



Elevance Health Inc. (ELV)

Updated April 19th, 2023 by Nathan Parsh

Key Metrics

Current Price:	\$467	5 Year CAGR Estimate:	11.2%	Market Cap:	\$110 billion
Fair Value Price:	\$491	5 Year Growth Estimate:	9.0%	Ex-Dividend Date:	06/09/2023 ¹
% Fair Value:	95%	5 Year Valuation Multiple Estimate:	1.0%	Dividend Payment Date:	06/23/2023 ²
Dividend Yield:	1.3%	5 Year Price Target	\$755	Years Of Dividend Growth:	13
Dividend Risk Score:	A	Retirement Suitability Score:	C	Rating:	Buy

Overview & Current Events

Elevance Health Inc., formerly Anthem, Inc., is a healthcare benefits company has more than 47 million members through its plans. The company provides managed plans to a wide variety of markets, including individual, commercial, Medicare and Medicaid. Its two largest customer groups are government (~60% of annual sales) and commercial business (~30% of sales). Elevance has annual sales of \$165 billion and a market capitalization of \$110 billion.

On June 28th, 2022, Anthem began trading as Elevance Health under the ticker symbol “ELV” on the New York Stock Exchange.

On January 25, 2023, Elevance increased its quarterly dividend 15.6% to \$1.48 for the March 24th, 2023 payment, marking the company’s 13th consecutive year of dividend growth.

On April 19th, 2023, Elevance reported earnings results for the first quarter for the period ending March 31st, 2023. For the quarter, revenue grew 10.6% to \$41.9 billion, which was \$960 million more than expected. Adjusted earnings-per-share of \$9.46 compared favorably to adjusted earnings-per-share of \$8.25 in the prior year and was \$0.17 better than expected.

For the quarter, premiums increased 9.4% to \$33.9 billion and product revenue was higher by 21.8% to \$4 billion. Revenue for Health Benefits, which is composed of the Government Business and Commercial & Specialty Business, and CarelRx (formerly IngenioRx), increased 9.6% and 17.7%, respectively. Total medical membership increased 1.3 million, or 2.9%, to 48.1 million. Membership gains came primarily from Medicaid and Medicare Advantage. It should be noted that a key Covid-10-era provision lapsed last month that could make it more difficult for people to be covered under Medicaid. The company repurchased 1.3 million shares at an average price of \$476.66 during the quarter. As of the end of the quarter, Elevance had a total of \$6.3 billion, or 5.7% of its market capitalization, remaining on its share repurchase authorization.

Elevance provided updated guidance for 2023 as well. The company now expects adjusted earnings-per-share of at least \$32.70, up slight from \$32.60 previously. If achieved, this would represent a 12.5% improvement from the prior year. We have updated our forecast accordingly.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	\$8.20	\$8.98	\$9.38	\$9.21	\$10.21	\$15.89	\$19.44	\$22.48	\$25.98	\$29.07	\$32.70	\$50.31
DPS	\$1.50	\$1.75	\$2.50	\$2.60	\$2.70	\$3.00	\$3.20	\$3.80	\$4.52	\$5.12	\$5.92	\$9.11
Shares³	282	267	261	264	256	257	253	245	247	241	240	235

Elevance has increased earnings-per-share at a rate of more than 15% annually over the last decade. The company has achieved this high rate of growth through improvements in business and aggressive share repurchases. Elevance’s share count has been reduced by 1.7% per year over the last decade. Even with share repurchases, profits have improved 13%

¹ Estimated ex-dividend date

² Estimated dividend payment date

³ Share count in millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



Elevance Health Inc. (ELV)

Updated April 19th, 2023 by Nathan Parsh

annually over this period of time. We believe an earnings growth rate of 9% is appropriate given the size of the company and the guidance for the year. Share repurchases will also remain part of bottom-line growth.

Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Avg. P/E	9.6	12.1	15.7	14.5	18.1	15.7	14.3	12.4	17.8	15.9	14.3	15.0
Avg. Yld.	1.9%	1.6%	1.7%	2.0%	1.5%	1.2%	1.1%	1.4%	1.0%	1.0%	1.3%	1.2%

Shares of the company have decreased by \$29, or 5.8%, since our January 26th, 2023 update. Using company guidance for 2023, Elevance trades with a price-to-earnings ratio of 14.3. Shares have averaged a price-to-earnings ratio of 13 over the last decade. However, we feel a target valuation of 15 times earnings is appropriate as price-to-earnings ratios were lower in the early portions of the decade due to concerns about how health care plans would perform. Those fears are largely gone now. Multiple expansion could add 1% to annual returns over the next five years.

Elevance had never been a high yielding name, with the current yield at the low end of the 10-year range. On the plus side, the dividend has a compound annual growth rate in the mid-teens since 2011, showing that Elevance has aggressively raised its dividend since initiation.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	18%	19%	27%	28%	26%	19%	16%	17%	17%	18%	18%	18%

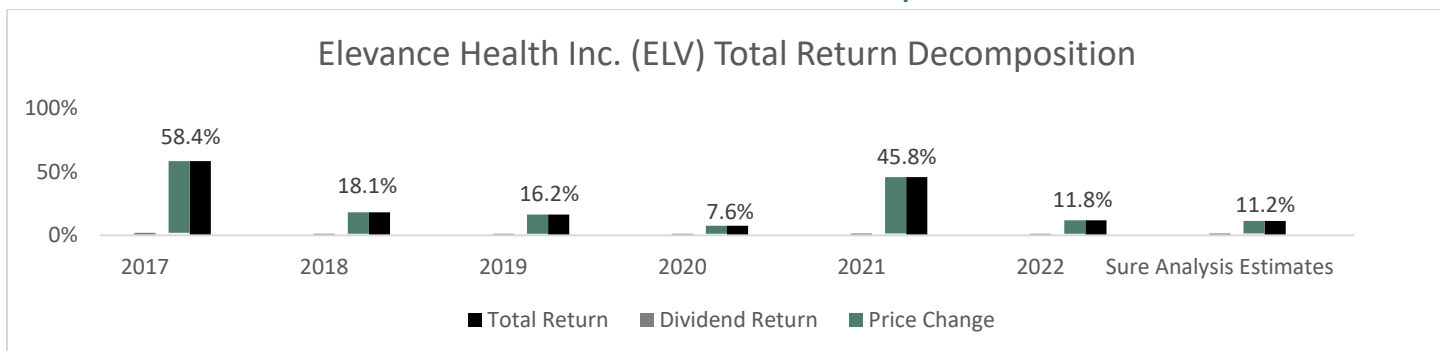
Elevance was not immune to the last recession as earnings-per-share declined from \$5.57 to \$4.95 for the 2007 to 2009 period. However, the company returned to growth the very next year. The company has had just one year where EPS declined from the previous period (2016). Elevance ended the first quarter of 2023 with assets of \$109 billion, investments of \$28 billion, and cash and equivalents of \$10.1 billion against liabilities of \$71.6 billion, including total debt of \$25.2 billion.

Elevance has several factors working in its favor. First and foremost, the company has a large membership pool. This allows Elevance to keep premium prices low. The Medicare and Medicaid businesses are fairly reliable as well, though potential future cuts in payments could impair results.

Final Thoughts & Recommendation

Elevance is expected to produce total returns of 11.2% through 2028, up from our prior estimate of 9.8%. Our projected return stems from a 9% earnings growth rate, a starting yield of 1.3%, and a small contribution from multiple expansion. The company continues to see strong membership growth rates, which has driven revenue and earnings results. We have raised our 2028 price target by \$3 to \$755 and continue rate shares of Elevance as a buy due to projected returns.

Total Return Breakdown by Year



[Click here to rate and review this research report. Your feedback is important to us.](#)

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



Elevance Health Inc. (ELV)

Updated April 19th, 2023 by Nathan Parsh

Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	71024	73874	79157	84863	90040	92105	104213	121867	138639	156595
SG&A Exp.	9953	11748	12535	12559	12650	14020	13364	17450	15914	17686
D&A Exp.	909	851	908	912	891	1132	1133	1154	1302	1675
Net Profit	2490	2570	2560	2470	3843	3750	4807	4572	6104	6025
Net Margin	3.5%	3.5%	3.2%	2.9%	4.3%	4.1%	4.6%	3.8%	4.4%	3.8%
Free Cash Flow	2406	2655	3574	2686	3394	2619	4984	9667	7277	7247
Income Tax	1206	1808	2071	2085	121	1318	1178	1666	1830	1750

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	59575	61676	61718	65083	70540	71571	77453	86615	97460	102772
Cash & Equivalents	1582	2152	2114	4075	3609	3934	4937	5741	4880	7387
Accounts Receivable	3969	4826	4603	5861	6185	6743	7584	8128	9691	11746
Goodwill & Int. Ass.	25358	25040	25720	25526	27599	29511	29174	31096	34843	34698
Total Liabilities	34809	37425	38674	39983	44037	43030	45725	53416	61332	66378
Accounts Payable	9554	10513	10889	11908	13016	12413	13040	16852	18488	20631
Long-Term Debt	14492	15044	15865	15727	19932	19211	20085	20035	23031	24114
Shareholder's Equity	24765	24251	23044	25100	26503	28541	31728	33199	36060	36307
LTD/E Ratio	0.6	0.6	0.7	0.6	0.8	0.7	0.6	0.6	0.64	0.66

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	4.2%	4.2%	4.1%	3.9%	5.7%	5.3%	6.5%	5.6%	6.6%	6.0%
Return on Equity	10.3%	10.5%	10.8%	10.3%	14.9%	13.6%	16.0%	14.1%	17.6%	16.7%
ROIC	6.4%	6.5%	6.5%	6.2%	8.8%	8.0%	9.7%	8.7%	10.9%	10.1%
Shares Out.	282	267	261	264	256	257	253	245	247	241
Revenue/Share	233.78	258.39	290.06	316.53	336.22	362.19	394.45	468.18	561.75	644.95
FCF/Share	7.92	9.29	13.10	10.02	12.67	10.30	18.86	37.14	29.49	29.85

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.