



eHealth<sup>®</sup>

# Investor Presentation

July 2018

# Safe Harbor Statement

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## Forward-Looking Statements

This presentation includes forward-looking statements within the meaning of the federal securities laws. Forward-looking statements generally relate to future events or our future financial or operating performance. Forward-looking statements in this presentation include, but are not limited to, the following:

- Our strategy and competitive advantage
- Estimated addressable market size of the Medicare, Individual and Family and Micro Group health insurance markets
- Estimated commission opportunity for the Medicare, Individual and Family and Micro Group health insurance markets
- Our revenue growth and EBITDA margin projections
- Our Medicare business growth prospects and potential for reducing per member acquisition costs. Our Medicare business strategies, including marketing strategy, expansion in the Medicare Supplement market and focus on online enrollment
- Estimated lifetime value per approved Medicare Advantage and Medicare Supplement policy
- Our ability to manage our IFP business for profit and its prospects for growth in the non-ACA products market
- The expected expiration of the ACA individual mandate penalty and removal of duration restrictions on short-term plans
- Plans for expansion in the small business market
- Our small business strategies, including demand generation priorities and technology platform enhancements
- Our expectations regarding our fixed costs and variable costs
- Our assessment for our Medicare, IFP and Small Business market opportunities
- Our 2018 financial guidance, including with respect to revenue, EBITDA, Non-GAAP EPS, Medicare segment revenue and profit, and Individual, Family and Small Business segment revenue and profit

Our expectations and beliefs regarding these matters may not materialize, and actual results in future periods are subject to risks and uncertainties that could cause actual results to differ materially from those projected. These risks include those set forth in our filings with the Securities and Exchange Commission, including our latest Form 10-Q and 10-K. The forward-looking statements in this presentation are based on information available to us as of today, and we disclaim any obligation to update any forward looking statements, except as required by law.

## Non-GAAP Information

This presentation includes both GAAP and non-GAAP financial measures. The presentation of this non-GAAP financial information is not intended to be considered in isolation or as a substitute for results prepared in accordance with GAAP. A reconciliation of the non-GAAP financial measures included in this presentation to the most directly comparable GAAP financial measures is available in the Appendix to this presentation. Management uses both GAAP and non-GAAP information in evaluating and operating its business internally and as such has determined that it is important to provide this information to investors. We have not reconciled our projected EBITDA margin percentage in 2021 to our projected GAAP profit margin percentage in 2021, because we cannot reasonably predict items in the reconciliation and the reconciliation is not available without unreasonable effort.



# Millions of Americans Shopping for health insurance



# Choosing from Thousands of Plans





# eHealth Connects People With the Right Health Insurance Plan

The screenshot displays the eHealth website interface for Medicare Advantage plans. The browser address bar shows 'https://www.ehealthinsurance.com'. The website header includes the eHealth logo, navigation links for Medicare Advantage, Medicare Supplement, Medicare Part D, and More, and a 'My Plans' link. A banner at the top right provides a phone number '1-844-304-7809' and TTY information. The main content area shows 'Medicare Advantage Plans' with 38 plans available, sorted by 'Monthly Premium'. A sidebar on the left offers filters for 'Add Your Doctors', 'Add Your Rx Drugs', and 'Filter plans by' (Company, Monthly Premium, Coverage, Plan Type). The main table lists three plans:

Monthly Premium	Plan	Estimated Annual Costs	Coverage Highlights
\$0	Humana Insurance Company HumanaChoice R4182-001 (Regional PPO) ★★★★☆ 3.5 out of five (5) stars	\$0 Annual Premium \$975 Annual Deductible Add Rx Drugs to see your potential savings	× Rx Drugs Add Your Doctors
\$0	WellCare WellCare Dividend Prime (HMO) ★★★★☆ 3 out of five (5) stars	\$0 Annual Premium \$0 Annual Deductible Add Rx Drugs to see your potential savings	✓ Rx Drugs ✓ Part B Give Back Add Your Doctors
\$0	Cigna-HealthSpring Cigna-HealthSpring Advantage (HMO) ★★★★☆ 4 out of five (5) stars	\$0 Annual Premium \$0 Annual Deductible Add Rx Drugs to see your potential savings	× Rx Drugs Add Your Doctors



Standardized, easy-to-compare information



Ability to quote, research and apply online

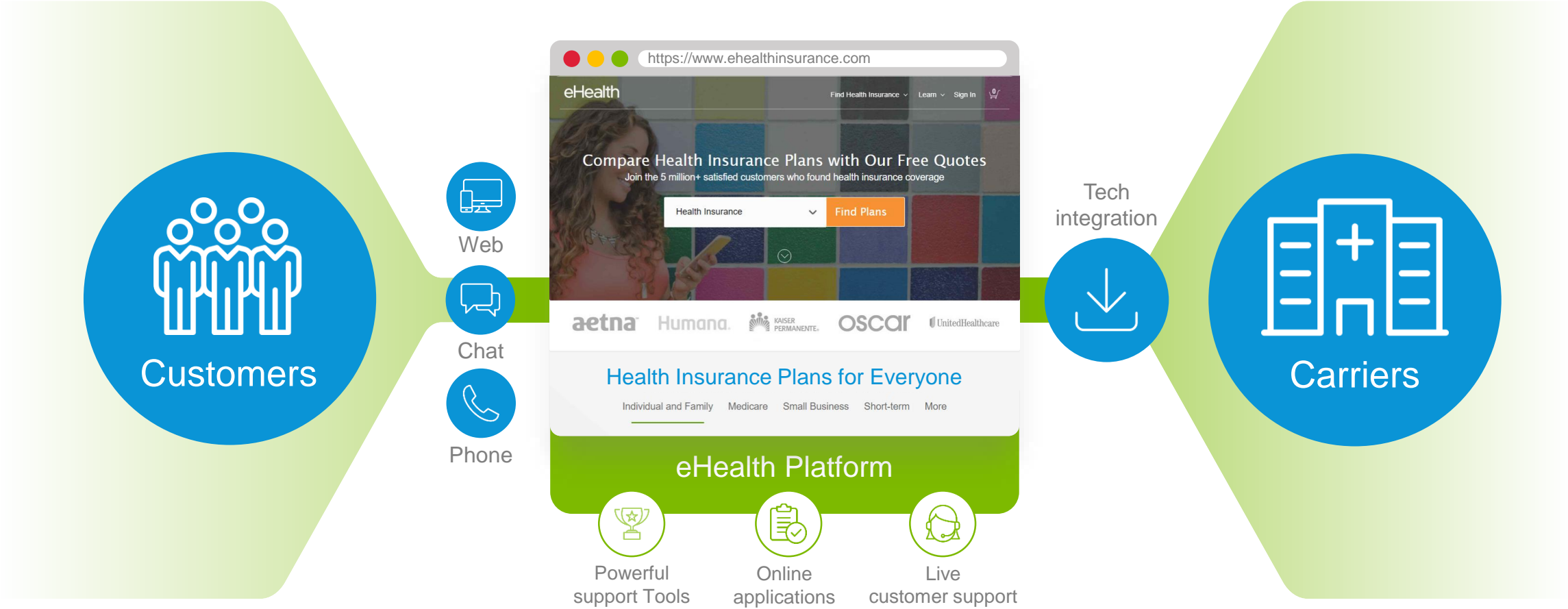


Extensive, multi-carrier supply in all states



Powerful decision support tools

# Capitalizing on Massive Shift to Online Buying







## Trusted partner to 170+ carriers

Carriers value eHealth as their distribution partner and have invested in technology integration with our platform – **a significant competitive advantage**



Strong, consistent volume producer



Full service broker across multiple products



Provide actionable insights



Assist in product design



Technology licensing services

# Brand and Digital Marketing Strength Extends our Competitive Advantage



Strong organic search results



Individual & Family

- 1. HealthCare.gov
- 2. eHealth®
- 3. Anthem.



Medicare

- 1. Medicare.gov
- 2. eHealth®
- 3. MEDICARE INTERACTIVE .GOV  
Powered by the Medicare Rights Center



Dental

- 1. eHealth®
- 2. DELTA DENTAL
- 3. UnitedHealthcare



Vision

- 1. eHealth®
- 2. vsp individual vision plans
- 3. UnitedHealthcare



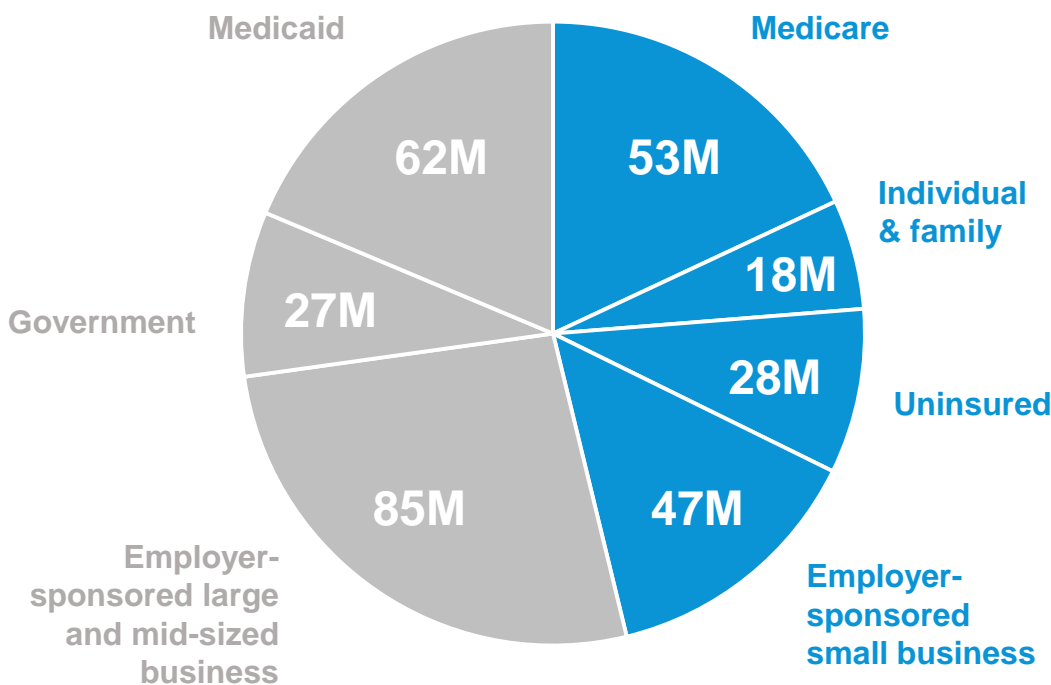
Small Business

- 1. eHealth®
- 2. HealthCare.gov
- 3. UnitedHealthcare

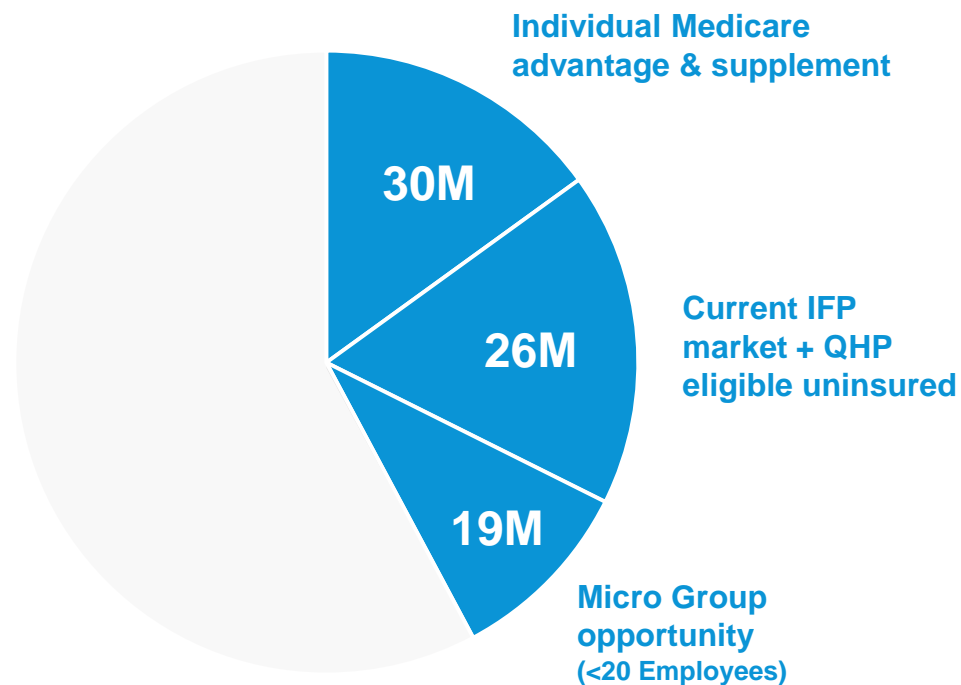


# Substantial Market Opportunity

US population by type of coverage



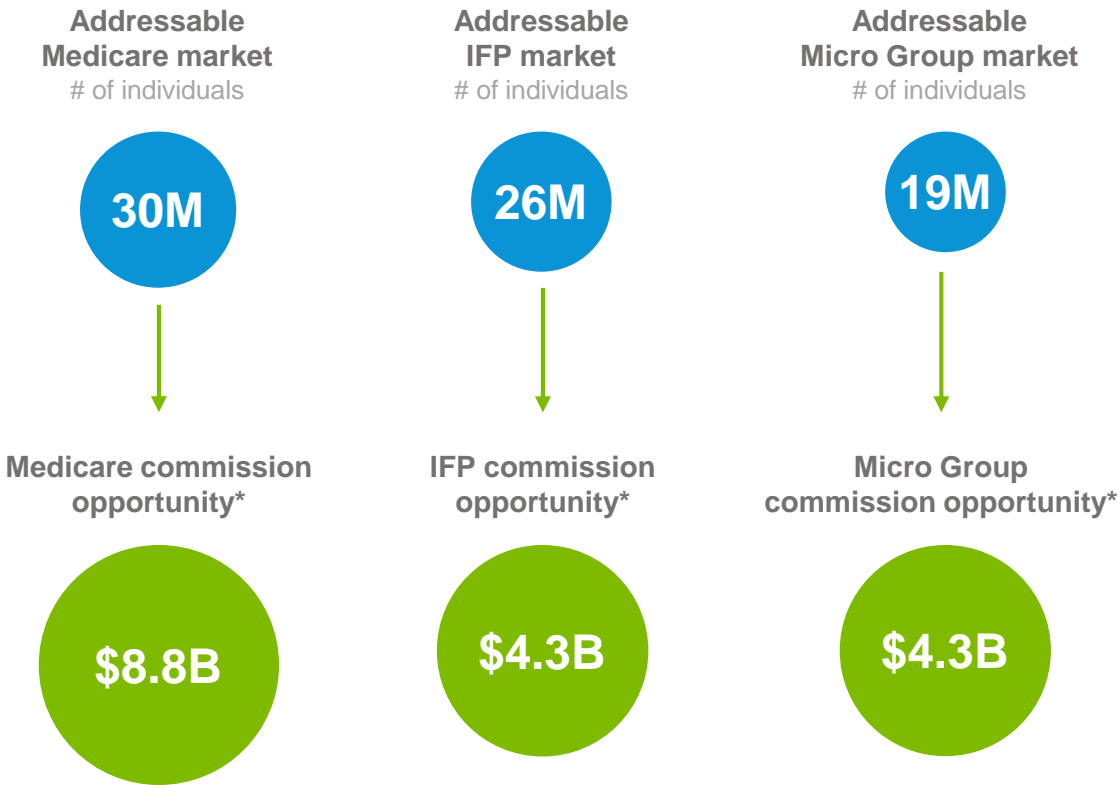
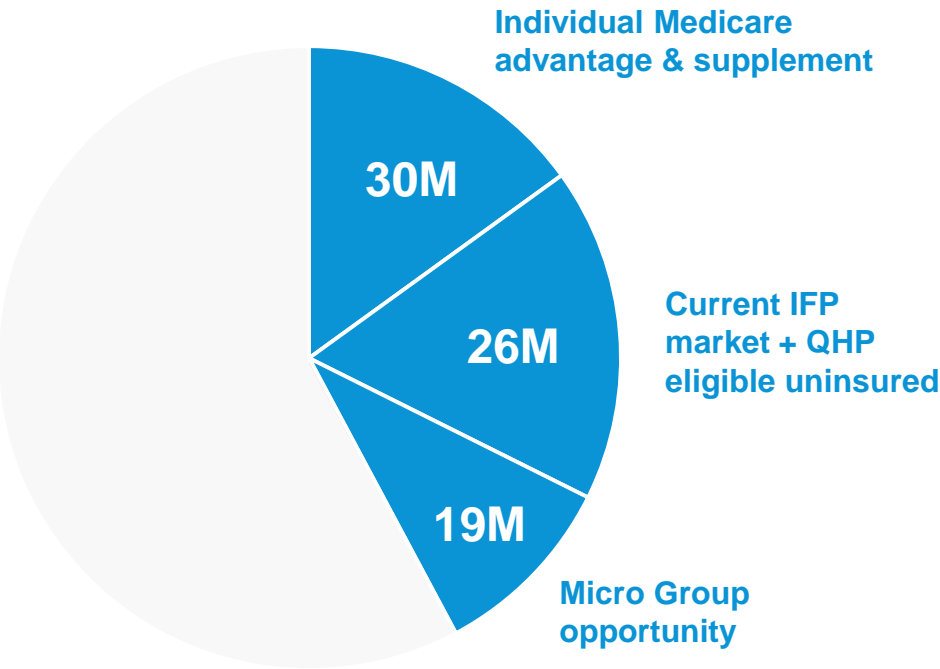
Key addressable markets for eHealth



**Sources:** Employer-sponsored large, mid-sized, small business and government coverage are based on Employee Benefit Research Institute 2018 data. Medicare, Medicaid and Uninsured data are based on 2017 US census report. IFP health coverage consists of on exchange estimates from Kaiser Family Foundation as of February 2018 and off exchange estimates from ACASignups.org as of June 2018. Addressable Medicare Advantage and Medical Supplement market is based on estimates from Mark Farrell Associates issued on March and May 2018, respectively. Addressable IFP market is estimated by adding 7.8 million subsidy eligible uninsured (based on 2016 estimates from Kaiser Family Foundation) to the current IFP market size of 18 million. Micro group market opportunity is derived using a combination of the number of workers employed by firms with less than 20 employees in 2014 from US census data, estimated % of micro group employers offering health insurance based on 2017 estimates from Kaiser Family Foundation and eHealth internal estimates of the number of members per employee.

# Attractive Annual Commission Opportunity

## Key addressable markets for eHealth



# Focused Strategies to Deliver Strong Growth at Attractive Margins

eHealth®

Aggressive growth +  
margin enhancement

Maximize  
profitability

Growth  
Opportunities



## Medicare

Medicare advantage,  
Medicare supplement,  
prescription drug plan



## Individual & Family

Major medical plans,  
ancillary products



## Non-ACA Products

Short-term,  
limited medical,  
packages



## Small Business

Micro Groups

Unified technology platform

Financial Goals:

## High Teens%

4-year revenue CAGR  
between 2017 and 2021

## 30%

EBITDA margin  
by 2021





# Target Markets and Strategies



# Medicare

Aggressive Growth + Margin Enhancement



**30M**  
individuals



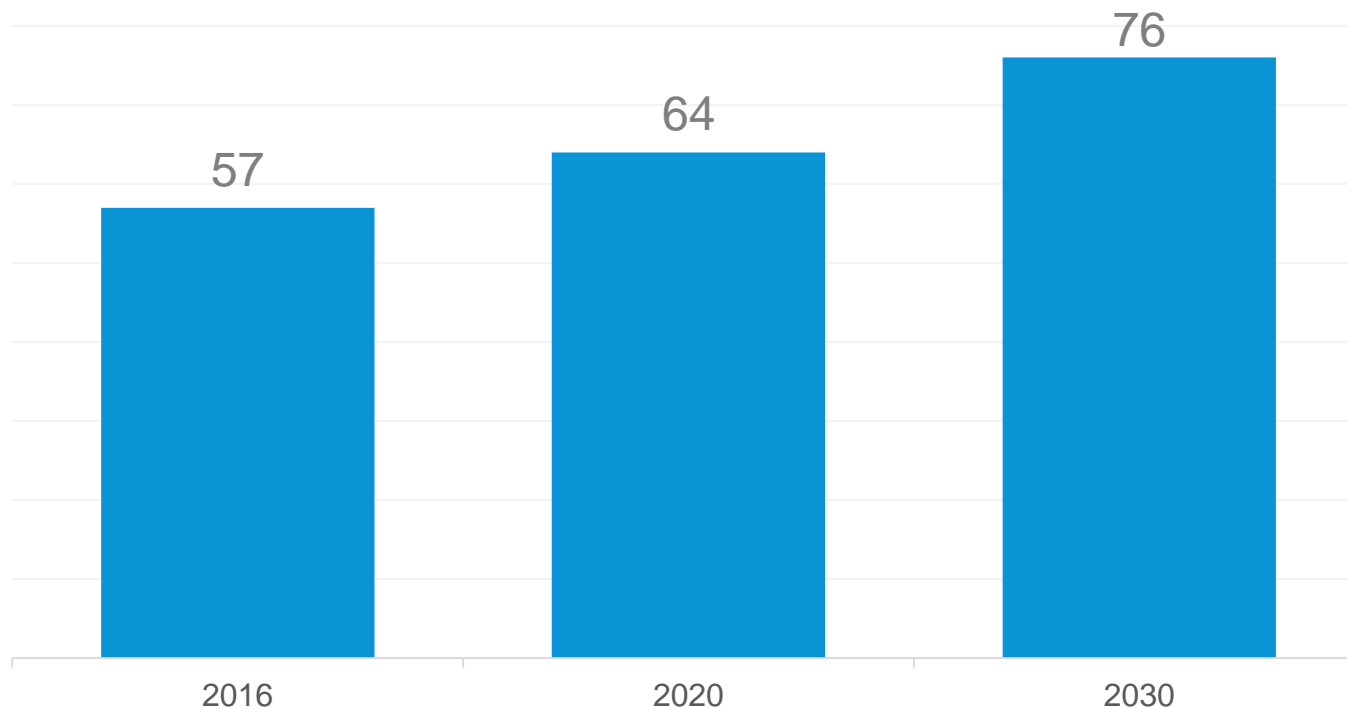
**\$8B+**  
commission





# Medicare Business Opportunity

Individuals with Medicare coverage<sup>(1)</sup> (in Millions)



## Significant Growth in Target Population<sup>(1)</sup>

- **10,000 people on average will age in Medicare per day over the next 15 years<sup>(2)</sup>**
- **76 million baby boomers by 2030<sup>(1)</sup>**



## Limited Online Competition / Strong Barriers to Entry

- **Strict regulations**, rigorous approvals create significant barriers to entry
- High upfront investment for quality call center
- eHealth's long standing relationships and tech integration with major insurance carriers



## Attractive Unit Economics

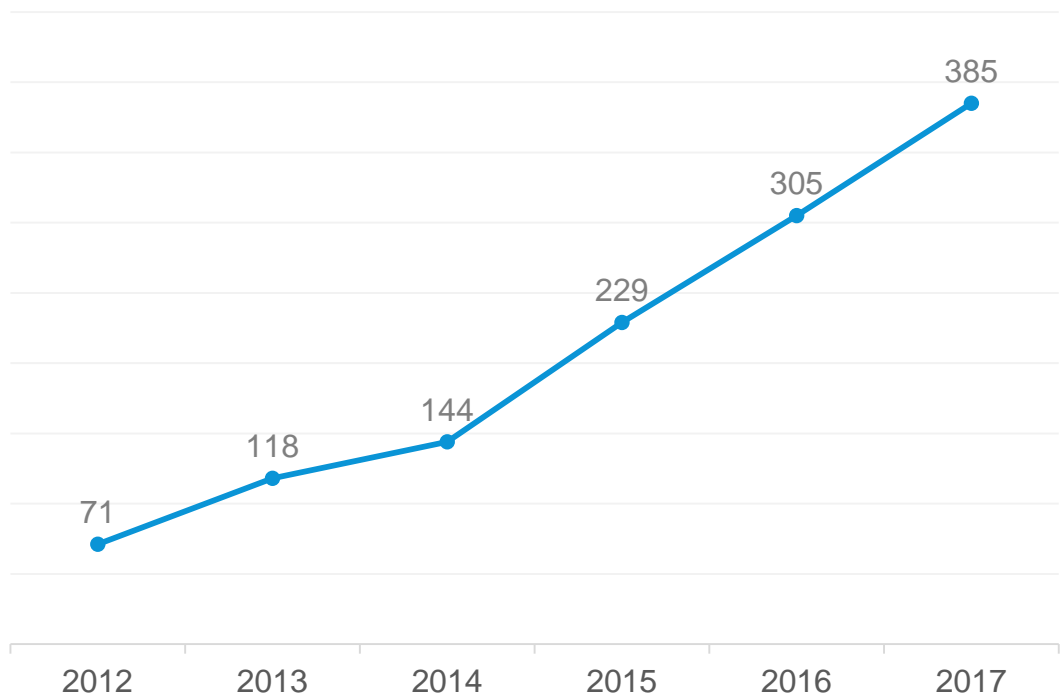
- **3-4 year** policy life, longer member life
- Estimated approved policy lifetime value (2018): ~\$850 for Med Advantage; ~\$1,025 for Med Supplement<sup>(3)</sup>
- Potential for reducing per-member acquisition costs



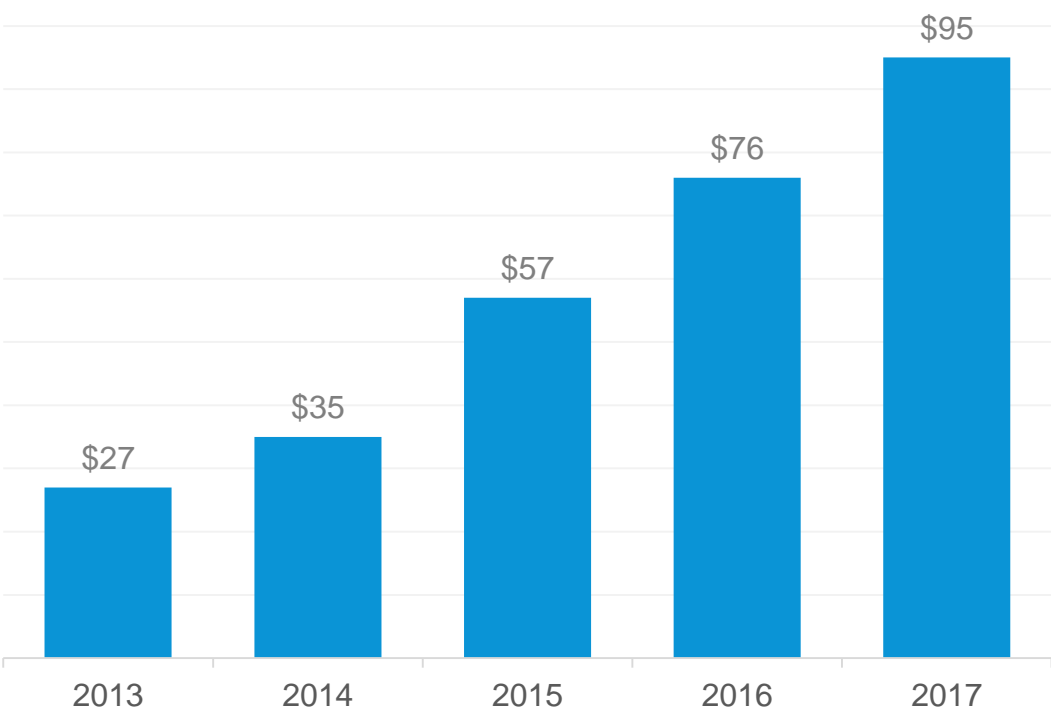
# eHealth Medicare Market Traction

Revenue and membership grow, while acquisition costs declined

Rapid growth in estimated membership (000's)



Strong commission growth (in \$mm)<sup>(1)</sup>



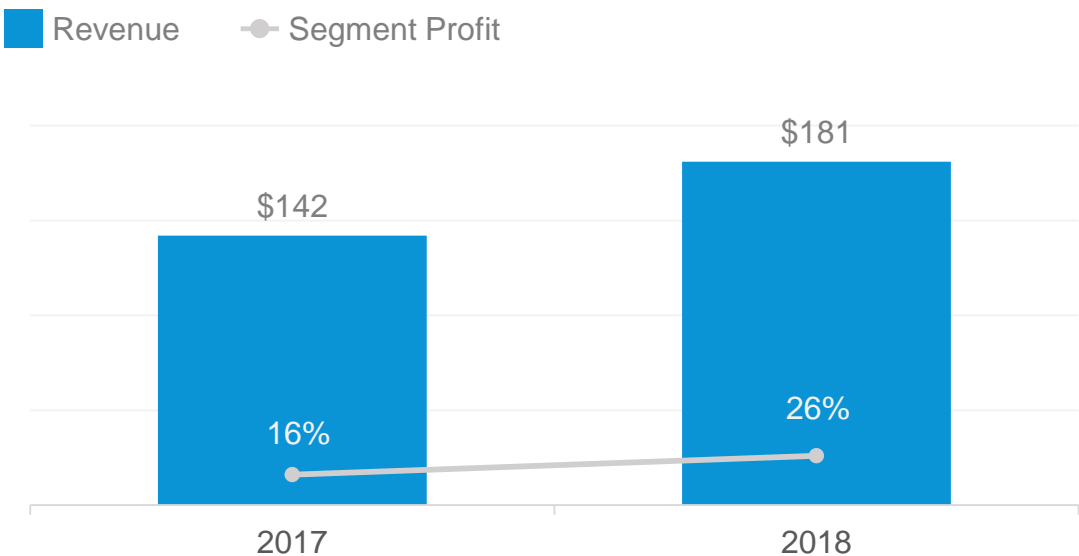
(1) Historical revenue numbers as reported, not adjusted for ASC 606 adopted in 2018.

# Growing Revenue, Lower Acquisition Costs Will Combine to Increase Profitability in Medicare Business

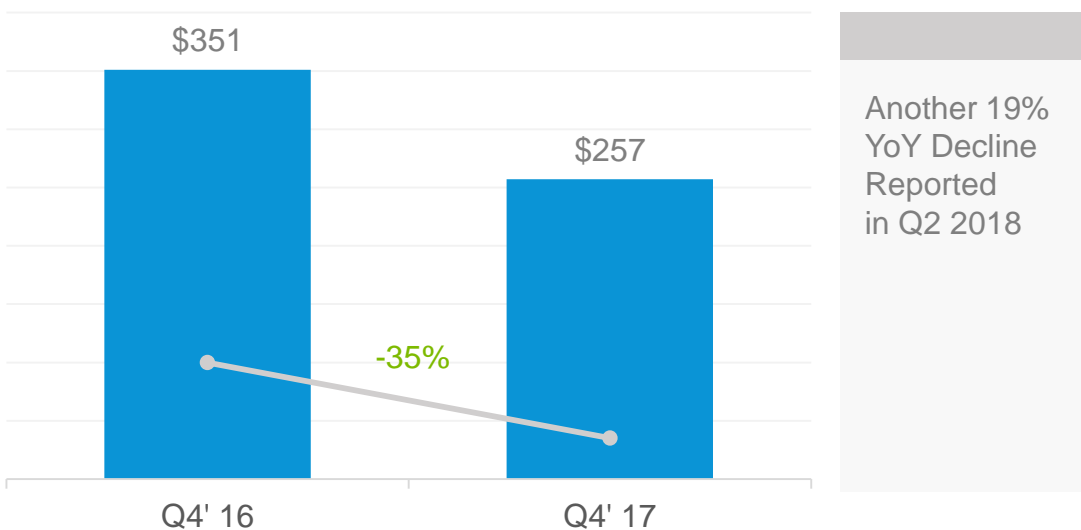


Projected segment profit of \$45.5 to \$49.5M in 2018, up from \$22.7M in 2017

Medicare segment (in Millions)



Variable market cost per approved member



# eHealth Medicare Business Strategies

Aggressive growth and margin enhancement

## Shift in Marketing Channel Strategy

Drive growth through sustainable, cost-effective channels: Strategic Partnerships & Direct

## Establish Larger Profile in Medicare Supplement

Use GoMedigap acquisition as a platform for aggressive expansion

## Shift More Enrollments Online

Meaningful margin driver

Enhance lead conversion and member retention





# Individuals & Families

Maximize profitability & pursue  
growth in non-ACA products



**\$4B+**  
commission



**26M**  
individuals

# Evolving Market Dynamics



## **Unstable individual market**

- Many carriers exited market
- Limited supply in many areas



## **Spiking premiums**

- Affordability issues
- Decreased enrollment
- Increased churn



**Online brokers were severely handicapped** by challenges with the FFM Connection



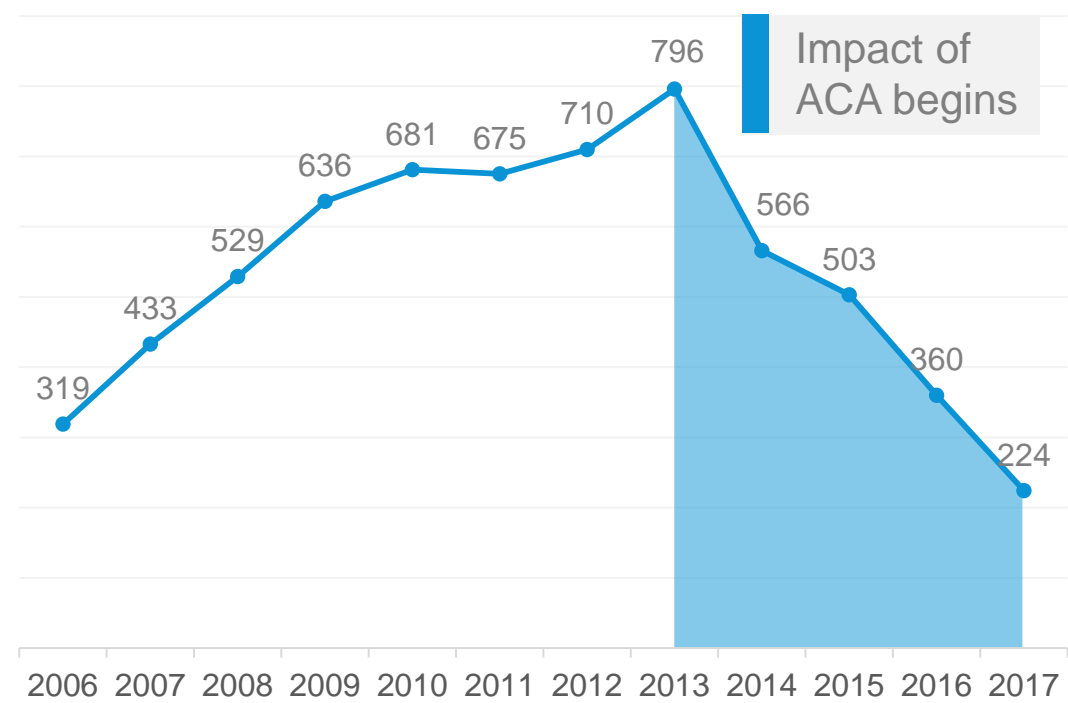
Market participants await **much needed legislative changes**

# Recent Developments

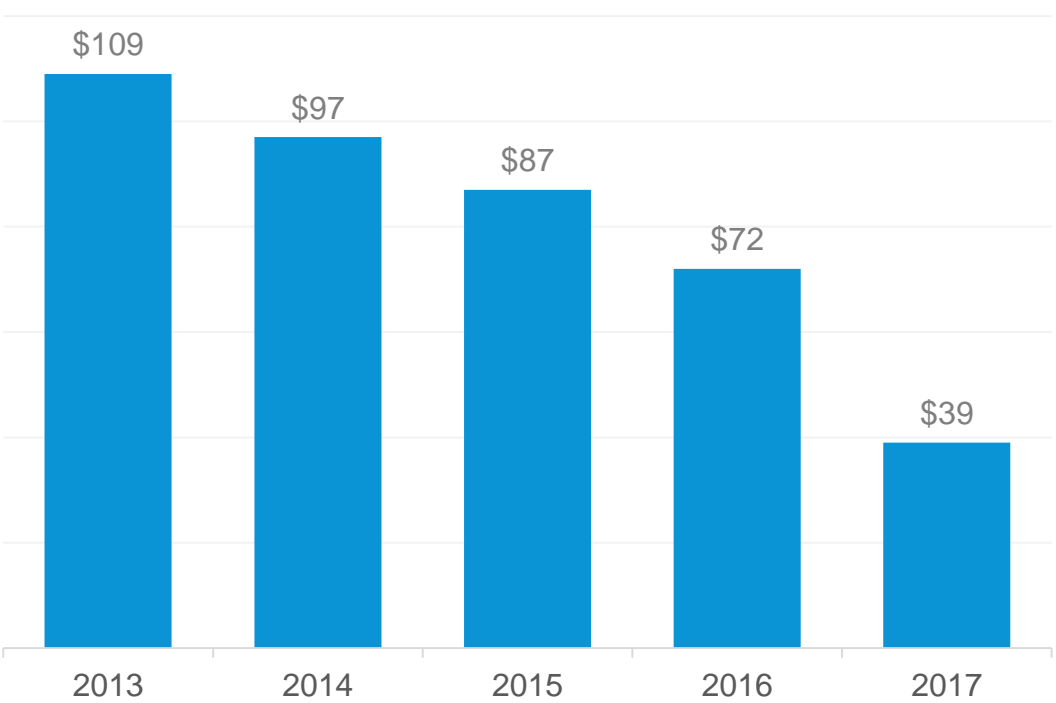
- Elimination of “double-redirect” for 2017/2018 OEP
- 90% reduction in FFM advertising budget
- Elimination of individual mandate and penalty in 2019
- Anticipated removal of duration restrictions on short-term plans
- Expect increased supply/demand for non-ACA plans

# IFP Business Highlights

IFP Estimated Membership Trend (000's)



IFP Commission Revenue Trend<sup>(1)</sup> (\$mm)



(1) Historical revenue numbers as reported, not adjusted for ASC 606 adopted in 2018.



# IFP Business Strategies

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**Drive profit and cash flow**

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**Pursue emerging  
non-ACA products market**

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**Active Government Affairs effort**

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Multiple operating levers  
to maintain IFP business  
profitability

“Option” on potential  
rebound in the IFP market

eHealth in strong position  
to capture non-ACA  
opportunity



# Small Business

Growth Opportunity  
in Micro Group



**\$4B+**  
commission



**19M**  
individuals

# Small Business Opportunity



**Micro Group (under 20 employees)  
market is vastly underserved**



**Difficult for brokers to make money due  
to inefficient processes that are labor  
and paper intensive**



**Business owners looking for better  
service, more convenience**



**Market is ripe for technology-driven innovation  
to drive cost-effective demand generation  
and service delivery.**

# 38%

Small businesses  
dissatisfied with the service  
their broker provides<sup>(1)</sup>

# 63%

Wish their broker could  
help choose the right plan  
for their budget <sup>(1)</sup>

# eHealth Small Business Market Traction

## 2017 Progress



Enhanced technology  
platform



Signed new  
partnerships



Built dedicated  
SB team



Doubled number of  
approved groups

**Estimated  
Membership of  
35,000 Individuals  
on SB plans**



# eHealth Small Business Strategies

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## **Demand Generation Priorities**

Expand strength of SEO and content assets  
Leverage IFP marketing channels  
New strategic partnerships to acquire micro groups



## **Technology Platform Enhancements**

Enhance online consumer experience  
Scale unassisted online enrollments



# Financial Overview

# Financial Highlights

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## **Rapidly growing Medicare revenue**

- Commission Revenue: grew at 36% 4-year CAGR
- Financial Goals: 20%+ annual CAGR between 2017-2021



## **Individual business remains profitable & cash flow positive**

- Standalone IFP business continues to generate positive cash flow and earnings despite declining member base<sup>(1)</sup>
- Potential for more cost savings if no market improvement



## **Significant GAAP profitability & operating leverage**

- Business model: Strong underlying profitability
- Planned growth: Minimal increase in fixed costs to achieve
- Variable costs: Planned to grow slower than revenues

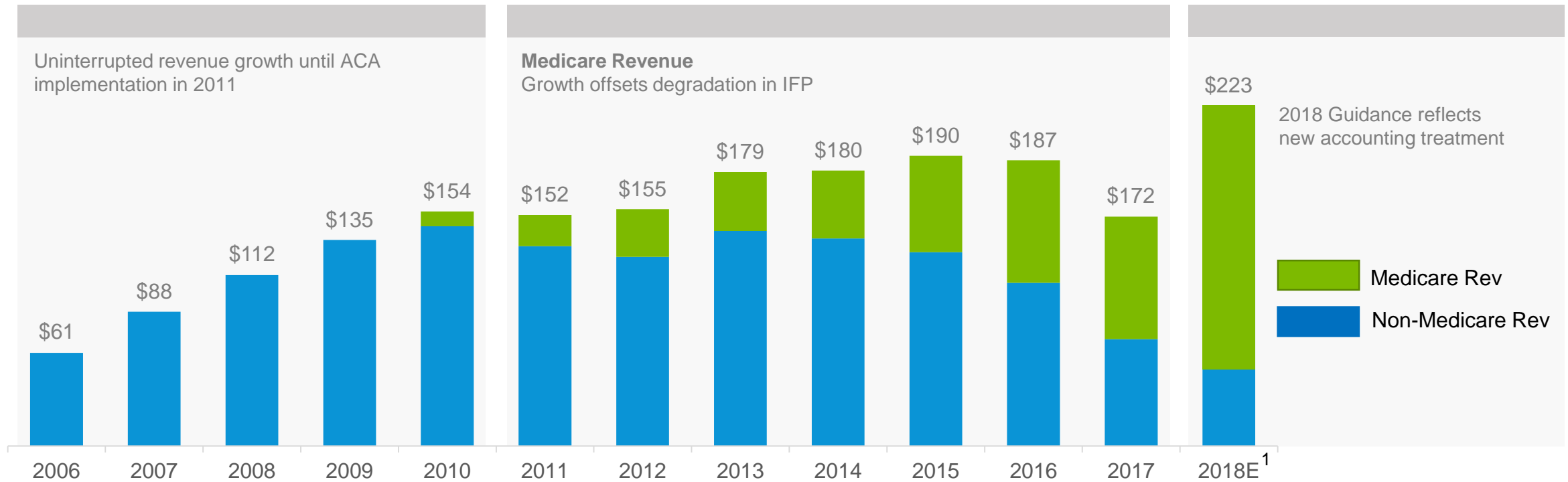


## **Strong balance sheet**

- Receivable of \$267 million reflects future cash flow from our existing book of business
- Cash on-hand of approximately \$31 million, no debt

# Revenue Performance

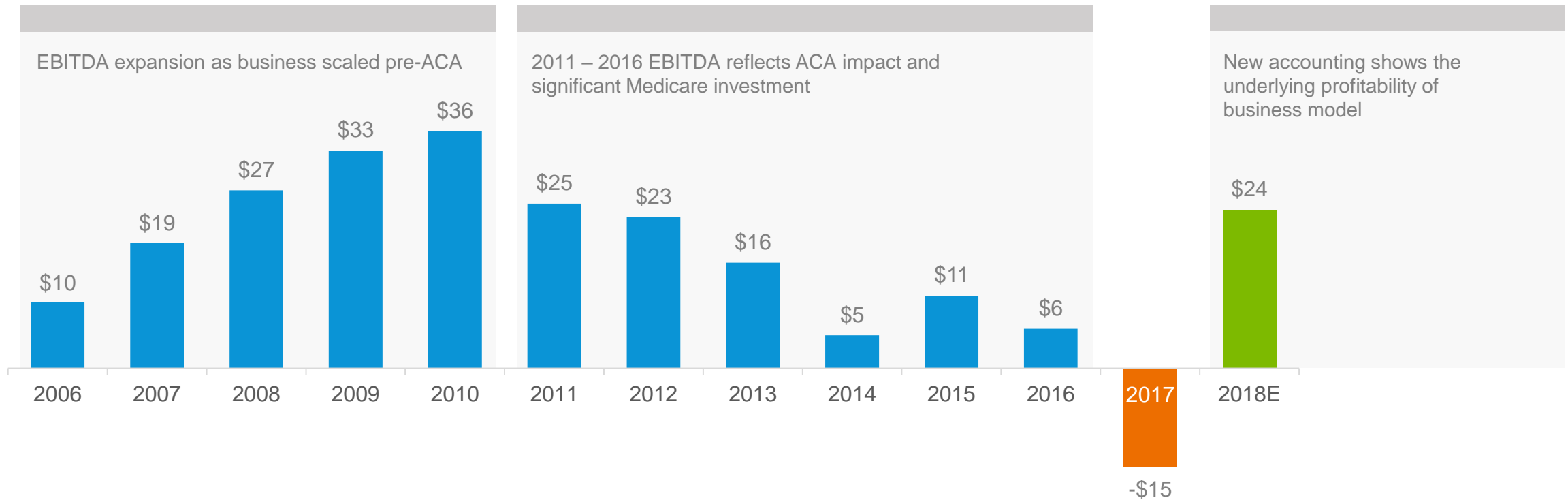
Pattern of revenue growth interrupted by ACA-related factors in 2011 and 2016 (\$mm)



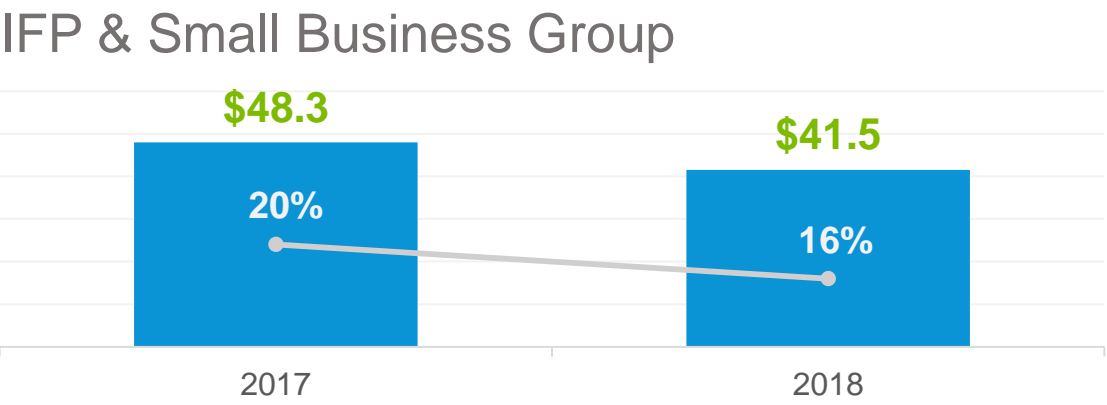
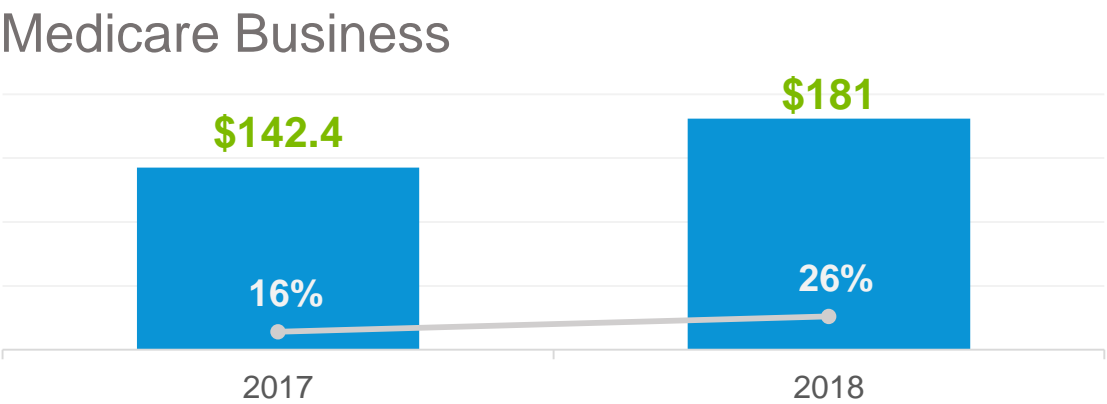
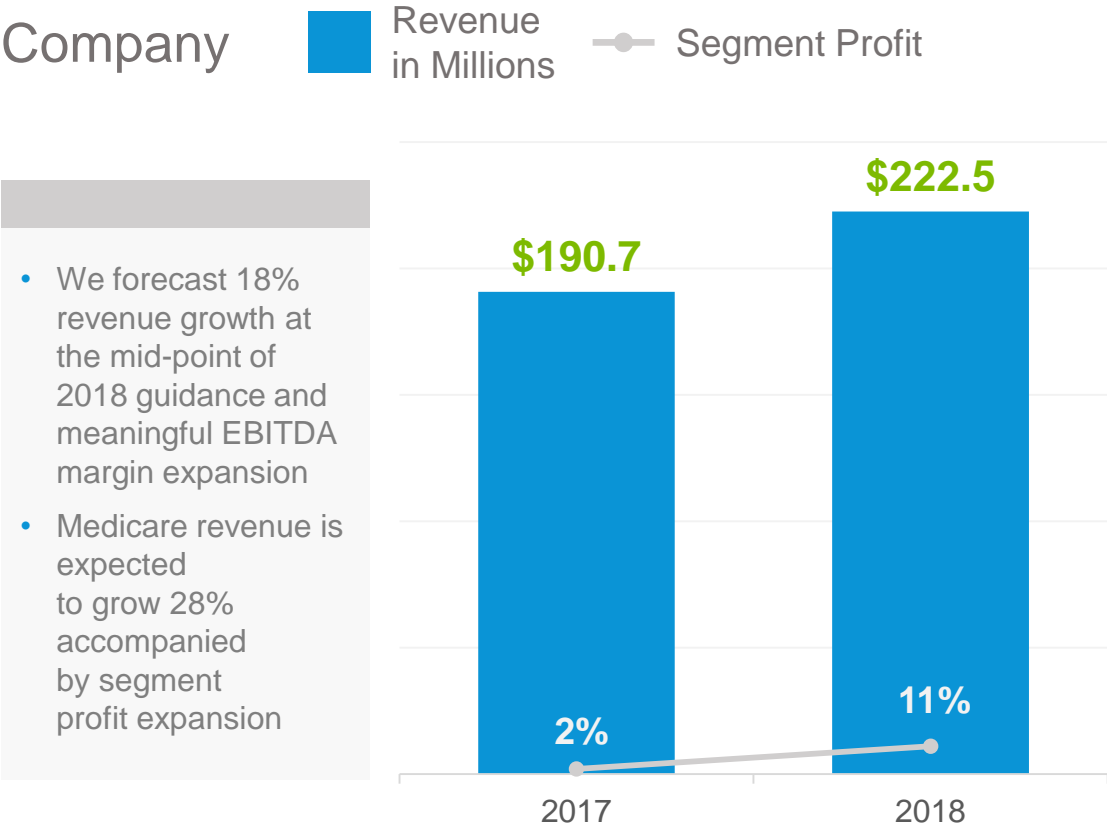


# EBITDA Performance

Historical EBITDA performance – ACA & Medicare investment weigh on profits (\$mm)



# Current Year Performance and Projections



# Our Financial Goals:

**High Teens %  
4-year Revenue  
CAGR (2017 – 2021)**

**30% EBITDA  
Margin in 2021**



## Medicare

Continue growth  
and margin  
enhancement



## Small Business

Pursue greenfield  
opportunity



## Individuals & Families

Manage for profit and  
pursue non-ACA  
market



## Tuck in Acquisitions

Support  
organic growth

# Strong Growth Prospects at Attractive Margins

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**#1 private online health insurance marketplace**

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**Solving critical problem in large, growing market**

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**Well positioned in massive industry shift to online**

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**Longstanding relationships, deep technology integration with carriers**

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**Targeting 4-year revenue CAGR of high teens % (2017 – 2021)  
EBITDA margin of 30% in 2021**

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eHealth<sup>®</sup>

Thank You







# Appendix

# Strong Balance Sheet

As of June 30, 2018		(\$ in Thousands)
Cash, cash equivalents & marketable securities		\$30,774
Commissions receivable		\$267,396
Other assets		\$73,537
Total assets		\$371,707
Debt		\$0
Total liabilities		\$91,455
Stockholders' equity		\$280,252
Total liabilities and stockholders' equity		\$371,707

# Reconciliation of Historical non-GAAP Financial Measures (As Reported)

EBITDA Reconciliation	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net income	\$ 16,477	\$ 31,595	\$ 14,168	\$ 15,347	\$ 17,482	\$ 6,724	\$ 7,082	\$ 1,723	\$ (16,205)	\$ (4,763)	\$ (4,882)	\$ (25,412)
Stock-based compensation expense	454	1,506	3,494	4,835	6,395	7,096	5,622	7,802	5,877	6,889	7,266	9,694
Depreciation and amortization	1,526	1,709	1,863	2,211	2,209	2,358	2,411	3,266	4,192	4,148	3,539	2,837
Acquisition costs	-	-	-	-	-	-	-	-	-	-	-	621
Restructuring charge (benefit)	-	-	-	-	-	-	-	-	-	4,541	(297)	-
Amortization and impairment of acquired intangible assets	-	-	-	-	1,138	2,046	1,615	1,414	1,529	1,153	1,040	1,040
Other (income) expense, net	(1,326)	(5,287)	(3,714)	(938)	(9)	53	(23)	92	98	(45)	(102)	(327)
Provision (benefit) for income taxes	(7,161)	(10,292)	10,806	11,431	15,086	6,460	6,370	1,917	9,345	(843)	(871)	(3,755)
EBITDA	\$ 9,970	\$ 19,231	\$ 26,617	\$ 32,886	\$ 42,301	\$ 24,737	\$ 23,077	\$ 16,214	\$ 4,836	\$ 11,080	\$ 5,693	\$ (15,302)

Adjusted EBITDA Reconciliation	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net income	\$ 16,477	\$ 31,595	\$ 14,168	\$ 15,347	\$ 17,482	\$ 6,724	\$ 7,082	\$ 1,723	\$ (16,205)	\$ (4,763)	\$ (4,882)	\$ (25,412)
Income impact of one-time revenue item					\$ (3,555)							
Stock-based compensation expense	454	1,506	3,494	4,835	6,395	7,096	5,622	7,802	5,877	6,889	7,266	9,694
Depreciation and amortization	1,526	1,709	1,863	2,211	2,209	2,358	2,411	3,266	4,192	4,148	3,539	2,837
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Adjusted Provision Tax					(2,445)							
EBITDA	\$ 9,970	\$ 19,231	\$ 26,617	\$ 32,886	\$ 36,301	\$ 24,737	\$ 23,077	\$ 16,214	\$ 4,836	\$ 11,080	\$ 5,693	\$ (15,302)

Adjusted Revenue Reconciliation	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
GAAP Revenue	\$ 61,310	\$ 87,791	\$111,711	\$134,890	\$160,404	\$151,648	\$155,473	\$179,180	\$179,677	\$189,541	\$186,960	\$172,355
One-time revenue item					\$ 6,000							
Adjusted Revenue	\$ 61,310	\$ 87,791	\$111,711	\$134,890	\$154,404	\$151,648	\$155,473	\$179,180	\$179,677	\$189,541	\$186,960	\$172,355



# Reconciliation of Historical non-GAAP Financial Measures (As Adjusted for ASC 606)

EBITDA Reconciliation	2015	2016	2017
Net income	\$ 3,964	\$ 304	\$ 25,426
Stock-based compensation expense	6,889	7,266	9,694
Depreciation and amortization	4,148	3,539	2,837
Acquisition costs	-	-	621
Restructuring charge (benefit)	4,541	(297)	-
Amortization and impairment of acquired intangible assets	1,153	1,040	1,040
Other (income) expense, net	(1,285)	(1,149)	(1,182)
Provision (benefit) for income taxes	7,707	3,668	(33,696)
EBITDA	\$ 27,117	\$ 14,371	\$ 4,740

Adjusted EBITDA Reconciliation	2015	2016	2017
Net income	\$ 3,964	\$ 304	\$ 25,426
Income impact of one-time revenue item			
Stock-based compensation expense	6,889	7,266	9,694
Depreciation and amortization	4,148	3,539	2,837
Acquisition costs	-	-	621
Restructuring charge (benefit)	4,541	(297)	-
Amortization and impairment of acquired intangible assets	1,153	1,040	1,040
Other (income) expense, net	(1,285)	(1,149)	(1,182)
Provision (benefit) for income taxes	7,707	3,668	(33,696)
Adjusted Provision Tax			
EBITDA	\$ 27,117	\$ 14,371	\$ 4,740

# Reconciliation of Forward-Looking non-GAAP Financial Measures \$M

	Year Ending December 31, 2018
<b>Adjusted EBITDA:</b>	
GAAP net income	\$1.6 - \$6.6
Stock-based compensation expense	11.9
Depreciation and amortization	3.2
Amortization of intangible assets	2.1
Restructuring charges	2.1
Acquisition charges	0.1
Other income (expense), net	(0.7)
Provision for income taxes	1.6
Adjusted EBITDA <sup>(1)</sup>	<u>\$21.9 - \$26.9</u>