921.8	122.0	(593.0)	0.0	0.0	0.0	0.0
Accounts payable & other liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,978.0	719.0	824.0	1,640.0
Other liabilities	(154.6)	(7.9)	686.4	605.7	(120.2)	(25.0)	148.0	0.0	0.0	0.0	0.0
Income taxes	9.3	(34.0)	41.5	178.8	(193.9)	323.0	323.0	72.0	140.0	(338.0)	(103.0)
Other operating assets & liabilities, net	(38.6)	(84.2)	(5.1)	(96.5)	(164.6)	(205.0)	(92.0)	(6.0)	21.0	(66.0)	7.0
Net cash flows from operating activities	3,052.3	3,369.3	4,116.0	3,204.5	4,184.8	3,827.0	6,061.0	10,688.0	8,364.0	8,399.0	8,061.0
Investing Activities											
Purchases of investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(19,492.0)	(18,669.0)	(24,946.0)	(16,236.0)
Proceeds from sale of investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	11,318.0	10,269.0	11,988.0	10,596.0
Purchases of fixed maturity securities	(13,704.5)	(9,613.4)	(9,792.0)	(10,157.7)	(9,794.6)	(8,244.0)	(10,487.0)	0.0	0.0	0.0	0.0
Proceeds from fixed maturity securities - sales	10,977.9	8,066.0	8,909.2	8,636.0	7,931.7	6,442.0	5,914.0	0.0	0.0	0.0	0.0
Proceeds from fixed maturity securities - maturities, calls & redemptions	1,836.8	1,318.7	1,313.6	1,418.6	1,847.6	1,938.0	2,437.0	0.0	0.0	0.0	0.0
Maturities, calls & redemptions from investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4,741.0	4,344.0	10,620.0	2,940.0
Purchases of equity securities	(820.3)	(912.0)	(1,561.4)	(1,476.3)	(5,416.3)	(896.0)	(11,825.0)	0.0	0.0	0.0	0.0
Proceeds from sales of equity securities	721.0	746.5	1,471.1	1,592.8	3,462.5	2,809.0	12,364.0	0.0	0.0	0.0	0.0
Purchases of other invested assets	(251.5)	(205.7)	(505.8)	(433.1)	(1,163.8)	(531.0)	(642.0)	0.0	0.0	0.0	0.0
Proceeds from sales of other invested assets	127.1	124.7	85.9	304.9	219.0	411.0	320.0	0.0	0.0	0.0	0.0
Settlement of non-hedging derivatives	(109.8)	(67.4)	(36.5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Changes in collateral & settlement of non-hedging derivatives	0.0	0.0	0.0	(34.5)	64.9	0.0	0.0	0.0	0.0	0.0	0.0
Changes in securities lending collateral	(405.1)	(545.6)	214.4	222.0	624.5	(149.0)	254.0	(849.0)	(956.0)	(301.0)	78.0
Purchases of subsidiaries, net of cash acquired	0.0	0.0	(638.9)	0.0	(2,079.6)	(1,760.0)	0.0	(1,976.0)	(3,476.0)	(649.0)	(1,552.0)
Proceeds (payments) from sales of subsidiaries, net of cash sold	0.0	740.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Purchases of property & equipment	(646.5)	(714.6)	(638.2)	(583.6)	(799.5)	(1,208.0)	(1,077.0)	(1,021.0)	(1,087.0)	(1,152.0)	(1,296.0)
Proceeds from sales of property & equipment	39.2	88.0	35.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other investing activities, net	1.3	(0.1)	(8.2)	(3.0)	11.9	(71.0)	(50.0)	(45.0)	(63.0)	(120.0)	(102.0)
Net cash flows from (used in) investing activities	(2,234.4)	(974.9)	(1,151.5)	(513.9)	(5,082.4)	(1,259.0)	(2,792.0)	(7,324.0)	(9,638.0)	(4,560.0)	(5,572.0)
Financing Activities											
Net proceeds from (repayments of) commercial paper borrowings	(191.7)	(379.2)	682.2	(53.2)	174.6	(107.0)	(297.0)	(150.0)	50.0	(300.0)	0.0
Proceeds from long-term borrowings	1,250.0	2,700.0	1,226.5	0.0	5,457.8	835.0	2,473.0	2,484.0	3,462.0	3,071.0	2,574.0
Repayments of long-term borrowings	(1,801.9)	(1,730.1)	(2,697.2)	0.0	(2,815.1)	(1,684.0)	(1,123.0)	(1,932.0)	(1,068.0)	(1,899.0)	(1,909.0)
Proceeds from short-term borrowings	1,100.0	2,050.0	2,760.0	2,400.0	5,835.0	9,120.0	7,590.0	970.0	1,325.0	1,365.0	225.0
Repayments of short-term borrowings	(950.0)	(2,050.0)	(2,620.0)	(2,500.0)	(5,000.0)	(9,250.0)	(8,035.0)	(1,670.0)	(1,050.0)	(1,375.0)	(265.0)
Changes in securities lending payable	405.0	545.6	(214.4)	(222.0)	(624.5)	150.0	(254.0)	849.0	956.0	302.0	(77.0)
Changes in bank overdrafts	9.9	173.0	(243.8)	513.8	71.0	(210.0)	(169.0)	0.0	0.0	933.0	114.0
Premiums paid on equity call options	(25.8)	0.0	(16.7)	0.0	0.0	0.0	(1.0)	0.0	0.0	0.0	0.0
Proceeds from sale of put options	0.0	0.0	16.6	0.0	0.9	1.0	0.0	0.0	0.0	0.0	0.0
Proceeds from issuance of common stock under equity units stock purchase contracts	0.0	0.0	0.0	0.0	0.0	1,250.0	0.0	0.0	0.0	0.0	0.0
Repurchase & retirement of common stock	(1,620.1)	(2,998.8)	(1,515.8)	0.0	(1,997.7)	(1,685.0)	(1,701.0)	(2,700.0)	(1,900.0)	(2,316.0)	(2,676.0)
Change in collateral & settlements of debt-related derivatives	0.0	0.0	0.0	(360.4)	(149.0)	23.0	(34.0)	0.0	0.0	0.0	0.0
Cash dividends	(448.0)	(480.7)	(656.6)	(684.0)	(704.9)	(776.0)	(818.0)	(954.0)	(1,104.0)	(1,229.0)	(1,395.0)
Proceeds from issuance of common stock under employee stock plans	524.7	301.3	186.0	119.4	225.3	173.0	187.0	176.0	203.0	182.0	152.0
Taxes paid through withholding of common stock under employee stock plans	0.0	0.0	0.0	0.0	(46.5)	(81.0)	(84.0)	(128.0)	(102.0)	(93.0)	(99.0)
Excess tax benefits from share-based compensation	30.1	46.4	95.8	53.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financing activities, net	0.0	0.0	0.0	0.0	0.0	0.0	0.0	488.0	(349.0)	41.0	7.0
Net cash flows from (used in) financing activities	(1,717.8)	(1,822.5)	(2,997.4)	(732.9)	426.9	(2,241.0)	(2,266.0)	(2,567.0)	423.0	(1,318.0)	(3,349.0)
Effect of foreign exchange rates on cash & cash equivalents	2.2	(7.1)	(5.3)	4.1	4.3	(2.0)	0.0	7.0	(10.0)	(14.0)	(1.0)
Increase (decrease) in cash & cash equivalents	(897.7)	564.8	(38.2)	1,961.8	(466.4)	325.0	1,003.0	804.0	(861.0)	2,507.0	(861.0)
Cash & cash equivalents at beginning of year (*end of Q3 FY2023)	2,484.6	1,586.9	2,151.7	2,113.5	4,075.3	3,609.0	3,934.0	4,937.0	5,741.0	4,880.0	7,387.0
Cash & cash equivalents at end of year (*end of Q4 FY2024)	\$ 1,586.9	\$ 2,151.7	\$ 2,113.5	\$ 4,075.3	\$ 3,608.9	\$ 3,934.0	\$ 4,937.0	\$ 5,741.0	\$ 4,880.0	\$ 7,387.0	\$ 6,526.0

Elevance Health Inc.

Forecasted Cash Flow Statement

retained earnings and cash are not linked

Fiscal Years Ending Dec. 31	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Operating Activities							
Net Income (loss)	5788.2	6060.5	6499.8	7043.9	7442.0	8128.0	8697.0
Adjustments to reconcile net income to net cash provided by operating activities:							
Add: Depreciation and Amortization	1452.8	1418.0	1417.5	1456.4	1518.6	1644.9	1794.8
Changes in operating assets and liabilities:							
Premiums and self-funded receivables	701.6	-246.5	-642.8	-842.8	-905.8	-1165.8	-1133.7
Other receivables	446.3	-117.0	-250.9	-389.4	-421.1	-519.9	-520.6
Income taxes receivable	223.3	-15.0	-24.3	-30.1	-22.0	-37.9	-31.4
Other current assets	-260.0	-272.9	-286.4	-300.6	-315.5	-331.1	-347.5
Medical claims payable	-2099.7	293.7	766.0	1004.3	1079.4	1389.1	1350.9
Other policy holder liabilities	-608.4	104.6	272.9	357.8	384.5	494.9	481.3
Unearned income	393.1	42.4	90.8	141.0	152.5	188.2	188.4
Accounts payable and accrued expenses	-141.3	159.7	342.5	531.5	574.8	709.7	710.6
Other current liabilities	489.9	514.1	539.6	566.3	594.3	623.7	654.6
Non-current deferred tax liabilities, net	-8.7	-8.7	-8.6	-8.6	-8.6	-8.5	-8.5
Non-current reserves for future policy benefits	56.5	17.5	45.6	59.8	64.3	82.7	80.5
Other non-current liabilities	330.1	48.8	104.6	162.4	175.6	216.9	217.1
Net cash flows from operating activities	6763.5	7999.2	8866.3	9751.9	10313.0	11415.0	12133.6
Investing Activities							
Current fixed market securities	-1466.2	-1538.8	-1615.0	-1694.9	-1778.8	-1866.9	-1959.3
Current equity securities	-11.3	-11.9	-12.5	-13.1	-13.8	-14.4	-15.2
Non-current fixed market securities	-43.4	-45.5	-47.8	-50.1	-52.6	-55.2	-58.0
Other invested assets	-302.4	-317.3	-333.0	-349.5	-366.8	-385.0	-404.1
CAPEX	-1140.2	-1282.5	-1442.6	-1622.6	-1825.1	-2052.9	-2309.2
Capitilization of other intangible assets, net	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other noncurrent assets	-97.4	-102.2	-107.3	-112.6	-118.2	-124.0	-130.1
Net cash flows from investing activities	-3060.8	-3298.2	-3558.1	-3842.9	-4155.3	-4498.5	-4875.8
Financing Activities							
Short-term borrowings	44.1	6.0	14.5	19.9	21.3	27.2	26.6
Current portion of long-term debt	0.0	1.0	-407.0	352.0	-359.0	2268.4	0.0
Long-term debt, less current portion	1550.8	610.1	806.1	951.7	1036.5	1182.8	1232.4
Payments of dividends	-1519.6	-1596.0	-1671.1	-1745.2	-1818.4	-1890.4	-1958.8
Proceeds from issuance of common stock	105.3	105.3	105.3	105.3	86.3	0.0	0.0
Repurchases of common stock	-2111.0	-2111.0	-2111.0	-2111.0	-2111.0	-2111.0	-2111.0
Income(loss) from Noncontrolling interests	3.7	3.8	4.0	4.2	4.4	4.7	4.9
Net cash flows from financing activities	-1926.9	-2980.9	-3259.3	-2423.0	-3139.9	-518.3	-2805.9
Increase (decrease) in cash & cash equivalents	1775.9	1720.2	2049.0	3486.0	3017.9	6398.2	4451.9
Cash & cash equivalents at beginning of year	6526.0	8301.9	10022.0	12071.0	15556.9	18574.8	24973.0
Cash & cash equivalents at end of year	8301.9	10022.0	12071.0	15556.9	18574.8	24973.0	29424.8

Elevance Health Inc.

Common Size Income Statement

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<i>As a % of Total Revenue</i>										
Revenues										
Premiums	84.66%	85.08%	83.37%	79.74%	79.53%	79.85%	79.37%	78.88%	78.61%	78.22%
Product revenue	9.13%	9.56%	11.35%	14.95%	15.08%	14.70%	15.20%	15.70%	16.00%	16.43%
Administrative fees & other revenue	4.99%	4.76%	4.61%	4.25%	4.30%	4.37%	4.37%	4.37%	4.38%	4.37%
Total operating revenue	98.78%	99.40%	99.34%	98.94%	98.91%	98.91%	98.93%	98.96%	98.99%	99.02%
Net investment income	0.99%	0.95%	1.07%	1.06%	1.09%	1.09%	1.07%	1.04%	1.01%	0.98%
Net gains (losses) on financial instruments	0.23%	-0.35%	-0.41%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other-than-temporary impairment losses recognized in income	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total revenues	100.00%									
Expenses										
Benefit expense	74.04%	74.39%	72.56%	69.62%	69.44%	69.71%	69.29%	68.87%	68.63%	68.29%
Cost of products sold	7.86%	8.32%	10.09%	13.06%	13.17%	12.84%	13.28%	13.71%	13.97%	14.35%
Selling, general & administrative expense	10.86%	10.71%	11.22%	11.68%	11.68%	11.68%	11.68%	11.69%	11.69%	11.69%
Depreciation expense	0.62%	0.58%	0.50%	0.59%	0.59%	0.60%	0.60%	0.60%	0.61%	0.63%
Interest expense	0.32%	0.49%	0.52%	0.26%	0.21%	0.17%	0.14%	0.11%	0.10%	0.10%
Amortization of other intangible assets	0.58%	0.54%	0.60%	0.44%	0.45%	0.45%	0.41%	0.49%	0.43%	0.42%
Loss (gain) on extinguishment of debt	0.02%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total expenses	94.28%	95.04%	95.50%	95.64%	95.54%	95.44%	95.40%	95.47%	95.44%	95.47%
Income (loss) before income tax expense	5.72%	4.96%	4.50%	4.36%	4.46%	4.56%	4.60%	4.53%	4.56%	4.53%
Income tax expense (benefit)	1.32%	1.12%	1.01%	0.99%	1.01%	1.03%	1.04%	1.02%	1.03%	1.02%
Income from continuing operations	4.40%	3.84%	3.50%	3.38%	3.45%	3.53%	3.56%	3.51%	3.53%	3.50%
Income (loss) from discontinued operations, net of tax	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net income (loss)	4.40%	3.84%	3.50%	3.38%	3.45%	3.53%	3.56%	3.51%	3.53%	3.50%
Net income (loss) attributable to noncontrolling interests	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Shareholders' net income (loss)	4.40%	3.85%	3.49%	3.38%	3.45%	3.53%	3.57%	3.51%	3.53%	3.51%

Elevance Health Inc.
Common Size Balance Sheet

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E
% of Total Revenue										
Assets										
Current Assets:										
Cash & cash equivalents	3.52%	4.72%	3.81%	4.84%	5.71%	6.55%	7.87%	8.75%	10.85%	11.85%
Fixed maturity securities	18.95%	16.57%	17.28%	18.12%	18.58%	18.58%	18.17%	17.77%	17.19%	16.73%
Equity securities	1.36%	0.61%	0.13%	0.14%	0.14%	0.14%	0.14%	0.14%	0.13%	0.13%
Other invested assets, current	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Accrued investment income	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Premium & self-funded receivables	6.99%	7.50%	7.27%	6.86%	6.84%	6.87%	6.82%	6.78%	6.76%	6.73%
Other receivables	2.70%	2.74%	3.15%	2.89%	2.89%	2.89%	2.89%	2.89%	2.89%	2.89%
Income taxes receivable	0.12%	0.28%	0.32%	0.19%	0.19%	0.19%	0.20%	0.19%	0.20%	0.19%
Securities lending collateral	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Deferred tax assets, net	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other current assets	3.23%	3.09%	3.07%	3.21%	3.30%	3.30%	3.22%	3.15%	3.05%	2.97%
Assets held for sale	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total current assets	36.87%	35.52%	35.04%	36.25%	37.65%	38.53%	39.32%	39.67%	41.06%	41.49%
Long-term investments:										
Fixed maturity securities	0.46%	0.48%	0.51%	0.54%	0.55%	0.55%	0.54%	0.53%	0.51%	0.49%
Equity securities	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other invested assets	3.77%	3.63%	3.56%	3.74%	3.83%	3.83%	3.75%	3.66%	3.54%	3.45%
Property & equipment, net	2.83%	2.76%	2.54%	2.61%	2.69%	2.75%	2.79%	2.85%	2.91%	3.00%
Goodwill	17.48%	15.57%	14.78%	14.76%	14.42%	13.74%	12.81%	11.93%	11.00%	10.20%
Other intangible assets	7.66%	6.59%	6.00%	5.73%	5.39%	4.96%	4.48%	4.07%	3.65%	3.29%
Other noncurrent assets	1.24%	1.08%	1.15%	1.20%	1.23%	1.23%	1.21%	1.18%	1.14%	1.11%
Total assets	70.30%	65.62%	63.57%	64.84%	65.77%	65.60%	64.89%	63.89%	63.81%	63.03%
Liabilities and Stockholders' Equity										
Current Liabilities:										
Medical claims payable	9.75%	9.96%	9.40%	8.17%	8.15%	8.18%	8.13%	8.08%	8.05%	8.01%
Reserves for future policy benefits	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other policyholder liabilities	3.98%	3.79%	3.27%	2.91%	2.90%	2.91%	2.90%	2.88%	2.87%	2.86%
Unearned income	0.83%	0.71%	0.82%	1.05%	1.05%	1.05%	1.05%	1.05%	1.05%	1.05%
Accounts payable & accrued expenses	3.58%	3.58%	4.03%	3.95%	3.95%	3.95%	3.95%	3.95%	3.95%	3.95%
Security trades pending payable	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Securities lending payable	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Short-term borrowings	0.20%	0.17%	0.13%	0.16%	0.16%	0.16%	0.16%	0.16%	0.16%	0.15%
Current portion of long-term debt	1.15%	0.96%	0.96%	0.96%	0.94%	0.67%	0.81%	0.58%	1.52%	1.41%
Other current liabilities	5.66%	6.18%	5.77%	6.05%	6.21%	6.21%	6.07%	5.94%	5.74%	5.59%
Liabilities held for sale	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total current liabilities	25.16%	25.35%	24.39%	23.25%	23.35%	23.13%	23.06%	22.63%	23.34%	23.02%
Long-term debt, less current portion										
Reserves for future policy benefits	0.58%	0.51%	0.45%	0.49%	0.49%	0.49%	0.48%	0.48%	0.48%	0.48%
Deferred tax liabilities, net	2.02%	1.29%	1.15%	1.14%	1.11%	1.06%	0.98%	0.91%	0.83%	0.77%
Other noncurrent liabilities	1.21%	1.00%	1.01%	1.21%	1.21%	1.21%	1.21%	1.21%	1.21%	1.21%
Total liabilities	44.24%	42.42%	40.58%	40.54%	40.63%	40.11%	39.47%	38.51%	38.62%	37.81%
Stockholders' equity										
Common stock	6.60%	5.80%	5.18%	5.23%	5.17%	4.99%	4.70%	4.42%	4.07%	3.78%
Retained earnings (accumulated deficit)	19.54%	18.93%	18.53%	19.77%	20.66%	21.16%	21.33%	21.52%	21.63%	21.93%
Accumulated other comprehensive income (loss)	-0.13%	-1.59%	-0.77%	-0.77%	-0.75%	-0.71%	-0.66%	-0.62%	-0.57%	-0.53%
Total stockholders' equity	26.01%	23.14%	22.94%	24.24%	25.08%	25.43%	25.37%	25.32%	25.13%	25.18%
Noncontrolling interests	0.05%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%	0.05%	0.05%
Total equity	26.06%	23.20%	23.00%	24.30%	25.14%	25.49%	25.42%	25.38%	25.19%	25.23%
Total liabilities and equity	70.30%	65.62%	63.57%	64.84%	65.77%	65.60%	64.89%	63.89%	63.81%	63.03%

Elevance Health Inc.
Value Driver Estimation

Fiscal Years Ending Dec. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E
NOPLAT:										
EBITA										
Operating Revenue	136943.0	155660.0	170209.0	169674.1	173630.1	182213.0	195579.6	210040.1	227912.8	245801.1
Benefit Expense	102645.0	116487.0	124330.0	119392.4	121894.8	128421.7	136979.6	146177.1	158014.0	169525.4
Depreciation	861.0	908.0	860.0	1014.8	1044.0	1099.5	1179.4	1282.6	1408.9	1558.8
Amortization of Other Intangible Assets	441.0	767.0	885.0	438.0	374.0	318.0	277.0	236.0	236.0	236.0
Cost of Products Sold	10895.0	13035.0	17293.0	22389.1	23114.6	23648.0	26243.0	29109.1	32168.4	35617.8
Operating Expense	15053.0	16778.0	19227.0	20035.5	20502.6	21516.1	23094.5	24802.0	26912.5	29024.7
Implied Operating Lease Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITA	7048.0	7685.0	7614.0	6404.3	6700.0	7209.6	7806.1	8433.4	9173.0	9838.4
Adjusted Taxes (-)										
Income Tax Provision	1830.0	1750.0	1724.0	1690.1	1769.6	1897.9	2056.8	2173.0	2373.3	2539.4
Tax Shield on Interest Expense	193.9	204.2	232.8	169.3	177.0	185.4	183.8	232.9	224.5	234.7
Tax on Investment Income	334.9	356.4	412.5	412.1	432.5	453.9	476.3	499.9	524.7	550.6
Tax Shield (Expense) on Losses (Gains) on Financial Instruments	-77.3	132.0	156.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax Shield on Impairment Losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax Shield (Expense) on Losses (Gains) on Extinguishment of Debt	5.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjusted Taxes	1606.7	1729.8	1701.2	1447.4	1514.2	1629.4	1764.2	1906.0	2073.1	2223.5
Change in Deferred Taxes (+)										
Change in Deferred Tax Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in Deferred Tax Liabilities	786.0	-790.0	-45.0	-8.7	-8.7	-8.6	-8.6	-8.6	-8.5	-8.5
Change in Deferred Taxes	786.0	-790.0	-45.0	-8.7	-8.7	-8.6	-8.6	-8.6	-8.5	-8.5
NOPLAT	6227.3	5165.2	5867.8	4948.2	5177.1	5571.6	6033.3	6518.9	7091.4	7606.4
Invested Capital (IC)										
Normal Cash	5342.2	6034.0	6602.2	6608.3	6764.2	7098.6	7617.4	8178.7	8871.6	9565.3
Premium & Self Funded Receivables	9691.0	11746.0	12460.0	11758.4	12004.9	12647.7	13490.5	14396.3	15562.1	16695.8
Other Receivables	3749.0	4298.0	5405.0	4958.7	5075.7	5326.6	5716.0	6137.1	6657.1	7177.6
Income Taxes Receivable	173.0	440.0	543.0	319.7	334.8	359.0	389.1	411.1	449.0	480.4
Medical Claims Payable	13518.0	15596.0	16111.0	14011.3	14305.0	15070.9	16075.2	17154.6	18543.7	19894.6
Reserves for Future Policy Benefits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Policyholder Liabilities	5521.0	5933.0	5600.0	4991.6	5096.2	5369.1	5726.9	6111.4	6606.3	7087.5
Unearned Income	1153.0	1112.0	1402.0	1795.1	1837.4	1928.3	2069.2	2221.7	2409.9	2598.3
Accounts Payable & Accrued Exp.	4970.0	5607.0	6910.0	6768.7	6928.4	7270.8	7802.3	8377.2	9086.9	9797.4
Net Operating WC	-6206.8	-5730.0	-5012.8	-3921.5	-3987.4	-4207.2	-4460.6	-4741.6	-5107.1	-5458.9
Net PPE	3919.0	4316.0	4359.0	4484.3	4722.8	5065.8	5509.0	6051.6	6695.6	7445.9
Net Intangible Assets (Non-goodwill)	10615.0	10315.0	10273.0	9835.0	9461.0	9143.0	8866.0	8630.0	8394.0	8158.0
Other Noncurrent Assets	1719.0	1687.0	1967.0	2064.4	2166.6	2273.9	2386.4	2504.6	2628.6	2758.7
Reserves for Future Policy Benefits	802.0	803.0	778.0	834.5	852.0	897.6	957.4	1021.7	1104.4	1184.9
Other Noncurrent Liabilities	1683.0	1562.0	1738.0	2068.1	2116.9	2221.6	2384.0	2559.6	2776.5	2993.6
Invested Capital	7561.2	8223.0	9070.2	9559.7	9394.1	9156.3	8959.5	8863.2	8730.3	8725.4
CapEx	2629.3	661.9	847.2	489.4	-165.6	-237.8	-196.8	-96.3	-133.0	-4.9
Net Income (NI)	6104.00	6025.00	5987.00	5791.90	6064.39	6503.86	7048.16	7446.45	8132.70	8701.94
Total Stockholders' Equity (TSE):	36060.00	36243.00	39306.00	41568.85	44027.63	46850.58	50143.57	53742.47	57869.11	62496.31
Enterprise FCF										
NOPLAT	6227.32	5165.16	5867.83	4948.21	5177.12	5571.61	6033.29	6518.91	7091.36	7606.41
CAPEX	2629.27	661.90	847.17	489.44	-165.56	-237.79	-196.82	-96.25	-132.98	-4.86
FCF	3598.04	4503.26	5020.66	4458.77	5342.69	5809.40	6230.11	6615.16	7224.34	7611.27
Return on Equity (ROE):										
Net Income (NI)	6104.00	6025.00	5987.00	5791.90	6064.39	6503.86	7048.16	7446.45	8132.70	8701.94
Beginning (TSE)	33199	36060	36243	39306	41568.847	44027.63	46850.581	50143.574	53742.466	57869.108
ROE	18.39%	16.71%	16.52%	14.74%	14.59%	14.77%	15.04%	14.85%	15.13%	15.04%
Return on Invested Capital (ROIC):										
Beginning Invested Capital	4931.8789	7561.1513	8223.0466	9070.21	9559.65	9394.09	9156.30	8959.48	8863.23	8730.25
NOPLAT	6227.32	5165.16	5867.83	4948.21	5177.12	5571.61	6033.29	6518.91	7091.36	7606.41
ROIC	126.27%	68.31%	71.36%	54.55%	54.16%	59.31%	65.89%	72.76%	80.01%	87.13%
Enterprise Economic Profit										
Beginning IC	4931.88	7561.15	8223.05	9070.21	9559.65	9394.09	9156.30	8959.48	8863.23	8730.25
x (ROIC-WACC)	118.64%	60.68%	63.73%	46.93%	46.53%	51.68%	58.26%	65.13%	72.38%	79.50%
Enterprise Economic Profit	5851.08	4588.34	5240.51	4256.27	4447.84	4854.96	5334.78	5835.41	6415.21	6940.40

Elevance Health Inc.*Weighted Average Cost of Capital (WACC) Estimation***Cost of Equity:**

Risk-Free Rate	4.21%
Beta	0.81
Equity Risk Premium	5.26%
Cost of Equity	8.46%

ASSUMPTIONS:

*risk-free rate assumption for 10-year Treasury bond
beta assumption here 5-yr monthly
ERP 1928-2023 geometric average over 10-year Treasury*

Cost of Debt:

Risk-Free Rate	4.21%
Implied Default Premium	0.97%
Pre-Tax Cost of Debt	5.17%
Marginal Tax Rate	23%
After-Tax Cost of Debt	4.00%

risk-free rate assumption for 5-year Treasury bond

YTM on company's 10-year corporate bond

*No preferred stocks

Market Value of Common Equity (in millions):

Total Shares Outstanding	233.07
Current Stock Price	\$500.09
MV of Equity	116,555.98

MV Weights

81.45%

Market Value of Debt:

Short-Term Debt	225
Current Portion of LTD	1649
Long-Term Debt, less current	23246
PV of Operating Leases	1433
MV of Total Debt	26,553.00

**As of Dec 31, 2023*

18.55%

*No preferred stocks

Market Value of the Firm **143,108.98**

100.00%

Estimated WACC

7.63%

Elevance Health Inc.

Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models

Key Inputs:

CV Growth of NOPLAT	2.00%
CV Year ROIC	87.13%
WACC	7.63%
Cost of Equity	8.46%

Fiscal Years Ending Dec. 31	2024E	2025E	2026E	2027E	2028E	2029E	2030E
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DCF Model:

Free Cash Flow (FCF)	4458.8	5342.7	5809.4	6230.1	6615.2	7224.3	7611.3
Continuing Value (CV)							132032.7
PV of FCF	4142.7	4612.1	4659.6	4642.8	4580.3	4647.6	84939.9

Value of Operating Assets:	112225.1
Non-Operating Adjustments	
(+) Excess Cash	0.0
(+) Fixed Maturity Securities	29614.0
(+) Equity Securities	229.0
(+) Other Invested Assets, L-T	6107.0
(+) Other Current Assets	5252.0
(+) Other Noncurrent Assets	1967.0
(-) Short Term Borrowings	-225.0
(-) Current Portion of L-T Debt	-1649.0
(-) ESOP	-488.1
(-) Other Current Liabilities	-9894.0
Value of Equity	\$ 143,138.03
Shares Outstanding	212.18
Intrinsic Value of Last FYE	\$ 674.62
Implied Price as of Today	\$ 688.46

EP Model:

Economic Profit (EP)	4256.3	4447.8	4855.0	5334.8	5835.4	6415.2	6940.4
Continuing Value (CV)							123302.5
PV of EP	3954.6	3839.7	3894.0	3975.6	4040.4	4127.1	79323.5

Total PV of EP	103154.9
Invested Capital (last FYE)	9070.2
Value of Operating Assets:	112225.1
Non-Operating Adjustments	
(+) Excess Cash	0.0
(+) Fixed Maturity Securities	29614.0
(+) Equity Securities	229.0
(+) Other Invested Assets, L-T	6107.0
(+) Other Current Assets	5252.0
(+) Other Noncurrent Assets	1967.0
(-) Short Term Borrowings	-225.0
(-) Current Portion of L-T Debt	-1649.0
(-) ESOP	-488.1
(-) Other Current Liabilities	-9894.0
Value of Equity	143138.0
Shares Outstanding	212.18
Intrinsic Value of Last FYE	\$ 674.62
Implied Price as of Today	\$ 688.46

Elevance Health Inc.*Dividend Discount Model (DDM) or Fundamental P/E Valuation Model*

Fiscal Years Ending	2024E	2025E	2026E	2027E	2028E	2029E	2030E
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EPS	\$ 25.06	\$ 26.66	\$ 29.03	\$ 31.90	\$ 34.16	\$ 37.82	\$ 41.01
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Key Assumptions

CV growth of EPS	4.00%
CV Year ROE	15.04%
Cost of Equity	8.46%

Future Cash Flows

P/E Multiple (CV Year)								16.47545
EPS (CV Year)								\$ 41.01
Future Stock Price								\$ 675.70
Dividends Per Share	\$ 6.52	\$ 6.96	\$ 7.40	\$ 7.85	\$ 8.29	\$ 8.73	\$ 9.17	
Discounted Cash Flows	\$ 6.01	\$ 5.92	\$ 5.80	\$ 5.67	\$ 5.52	\$ 5.36	\$ 415.20	
Periods to discount	1	2	3	4	5	6	6	

Intrinsic Value as of Last FYE	\$ 449.49
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Implied Price as of Today	\$ 458.71
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Elevance Health Inc.

Relative Valuation Models

Ticker	Company	Price	EPS 2024E	EPS 2025E	P/E 24	P/E 25	Enterprise Value	EV/EBITDA 2024E
CI	The Cigna group	\$363.37	\$23.26	\$26.62	15.62	13.65	121720.58	9.35
UNH	United Health group	\$490.60	\$26.49	\$30.02	18.52	16.34	458811.50	11.60
CNC	Centene Corporation	\$78.13	\$6.03	\$6.82	12.96	11.46	3823.65	7.42
HUM	Humana Inc.	\$352.11	\$15.46	\$23.34	22.78	15.09	2734.46	7.12
CVS	CVS Health	\$79.40	\$6.67	\$7.63	11.90	10.41	155027.71	8.02
Average					16.36	13.39		8.70
ELV	Elevance Health Inc.	\$500.09	\$25.06	\$26.66	20.0	18.8	\$ 106,026.90	8.50

Implied Relative Value:

P/E (EPS24)	\$	475.38	<i>*using CI, UNH, and HUM</i>
P/E (EPS25)	\$	400.60	<i>*using CI, UNH, and HUM multiples</i>
EV/EBITDA (2024E)	\$	421.91	<i>*using industry average</i>

Elevance Health Inc.
Key Management Ratios

Fiscal Years Ending Dec. 31	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Liquidity Ratios:												
Current Ratio = Current Assets / Current Liabilities	1.65	1.55	1.47	1.40	1.44	1.56	1.61	1.67	1.71	1.75	1.76	1.80
Net Working Capital = Current Assets - Current Liabilities	\$15,416.00	\$16,298.00	\$16,237.00	\$15,921.00	\$18,238.00	\$22,302.74	\$25,103.53	\$28,365.12	\$32,149.22	\$36,176.27	\$40,809.19	\$45,856.28
Quick ratio = (Cash + A/R) / Current Liabilities	0.64	0.57	0.53	0.59	0.58	0.63	0.66	0.71	0.76	0.81	0.88	0.93
Asset-Management Ratios:												
A/R Turnover (Sales/Average Accounts Receivable)	10.68	11.51	11.36	10.62	10.11	9.92	10.39	10.51	10.63	10.68	10.77	10.77
A/R Collection Period (Days)	34.18	31.71	32.12	34.36	36.12	36.80	35.14	34.73	34.32	34.17	33.89	33.89
Total Asset Turnover (Sales/Average Total Assets)	1.40	1.49	1.51	1.56	1.62	1.56	1.55	1.56	1.59	1.61	1.63	1.64
Financial Leverage Ratios:												
Debt-to-Capital [Total Debt/(Total Debt + Total SE)]	0.39	0.38	0.39	0.40	0.39	0.39	0.38	0.37	0.37	0.36	0.36	0.36
Debt-to-Assets (Debt/Total Assets)	0.26	0.23	0.24	0.23	0.23	0.24	0.24	0.23	0.23	0.22	0.23	0.22
Debt-to-Equity (Debt/TSE)	0.63	0.60	0.64	0.67	0.64	0.64	0.62	0.59	0.58	0.55	0.57	0.55
Debt-to-EBITA (Debt/EBITA)	3.52	3.32	3.27	3.14	3.30	4.17	4.08	3.85	3.72	3.53	3.62	3.51
Profitability Ratios:												
Return on Equity (NI/Beg TSE)	16.8%	14.4%	18.4%	16.7%	16.5%	14.7%	14.6%	14.8%	15.0%	14.8%	15.1%	15.0%
Return on Assets (NI/Total Assets)	6.2%	5.3%	6.3%	5.9%	5.5%	5.2%	5.2%	5.4%	5.5%	5.5%	5.5%	5.6%
Return on Invested Capital (NOPLAT/Invested Capital)	57.7%	85.9%	82.4%	62.8%	64.7%	51.8%	55.1%	60.9%	67.3%	73.5%	81.2%	87.2%
Payout Policy Ratios:												
Dividend Payout Ratio [(Dividends/Share)/EPS]	17.0%	20.8%	18.1%	20.4%	23.3%	26.0%	26.1%	25.5%	24.6%	24.3%	23.1%	22.4%
Total Payout Ratio ((Divs. + Repurchases)/NI)	52.4%	79.9%	49.3%	58.9%	68.0%	62.7%	61.2%	58.2%	54.7%	52.8%	49.2%	46.8%
Retention Ratio (NI - Div / NI)	83.0%	79.2%	81.9%	79.6%	76.7%	74.0%	73.9%	74.5%	75.4%	75.7%	76.9%	77.6%

Elevance Health Inc.
Sensitivity Tables

		Beta							
		688.46	0.66	0.71	0.76	0.81	0.86	0.91	0.96
Risk-free Rate	3.91%	795.21	766.26	739.72	715.32	692.80	671.95	652.60	
	4.01%	783.89	755.89	730.20	706.54	684.68	664.42	645.60	
	4.11%	772.95	745.86	720.97	698.01	676.78	657.09	638.78	
	4.21%	762.36	736.14	712.01	689.74	669.12	649.96	632.14	
	4.31%	752.12	726.73	703.33	681.71	661.66	643.03	625.67	
	4.41%	742.20	717.60	694.90	673.90	654.41	636.28	619.36	
	4.51%	732.60	708.75	686.72	666.31	647.35	629.70	613.22	

		Pre-Tax Cost of Debt							
		688.46	4.87%	4.97%	5.07%	5.17%	5.27%	5.37%	5.47%
Cost of Equity	8.16%	692.74	691.30	689.86	688.43	687.00	685.59	684.18	
	8.26%	692.75	691.31	689.87	688.44	687.01	685.60	684.19	
	8.36%	692.76	691.32	689.88	688.45	687.02	685.61	684.20	
	8.46%	692.77	691.33	689.89	688.46	687.04	685.62	684.21	
	8.56%	692.79	691.34	689.90	688.47	687.05	685.63	684.22	
	8.66%	692.80	691.35	689.92	688.49	687.06	685.65	684.24	
	8.76%	692.81	691.37	689.93	688.50	687.08	685.66	684.25	

		SG&A as % of Total Operating Revenue							
		688.46	11.21%	11.41%	11.61%	11.81%	12.01%	12.21%	12.41%
WACC	7.33%	806.83	777.77	748.71	719.66	690.60	661.54	632.49	
	7.43%	794.25	765.75	737.25	708.75	680.25	651.75	623.25	
	7.53%	782.12	754.16	726.19	698.23	670.27	642.31	614.34	
	7.63%	770.43	742.98	715.54	688.09	660.65	633.20	605.76	
	7.73%	759.14	732.20	705.25	678.31	651.36	624.42	597.47	
	7.83%	748.25	721.79	695.32	668.86	642.40	615.94	589.47	
	7.93%	737.72	711.73	685.73	659.73	633.74	607.74	581.75	

		Medical Claims Payable as % of Premiums Revenue							
		688.46	10.98%	11.08%	11.18%	11.28%	11.38%	11.48%	11.58%
Inflation Rate	2.70%	689.02	689.11	689.20	689.29	689.37	689.46	689.55	
	2.80%	688.75	688.84	688.92	689.01	689.10	689.19	689.27	
	2.90%	688.47	688.56	688.65	688.74	688.82	688.91	689.00	
	3.00%	688.20	688.29	688.37	688.46	688.55	688.64	688.72	
	3.10%	687.92	688.01	688.10	688.18	688.27	688.36	688.45	
	3.20%	687.65	687.73	687.82	687.91	688.00	688.08	688.17	
	3.30%	687.37	687.46	687.54	687.63	687.72	687.81	687.89	

		CV Growth of NOPLAT							
		688.46	1.40%	1.60%	1.80%	2.00%	2.20%	2.40%	2.60%
Marginal Tax Rate	19.60%	682.51	682.51	682.51	682.51	682.51	682.51	682.51	
	20.60%	684.49	684.49	684.49	684.49	684.49	684.49	684.49	
	21.60%	686.47	686.47	686.47	686.47	686.47	686.47	686.47	
	22.60%	688.46	688.46	688.46	688.46	688.46	688.46	688.46	
	23.60%	690.46	690.46	690.46	690.46	690.46	690.46	690.46	
	24.60%	692.46	692.46	692.46	692.46	692.46	692.46	692.46	
	25.60%	694.47	694.47	694.47	694.47	694.47	694.47	694.47	

		Current Dividend Yield							
		688.46	1.04%	1.09%	1.14%	1.19%	1.24%	1.29%	1.34%
Equity Risk Premium	4.96%	708.81	708.82	708.82	708.83	708.83	708.84	708.84	
	5.06%	701.86	701.87	701.87	701.87	701.88	701.88	701.89	
	5.16%	695.07	695.08	695.08	695.09	695.09	695.10	695.10	
	5.26%	688.45	688.45	688.46	688.46	688.46	688.47	688.47	
	5.36%	681.97	681.98	681.98	681.99	681.99	681.99	682.00	
	5.46%	675.65	675.65	675.66	675.66	675.66	675.67	675.67	
	5.56%	669.47	669.47	669.48	669.48	669.48	669.49	669.49	

Elevance Health Inc.*Valuation of Options Granted under ESOP*

Current Stock Price	\$500.09
Risk Free Rate	4.21%
Current Dividend Yield	1.19%
Annualized St. Dev. of Stock Returns	20.85% *As of 03/06/24

Range of Outstanding Options	Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
Range 1	1,900,000	267.05	4.82	\$ 256.87	\$ 488,052,670
Total	1,900,000	\$ 267.05	4.82	\$ 283.98	\$ 488,052,670