Elevance Health Inc. (ELV)

Updated January 24th, 2025 by Nathan Parsh

Key Metrics

Current Price:	$401	**5 Year CAGR Estimate:**	16.0%	**Market Cap:**	$93 billion
Fair Value Price:	$518	**5 Year Growth Estimate:**	9.0%	**Ex-Dividend Date:**	03/10/2025
% Fair Value:	77%	**5 Year Valuation Multiple Estimate:**	5.2%	**Dividend Payment Date:**	03/25/2025
Dividend Yield:	1.7%	**5 Year Price Target**	$796	**Years Of Dividend Growth:**	15
Dividend Risk Score:	A	**Retirement Suitability Score:**	B	**Rating:**	Buy

Overview & Current Events

Elevance Health Inc., formerly known as 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 $175 billion and a market capitalization of $93 billion.

On January 22nd, 2025, Elevance raised its quarterly dividend 4.9% to $1.71, extending the company's dividend growth streak to 15 consecutive years.

On January 23rd, 2025, Elevance announced fourth quarter and full year results for the period ending December 31st, 2024. For the quarter, revenue grew 5.9% to $45 billion, which topped estimates by $280 million. Adjusted earnings-per-share of $3.84 compared unfavorably to adjusted earnings-per-share of $5.62 in the prior year and was $0.01 below expectations. For the year, revenue improved 2.9% to $175.2 billion while adjusted earnings-per-share of $33.04 compared to $33.14 in 2023. Adjusted EPS was slightly ahead of our estimates of $33.00.

Revenue growth was primarily a result of higher premium yields in the Health Benefits and increases in product revenue for CarelonRx. These gains were once again offset by a reduction in Medicaid membership. The benefit expense ratio increased 320 basis points to 92.4% for the quarter and expanded 150 basis points to 88.5% for the full year due to Medicaid medical costs trends. For the quarter, the Health Benefits segment generated revenue of $37.6 billion, which was a 3% increase compared to the prior year. In total, medical membership decreased 1.1 million, or 2%, year-over-year. As with prior quarters, much of this decline was due to the resumption of eligibility requirements for Medicaid in most states following the lapse of a key Covid-19-era provision regarding coverage for the program. Growth in commercial Employer Group fee-based and Affordable Care Act memberships offset these declines. Revenue for Carelon grew 19% to $14.7 billion due to gains in Carleon Services and contributions from acquisitions. The company repurchased 4.5 million shares at a weighted average price of $400 during the quarter. As of the end of the year, Elevance had a total of $9.3 billion, or 10% of its current market capitalization, remaining on its share repurchase authorization.

Elevance provided guidance for 2025 as well, with the company expecting adjusted earnings-per-share in a range of $34.15 to $34.85. At the midpoint, this would represent growth of 4.4% from the prior year.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$9.38	$9.21	$10.21	$15.89	$19.44	$22.48	$25.98	$29.07	$33.14	$33.04	***$34.50***	***$53.08***
DPS	$2.50	$2.60	$2.70	$3.00	$3.20	$3.80	$4.52	$5.12	$5.92	$6.52	***$6.84***	***$10.52***
Shares[1]	261	264	256	257	253	245	247	241	236	231	***231***	***220***

Elevance has increased earnings-per-share at a rate of nearly 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 1.3% per year over the last decade. Even with share repurchases, profits have improved at a

[1] 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.

double-digit clip annually over this period. 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	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	15.7	14.5	18.1	15.7	14.3	12.4	17.8	15.9	14.2	11.2	***11.6***	***15.0***
Avg. Yld.	1.7%	2.0%	1.5%	1.2%	1.1%	1.2%	1.0%	1.3%	1.2%	1.8%	***1.7%***	***1.3%***

Shares of the company have declined $24, or 5.6%, since our October 21st, 2024 update. Using company guidance for 2025, Elevance trades with a price-to-earnings ratio of 11.6. Shares have averaged a price-to-earnings ratio of 15 over the last decade. We this is an appropriate valuation target as the concerns over how health care plans would perform are largely gone now. Multiple expansion could add 5.2% to annual returns over the next five years.

Elevance had never been a high yielding name, with the current yield now slightly above the 10-year of 1.4%. 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	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	27%	28%	26%	19%	16%	17%	17%	18%	18%	20%	***20%***	***20%***

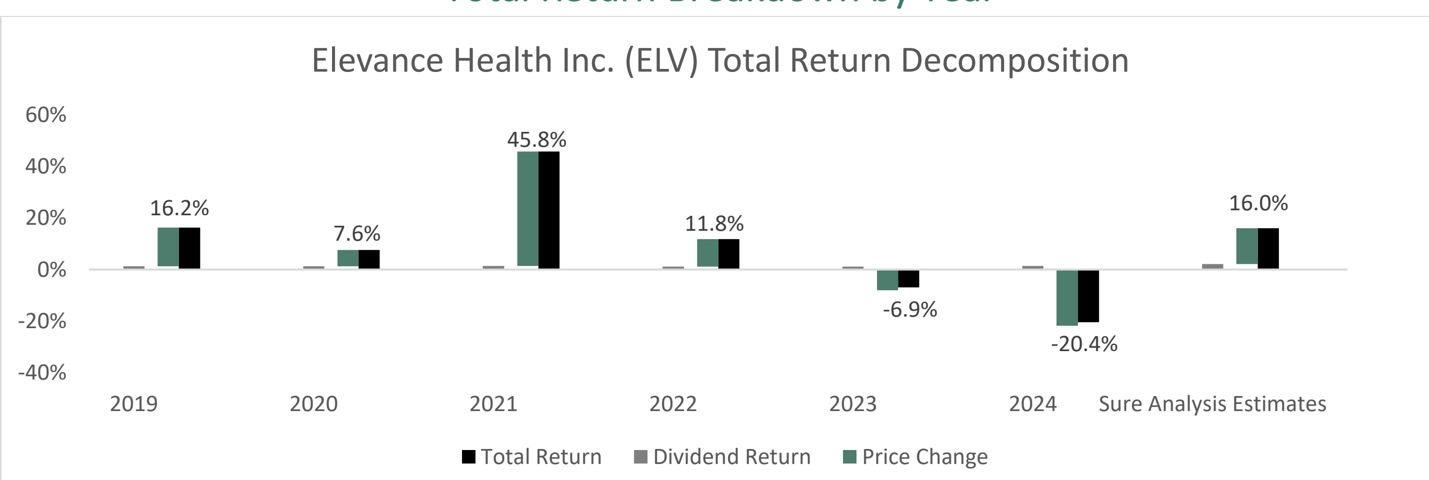
Elevance was not immune to the last recession as earnings-per-share declined from $5.57 to $4.95 for the 2007 to 2009 period. However, the company returned to growth the very next year.

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 reliable as well, though potential future cuts in payments could impair results.

Final Thoughts & Recommendation

Elevance is expected to produce total returns of 16.0% through 2030, up from 13.6% previously. Our projected return stems from a 9% earnings growth rate, a starting yield of 1.7%, and a mid-single-digit contribution from multiple expansion. The company's benefit expense ratio surged during the quarter and year, but management provided modest guidance for 2025. The stock has lost almost $120 over our last two reports. However, we believe this could represent a good buying opportunity. We have raised our five-year price target $34 to $796 as well as maintain our buying rating on the name.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	79157	84863	90040	92105	104213	121867	138639	156595	171340	176810
SG&A Exp.	12535	12559	12650	14020	13364	17450				
D&A Exp.	908	912	891	1132	1133	1154	1302	1675	1745	1393
Net Profit	2560	2470	3843	3750	4807	4572	6158	5894	5987	5980
Net Margin	3.2%	2.9%	4.3%	4.1%	4.6%	3.8%	4.4%	3.8%	3.5%	3.4%
Free Cash Flow	3574	2686	3394	2619	4984	9667	7277	7247	6765	4552
Income Tax	2071	2085	121	1318	1178	1666	1846	1712	1724	1933

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	61718	65083	70540	71571	77453	86615	97460	102755	108928	116673
Cash & Equivalents	2114	4075	3609	3934	4937	5741	4880	7387	6526	8288
Accounts Receivable	4603	5861	6185	6743	5014	5279	5681	7083	7902	18796
Goodwill & Int. Ass.	25720	25526	27599	29511	29174	31096	34843	34698	35590	40371
Total Liabilities	38674	39983	44037	43030	45725	53416	61332	66425	69523	75247
Accounts Payable	10889	11908	13016	12413	13040	16852	18488	21203	23021	15626
Long-Term Debt	15865	15727	19932	19211	20085	20035	23031	24114	25120	31232
Shareholder's Equity	23044	25100	26503	28541	31728	33199	36060	36243	39306	41315
LTD/E Ratio	0.69	0.63	0.75	0.67	0.63	0.60	0.64	0.67	0.64	0.76

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	4.1%	3.9%	5.7%	5.3%	6.5%	5.6%	6.7%	5.9%	5.7%	5.3%
Return on Equity	10.8%	10.3%	14.9%	13.6%	16.0%	14.1%	17.8%	16.3%	15.8%	14.8%
ROIC	6.5%	6.2%	8.8%	8.0%	9.7%	8.7%	11.0%	9.9%	9.6%	8.7%
Shares Out.	261	264	256	257	253	245	247	241	236	231
Revenue/Share	290.06	316.53	336.22	362.19	400.36	479.23	561.75	644.95	721.74	759.17
FCF/Share	13.10	10.02	12.67	10.30	19.15	38.01	29.49	29.85	28.50	19.54

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