



eHealth, Inc. Announces Second Quarter 2019 Results

July 25, 2019

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Second Quarter 2019 Overview

- Revenue for the second quarter of 2019 was \$65.8 million, a 101% increase compared to \$32.7 million for the second quarter of 2018.
- GAAP net loss for the second quarter of 2019 was \$5.8 million compared to net loss of \$12.0 million for the second quarter of 2018.
- Adjusted EBITDA was \$0.8 million for the second quarter of 2019 compared to \$(10.1) million for the second quarter of 2018.
- Net cash used in operating activities for the second quarter of 2019 was \$11.5 million compared to \$0.3 million for the second quarter of 2018.

eHealth, Inc. (NASDAQ: EHTH), a leading private online health insurance exchange, announced today its financial results for the second quarter ended June 30, 2019.

Scott Flanders, chief executive officer of eHealth stated, "We delivered another strong quarter once again exceeding our expectations and building momentum in our Medicare business that has continued to scale rapidly accompanied by EBITDA margin expansion. Approved Medicare members grew 78% year-over-year, driving a 105% increase in Medicare revenue year-over-year and a significant increase in Medicare segment profit. Based on our performance to-date, access to expanded telesales capacity and continued progress in gaining greater effectiveness across our operations, we are increasing our 2019 revenue and Adjusted EBITDA guidance for the second time this year."

GAAP—Second Quarter of 2019 Results

Revenue—Revenue for the second quarter of 2019 totaled \$65.8 million, a 101% increase compared to \$32.7 million for the second quarter of 2018. Commission revenue for the second quarter of 2019 totaled \$60.6 million, a 98% increase compared to \$30.6 million for the second quarter of 2018. Other revenue for the second quarter of 2019 was \$5.2 million, a 157% increase compared to \$2.0 million for the second quarter of 2018.

Revenue from our Medicare segment was \$52.3 million for the second quarter of 2019, a 105% increase compared to \$25.5 million for the second quarter of 2018. Revenue from our Individual, Family and Small Business segment was \$13.5 million for the second quarter of 2019, an 88% increase compared to \$7.2 million for the second quarter of 2018.

Loss from Operations—Loss from operations for the second quarter of 2019 was \$12.3 million compared to loss from operations of \$16.9 million for the second quarter of 2018. Operating margin was (18.7)% for the second quarter of 2019 compared to (51.8)% for the second quarter of 2018.

Pre-tax Loss—Pre-tax loss for the second quarter of 2019 was \$11.6 million compared to pre-tax loss of \$16.6 million for the second quarter of 2018.

Benefit from Income Taxes—Benefit from income taxes for the second quarter of 2019 was \$5.9 million compared to benefit from income taxes of \$4.6 million for the second quarter of 2018.

Net Loss—Net loss for the second quarter of 2019 was \$5.8 million, or \$0.25 net loss per diluted share, compared to net loss of \$12.0 million, or \$0.63 net loss per diluted share, for the second quarter of 2018. Net loss for the second quarter of 2019 included a non-cash charge of \$7.2 million related to an increase in fair value of the earnout liability assumed in connection with eHealth's acquisition of GoMedigap. The increase was driven primarily by eHealth's share price appreciation. The share price appreciation has increased the value of the equity-based portion of the earnout consideration owed to the former holders of GoMedigap equity interests.

Segment Profit (Loss)—Profit from our Medicare segment was \$6.1 million for the second quarter of 2019, compared to a loss of \$1.5 million for the second quarter of 2018. Profit from our Individual, Family and Small Business segment was \$5.3 million for the second quarter of 2019, compared to a loss of \$0.6 million for the second quarter of 2018.

Non-GAAP—Second Quarter of 2019 Results

Non-GAAP Operating Income (Loss) & Non-GAAP Net Income (Loss)—Non-GAAP operating income for the second quarter of 2019 was \$0.1 million compared to non-GAAP operating loss of \$10.7 million for the second quarter of 2018. Non-GAAP operating margin was 0.2% for the second quarter of 2019, compared to (32.8)% for the second quarter of 2018. Non-GAAP net income for the second quarter of 2019 was \$2.3 million, or \$0.10 non-GAAP net income per diluted share, compared to non-GAAP net loss of \$7.5 million, or \$0.40 non-GAAP net loss per diluted share, for the second quarter of 2018.

Non-GAAP operating income and non-GAAP operating margin for the second quarter of 2019 are calculated by excluding \$4.7 million of stock-based compensation expense, \$7.2 million of expense for the change in fair value of earnout liability related to our acquisition of GoMedigap, and \$0.5 million of amortization of intangible assets from GAAP net operating loss and GAAP operating margin. Non-GAAP net income and non-GAAP net income per diluted share for the second quarter of 2019 are calculated by excluding \$4.7 million of stock-based compensation expense, \$7.2 million of expense for the change in fair value of earnout liability related to our acquisition of GoMedigap, \$0.5 million of amortization of intangible assets and \$4.4 million of the income tax effect of these non-GAAP adjustments from GAAP net loss and GAAP net loss per diluted share. Non-GAAP operating loss and non-GAAP operating margin for the second quarter of 2018 are calculated by excluding \$3.1 million of stock-based compensation expense, \$2.5

million expense for change in fair value of earnout liability related to our acquisition of GoMedigap, and \$0.5 million of amortization of intangible assets from GAAP net operating loss and GAAP operating margin. Non-GAAP net loss and non-GAAP net loss per diluted share for the second quarter of 2018 are calculated by excluding \$3.1 million of stock-based compensation expense, \$2.5 million expense for change in fair value of earnout liability related to our acquisition of GoMedigap, \$0.5 million of amortization of intangible assets, and \$1.7 million of the income tax effect of these non-GAAP adjustments from GAAP net loss and GAAP net loss per diluted share.

Adjusted EBITDA—Adjusted EBITDA was \$0.8 million for the second quarter of 2019 compared to \$(10.1) million for the second quarter of 2018. Adjusted EBITDA is calculated by adding stock-based compensation, change in fair value of earnout liability related to our acquisition of GoMedigap, depreciation and amortization expense, acquisition costs, restructuring charges, amortization of intangible assets, other income, net and benefit from income taxes to GAAP net loss.

Submitted Applications, Approved Members and Estimated Membership

Submitted Applications—The number of submitted applications for all Medicare products, which includes Medicare Advantage, Medicare Supplement and Medicare Part D Prescription Drug Plans, was 56,488 in the second quarter of 2019, a 67% increase compared to 33,756 in the second quarter of 2018. The percentage of applications for Medicare Advantage and Medicare Supplement products submitted online through our platform increased from 9% for the second quarter of 2018 to 11% for the second quarter of 2019. The number of submitted applications for major medical Individual and Family plan products increased by 82% in the second quarter of 2019 to 4,271 compared to 2,346 in the second quarter of 2018.

Approved Members—The number of approved members for all Medicare products, which includes Medicare Advantage, Medicare Supplement and Medicare Part D Prescription Drug Plans, was 52,569 in the second quarter of 2019, a 78% increase compared to 29,502 in the second quarter of 2018. The number of approved members for major medical individual and family plan products increased by 15% in the second quarter of 2019 to 2,854 compared to 2,489 in the second quarter of 2018.

Estimated Membership—Total estimated membership as of June 30, 2019 was 967,697, a 10% increase compared to the 877,716 estimated members we reported as of June 30, 2018. Estimated Medicare membership as of June 30, 2019 was 521,262, a 32% increase compared to the 393,937 estimated members we reported as of June 30, 2018. Estimated major medical individual and family plan membership as of June 30, 2019 was 133,543, a 21% decrease compared to the 168,278 estimated members we reported as of June 30, 2018.

Cash—Second Quarter of 2019

Cash Flows—Net cash used in operating activities was \$11.5 million for the second quarter of 2019 compared to net cash used in operating activities of \$0.3 million for the second quarter of 2018.

GAAP—Year-to-Date Results

Revenue—Revenue for the six months ended June 30, 2019 totaled \$134.5 million, a 78% increase compared to \$75.7 million for the six months ended June 30, 2018. Commission revenue for the six months ended June 30, 2019 totaled \$124.8 million, a 75% increase compared to \$71.4 million for the six months ended June 30, 2018. Other revenue for the second quarter of 2019 was \$9.7 million, a 122% increase compared to \$4.4 million for the six months ended June 30, 2018.

Revenue from our Medicare segment was \$107.2 million for the six months ended June 30, 2019, a 91% increase compared to \$56.2 million for the six months ended June 30, 2018. Revenue from our Individual, Family and Small Business segment was \$27.4 million for the six months ended June 30, 2019, a 40% increase compared to \$19.5 million for the six months ended June 30, 2018.

Loss from Operations—Loss from operations for the six months ended June 30, 2019 was \$21.5 million compared to loss from operations of \$23.6 million for the six months ended June 30, 2018. Operating margin was (16.0)% for the second quarter of 2019 compared to (31.2)% for the six months ended June 30, 2018.

Pre-tax Loss—Pre-tax loss for the six months ended June 30, 2019 was \$20.2 million compared to pre-tax loss of \$23.2 million for the six months ended June 30, 2018.

Benefit from Income Taxes—Benefit from income taxes for the six months ended June 30, 2019 was \$9.3 million compared to benefit from income taxes of \$6.3 million for the six months ended June 30, 2018.

Net Loss—Net loss for the six months ended June 30, 2019 was \$10.9 million, or \$0.48 net loss per diluted share, compared to net loss of \$16.9 million, or \$0.89 net loss per diluted share, for the six months ended June 30, 2018. Net loss for the six months ended June 30, 2019 included a non-cash charge of \$20.5 million related to an increase in fair value of the earnout liability assumed in connection with eHealth's acquisition of GoMedigap. The increase was driven primarily by eHealth's share price appreciation. The share price appreciation has increased the value of the equity-based portion of the earnout consideration owed to the former holders of GoMedigap equity interests.

Segment Profit—Profit from our Medicare segment was \$16.9 million for the six months ended June 30, 2019, an 891% increase compared to profit of \$1.7 million for the six months ended June 30, 2018. Profit from our Individual, Family and Small Business segment was \$11.3 million for the six months ended June 30, 2019, a 293% increase compared to profit of \$2.9 million for the six months ended June 30, 2018.

Non-GAAP—Year-to-Date Results

Non-GAAP Operating Income (Loss) & Non-GAAP Net Income (Loss)—Non-GAAP operating income for the six months ended June 30, 2019 was \$8.0 million compared to non-GAAP operating loss of \$12.5 million for the six months ended June 30, 2018. Non-GAAP operating margin was 6.0% for the six months ended June 30, 2019, compared to (16.5)% for the six months ended June 30, 2018. Non-GAAP net income for the six months ended June 30, 2019 was \$9.5 million, or \$0.42 non-GAAP net income per diluted share, compared to non-GAAP net loss of \$8.9 million, or \$0.47 non-GAAP net loss per diluted share, for the six months ended June 30, 2018.

Non-GAAP operating income and non-GAAP operating margin for the six months ended June 30, 2019 are calculated by excluding \$7.9 million of stock-based compensation expense, \$20.5 million of expense for the change in fair value of earnout liability related to our acquisition of GoMedigap,

and \$1.1 million of amortization of intangible assets from GAAP operating income and GAAP operating margin. Non-GAAP net income and non-GAAP net income per diluted share for the six months ended June 30, 2019 are calculated by excluding \$7.9 million of stock-based compensation expense, \$20.5 million of expense for the change in fair value of earnout liability related to our acquisition of GoMedigap, \$1.1 million of amortization of intangible assets and \$9.1 million of the income tax effect of these non-GAAP adjustments from GAAP net loss and GAAP net loss per share. Non-GAAP operating loss and non-GAAP operating margin for the six months ended June 30, 2018 are calculated by excluding \$5.7 million of stock-based compensation expense, \$2.5 million change in fair value of earnout liability, \$1.9 million of restructuring charges, \$1.0 million of amortization of intangible assets and \$0.1 million of acquisition costs related to our acquisition of GoMedigap from GAAP net operating loss and GAAP operating margin. Non-GAAP net loss and non-GAAP net loss per diluted share for the six months ended June 30, 2018 are calculated by excluding \$5.7 million of stock-based compensation expense, \$2.5 million change in fair value of earnout liability, \$1.9 million of restructuring charges, \$1.0 million of amortization of intangible assets, \$0.1 million of acquisition costs related to our acquisition of GoMedigap, and \$3.1 million of the income tax effect of these non-GAAP adjustments from GAAP net loss and GAAP net loss per diluted share.

Adjusted EBITDA—Adjusted EBITDA was \$9.4 million for the six months ended June 30, 2019 compared to \$(11.3) million for the six months ended June 30, 2018. Adjusted EBITDA is calculated by adding stock-based compensation, change in fair value of earnout liability related to our acquisition of GoMedigap, depreciation and amortization expense, acquisition costs, restructuring charges, amortization of intangible assets, other income, net and benefit from income taxes to GAAP net loss.

Submitted Applications and Approved Members

Submitted Applications—The number of submitted applications for all Medicare products, which includes Medicare Advantage, Medicare Supplement and Medicare Part D Prescription Drug Plans was 120,334 applications in the six months ended June 30, 2019, a 75% increase compared to 68,785 in the six months ended June 30, 2018. The percentage of applications for Medicare Advantage and Medicare Supplement products submitted online through our platform increased from 8% for the six months ended June 30, 2018 to 12% for the six months ended June 30, 2019. The number of submitted applications for major medical individual and family plan products decreased by 16% in the six months ended June 30, 2019 to 7,498 compared to 8,916 in the six months ended June 30, 2018.

Approved Members—The number of approved members for all Medicare products, which includes Medicare Advantage, Medicare Supplement and Medicare Part D Prescription Drug Plans, was 110,468 in the six months ended June 30, 2019, a 73% increase compared to 63,840 in the six months ended June 30, 2018. The number of approved members for major medical individual and family plan products decreased by 45% in the second quarter of 2019 to 14,452 compared to 26,388 in the six months ended June 30, 2018.

Cash—Year-to-Date Results

Cash Flows—Net cash provided by operating activities was \$1.2 million for the six months ended June 30, 2019 compared to net cash provided by operating activities of \$10.4 million for the six months ended June 30, 2018.

2019 Guidance

eHealth is revising its guidance for the full year ending December 31, 2019 based on information available as of July 25, 2019. These expectations are forward-looking statements and eHealth assumes no obligation to update these statements. Actual results may be materially different and are affected by the risk factors and uncertainties identified in this press release and in eHealth's annual and quarterly filings with the Securities and Exchange Commission.

The following guidance is for the full year ending December 31, 2019:

- Total revenue is expected to be in the range of \$365 million to \$385 million, compared with previous guidance of \$315 million to \$335 million. Revenue from the Medicare segment is expected to be in the range of \$318 million to \$333 million, compared with previous guidance of \$281 million to \$297 million. Revenue from the Individual, Family and Small Business segment is expected to be in the range of \$47 million to \$52 million, compared with previous guidance of \$34 million to \$38 million.
- Assuming the impact of the non-cash charge related to an increase in fair value of the earnout liability in connection with eHealth's acquisition of GoMedigap remains at \$0.82 per diluted share, GAAP net income per diluted share for 2019 is expected to be in the range of \$0.62 to \$0.82 per share, compared with previous guidance of \$0.60 to \$0.79 per share.
- Non-GAAP net income per diluted share^(a) is expected to be in the range of \$1.77 to \$1.97 per share, compared with previous guidance of \$1.54 to \$1.73 per share.
- Assuming the impact of the non-cash charge related to an increase in fair value of the earnout liability in connection with eHealth's acquisition of GoMedigap remains at \$20.5 million, we expect GAAP net income for 2019 to be in the range of \$15.5 million to \$20.5 million, compared with previous guidance of \$15.0 million to \$20.0 million.
- Adjusted EBITDA^(b) is expected to be in the range of \$65 million to \$70 million, compared with previous guidance of \$55 million to \$60 million.
- 2019 Medicare segment profit^(c) is expected to be in the range of \$96 million to \$99 million, compared with previous guidance of \$90 million to \$94 million, and Individual, Family and Small Business segment profit is expected to be in the range of \$10 million to \$12 million, compared with previous guidance of breakeven to \$1 million.
- Corporate^(d) shared service expenses, excluding stock-based compensation and depreciation and amortization expense, is expected to be approximately \$41 million, compared with previous guidance of \$35 million.
- Cash used in operations is expected to be in the range of \$50 million to \$55 million, compared with previous guidance of \$20 million to \$25 million, and cash used for capital expenditures is expected to be \$15 million to \$17 million, compared with previous guidance of \$13 million to \$14 million.

(a) Non-GAAP net income per diluted share is calculated by adding stock-based compensation expense per diluted share, change in fair value of earnout liability per diluted share, intangible asset amortization expense per diluted share and the income tax effect of these non-GAAP adjustments to GAAP net income per diluted share.

(b) Adjusted EBITDA is calculated by adding stock-based compensation, change in fair value of earnout liability, depreciation and amortization expense, amortization of intangible assets, other income, net and provision for income taxes to GAAP net income.

(c) Segment profit is calculated as revenue for the applicable segment less Marketing and Advertising, Customer Care and Enrollment, Technology and Content and General and Administrative operating expenses, excluding stock-based compensation, change in fair value of earnout liability, depreciation and amortization expense and amortization of intangible assets, that are directly attributable to the applicable segment and other indirect Marketing and Advertising, Customer Care and Enrollment and Technology and Content operating expenses, excluding stock-based compensation, depreciation and amortization expense and amortization of intangible assets, allocated to the applicable segment based on usage.

(d) Corporate consists of other indirect General and Administrative operating expenses, excluding stock-based compensation and depreciation and amortization expense, which are managed in a corporate shared services environment and, since they are not the responsibility of segment operating management, are not allocated to the reportable segments.

Webcast and Conference Call Information

A Webcast and conference call will be held today, Thursday, July 25, 2019 at 5:00 p.m. Eastern / 2:00 p.m. Pacific Time. The Webcast will be available live on the Investor Relations section on eHealth's website at <http://ir.ehealthinsurance.com>. Individuals interested in listening to the conference call may do so by dialing (877) 930-8066 for domestic callers and (253) 336-8042 for international callers. The participant passcode is 6597788. A telephone replay will be available two hours following the conclusion of the call for a period of seven days and can be accessed by dialing (855) 859-2056 for domestic callers and (404) 537-3406 for international callers. The call ID for the replay is 6597788. The live and archived webcast of the call will also be available on eHealth's website at <http://www.ehealthinsurance.com> under the Investor Relations section.

About eHealth, Inc.

eHealth, Inc. (NASDAQ: EHTH) operates eHealth.com, a leading private online health insurance exchange where individuals, families and small businesses can compare health insurance products from leading insurers side by side and purchase and enroll in coverage online. eHealth offers thousands of individual, family and small business health plans underwritten by many of the nation's leading health insurance companies. eHealth (through its subsidiaries) is licensed to sell health insurance in all 50 states and the District of Columbia. eHealth also offers educational resources and powerful online and pharmacy-based tools to help Medicare beneficiaries navigate Medicare health insurance options, choose the right plan and enroll in select plans online through PlanPrescriber.com (www.PlanPrescriber.com), eHealthMedicare.com (www.eHealthMedicare.com), Medicare.com (www.Medicare.com) and GoMedigap.com (www.GoMedigap.com).

Forward-Looking Statements

This press release contains statements that are forward-looking statements as defined within the Private Securities Litigation Reform Act of 1995. These include statements regarding our expected growth in 2019, our ability to scale our Medicare business, our expanded telesales capacity, the effectiveness of our operations, our estimates regarding total membership, Medicare membership, Individual and Family plan membership and ancillary and small business membership, our estimates regarding constrained lifetime values of commissions per member and constraints on lifetime value by product category, and our revised guidance for the full year ending December 31, 2019, including our guidance for total revenue and revenue from our Medicare segment and our Individual, Family and Small Business segment, GAAP net income per diluted share and Non-GAAP net income per diluted share, GAAP net income, Adjusted EBITDA, profit from our Medicare segment and our Individual, Family and Small Business segment, Corporate shared service expense, cash used in operations and cash used for capital expenditures.

These forward-looking statements are inherently subject to various risks and uncertainties that could cause actual results to differ materially from the statements made. In particular, we are required by the revenue recognition standard to make numerous assumptions that are based on historical trends and our management's judgment. These assumptions may change over time and have a material impact on our revenue recognition, guidance, and results of operations. Please review the assumptions stated in this press release carefully.

The risks and uncertainties that could cause our results to differ materially from those expressed or implied by such forward-looking statements include our ability to retain existing members and enroll new members during the annual healthcare open enrollment period and Medicare annual enrollment period; the impact of the annual enrollment period on the purchase of individual and family health insurance and its timing on our recognition of revenue; changes in laws and regulations, including in connection with healthcare reform or with respect to the marketing and sale of Medicare plans; the success of our sale of short-term health insurance; our ability to comply with CMS guidance and the impact on conversion rates from federal exchange changes to enrollment; competition, including competition from government-run health insurance exchanges; the seasonality of our business and the fluctuation of our operating results; changes in consumer behaviors and their selection of individual and family health insurance products, including the selection of products for which we receive lower commissions; changes in product offerings among carriers on our ecommerce platform and the resulting impact on our commission revenue; carriers exiting the market of selling individual and family health insurance and the resulting impact on our supply and commission revenue; our ability to execute on our growth strategy in the Medicare and small business health insurance markets; exposure to security risks and our ability to safeguard the security and privacy of confidential data; the impact of increased health insurance costs on demand; our ability to timely receive and accurately predict the amount of commission payments from health insurance carriers; medical loss ratio requirements; our ability to accurately estimate membership and lifetime value of commissions; our relationships with health insurance carriers; customer concentration and consolidation of the health insurance industry; our success in marketing and selling health insurance plans and our unit cost of acquisition; our ability to hire, train and retain licensed health insurance agents and other employees; the need for health insurance carrier and regulatory approvals in connection with the marketing of Medicare-related insurance products; costs of acquiring new members; scalability of the Medicare business; consumer satisfaction of our service; changes in member conversion rates and our ability to attract and convert online visitors into paying members; changes in commission rates; our ability to sell qualified health insurance plans to subsidy-eligible individuals and to enroll subsidy-eligible individuals through government-run health insurance exchanges; our ability to maintain and enhance our brand identity; our

ability to derive desired benefits from investments in our business, including membership growth initiatives; reliance on marketing partners; the impact of our direct-to-consumer email, telephone and television marketing efforts; timing of receipt and accuracy of commission reports; payment practices of health insurance carriers; our ability to successfully make and integrate acquisitions; dependence on our operations in China; the restrictions in our debt obligations; compliance with insurance and other laws and regulations; and the performance, reliability and availability of our ecommerce platform and underlying network infrastructure. Other factors that could cause operating, financial and other results to differ are described in eHealth's most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K filed with the Securities and Exchange Commission and available on the investor relations page of eHealth's website at <http://www.ehealthinsurance.com> and on the Securities and Exchange Commission's website at www.sec.gov.

All forward-looking statements in this press release are based on information available to eHealth as of the date hereof, and eHealth does not assume any obligation to update the forward-looking statements provided to reflect events that occur or circumstances that exist after the date on which they were made, except as required by law.

Non-GAAP Financial Information

This press release includes financial measures that are not calculated in accordance with U.S. generally accepted accounting principles (GAAP). To supplement eHealth's condensed consolidated financial statements presented in accordance with GAAP, eHealth presents investors with certain non-GAAP financial measures, including non-GAAP operating income (loss); non-GAAP operating margins; non-GAAP net income (loss); non-GAAP net income (loss) per diluted share; and adjusted EBITDA.

- Non-GAAP operating income (loss) consists of GAAP operating income (loss) excluding the following items:
 - the effects of expensing stock-based compensation related to stock options and restricted stock units,
 - change in fair value of earnout liability,
 - acquisition costs,
 - restructuring charges, and
 - amortization of intangible assets.
- Non-GAAP operating margins are calculated by dividing non-GAAP operating income (loss) by GAAP total revenue.
- Non-GAAP net income (loss) consists of GAAP net income (loss) excluding the following items:
 - the effects of expensing stock-based compensation related to stock options and restricted stock units,
 - change in fair value of earnout liability,
 - acquisition costs,
 - restructuring charges,
 - amortization of intangible assets, and
 - the income tax impact of non-GAAP adjustments.
- Non-GAAP net income (loss) per diluted share consists of GAAP net income (loss) per diluted share excluding the following items:
 - the effects of expensing stock-based compensation related to stock options and restricted stock units per diluted share,
 - change in fair value of earnout liability per diluted share,
 - acquisition costs per diluted share,
 - restructuring charges per diluted share,
 - amortization of intangible assets per diluted share, and
 - the income tax impact of non-GAAP adjustments per diluted share.
- Adjusted EBITDA is calculated by adding stock-based compensation, change in fair value of earnout liability, depreciation and amortization expense, acquisition costs, restructuring charges, amortization of intangible assets, other income (expense), net and provision (benefit) for income taxes to GAAP net income (loss).

eHealth believes that the presentation of these non-GAAP financial measures provides important supplemental information to management and investors regarding financial and business trends relating to eHealth's financial condition and results of operations. Management believes that the use of these non-GAAP financial measures provides consistency and comparability with eHealth's past financial reports. Management also believes that the items described above provides an additional measure of eHealth's operating results and facilitates comparisons of eHealth's core operating performance against prior periods and business model objectives. This information is provided to investors in order to facilitate additional analyses of past, present and future operating performance and as a supplemental means to evaluate eHealth's ongoing operations. eHealth believes that these non-GAAP financial measures are useful to investors in their assessment of eHealth's operating performance.

Non-GAAP operating income (loss), non-GAAP operating margins, non-GAAP net income (loss), non-GAAP net income (loss) per diluted share and Adjusted EBITDA are not calculated in accordance with GAAP, and should be considered supplemental to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. Non-GAAP financial measures used in this press release have limitations in that they do not reflect all of the revenue and costs associated with the operations of eHealth's business and do not reflect income tax as determined in accordance with GAAP. As a result, you should not consider these measures in isolation or as a substitute for analysis of eHealth's results as reported under GAAP. eHealth expects to continue to incur the stock-based compensation costs and purchased intangible asset amortization costs described above, and exclusion of these costs, and their related income tax benefits, from non-GAAP financial measures should not be construed as an inference that these costs are unusual or infrequent. eHealth compensates for these limitations by prominently disclosing GAAP operating income (loss), GAAP operating margins, GAAP net income (loss) and GAAP net income (loss) per diluted share and providing investors with reconciliations from eHealth's GAAP operating results to the non-GAAP financial measures for the relevant periods.

The accompanying tables provide more details on the GAAP financial measures that are most directly comparable to the non-GAAP financial measures described above and the related reconciliations between these financial measures.

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EHEALTH, INC. CONDENSED CONSOLIDATED BALANCE SHEETS (In thousands, unaudited)

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 115,883	\$ 13,089
Accounts receivable	1,059	3,601
Commissions receivable—current	117,573	134,190
Prepaid expenses and other current assets	12,180	5,288
Total current assets	246,695	156,168
Commissions receivable—non-current	223,842	211,668
Property and equipment, net	9,708	7,684
Operating lease right-of-use assets	37,744	—
Other assets	14,116	11,276
Intangible assets, net	11,156	12,249
Goodwill	40,233	40,233
Total assets	<u>\$ 583,494</u>	<u>\$ 439,278</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 5,523	\$ 5,688
Accrued compensation and benefits	15,265	20,763
Accrued marketing expenses	3,671	11,013
Earnout liability—current	33,700	20,730
Lease liabilities—current	3,896	—
Other current liabilities	2,400	2,425
Total current liabilities	64,455	60,619
Debt	—	5,000
Earnout liability—non-current	—	19,270
Deferred income taxes—non-current	38,366	47,901
Lease liabilities—non-current	35,386	—
Other non-current liabilities	2,022	3,339
Stockholders' equity:		
Common stock	34	31
Additional paid-in capital	449,046	298,024
Treasury stock, at cost	(199,998)	(199,998)
Retained earnings	194,052	204,965
Accumulated other comprehensive income	131	127
Total stockholders' equity	443,265	303,149
Total liabilities and stockholders' equity	<u>\$ 583,494</u>	<u>\$ 439,278</u>

EHEALTH, INC. CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (In thousands, except per share amounts, unaudited)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenue				
Commission	\$ 60,606	\$ 30,646	\$ 124,833	\$ 71,353
Other	5,161	2,011	9,707	4,374
Total revenue	65,767	32,657	134,540	75,727
Operating costs and expenses:				
Cost of revenue	449	151	372	303
Marketing and advertising	23,104	14,606	47,045	29,608
Customer care and enrollment	21,479	13,219	41,423	26,458
Technology and content	10,437	7,287	19,454	15,628

General and administrative	14,862	11,240	26,140	21,931
Acquisition costs	—	18	—	76
Change in fair value of earnout liability	7,200	2,500	20,506	2,500
Restructuring charges	—	9	—	1,865
Amortization of intangible assets	547	547	1,094	998
Total operating costs and expenses	78,078	49,577	156,034	99,367
Loss from operations	(12,311)	(16,920)	(21,494)	(23,640)
Other income, net	699	296	1,256	480
Loss before benefit from income taxes	(11,612)	(16,624)	(20,238)	(23,160)
Benefit from income taxes	(5,858)	(4,610)	(9,325)	(6,301)
Net loss	<u>\$ (5,754)</u>	<u>\$ (12,014)</u>	<u>\$ (10,913)</u>	<u>\$ (16,859)</u>
Net loss per share:				
Basic and diluted	<u>\$ (0.25)</u>	<u>\$ (0.63)</u>	<u>\$ (0.48)</u>	<u>\$ (0.89)</u>

Weighted-average number of shares used in per share amounts:

Basic and diluted	<u>23,091</u>	<u>19,063</u>	<u>22,508</u>	<u>18,968</u>
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(1) Includes stock-based compensation as follows:

Marketing and advertising	\$ 711	\$ 553	\$ 1,340	\$ 923
Customer care and enrollment	285	206	558	371
Technology and content	668	383	1,217	726
General and administrative	3,014	1,989	4,792	3,661
Restructuring charges	—	—	—	251
Total stock-based compensation expense	<u>\$ 4,678</u>	<u>\$ 3,131</u>	<u>\$ 7,907</u>	<u>\$ 5,932</u>

EHEALTH, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Operating activities				
Net loss	\$ (5,754)	\$ (12,014)	\$ (10,913)	\$ (16,859)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:				
Deferred income taxes	(5,992)	(4,746)	(9,535)	(6,482)
Depreciation and amortization	733	631	1,388	1,250
Amortization of internally developed software	794	534	1,513	1,011
Amortization of intangible assets	547	547	1,094	998
Stock-based compensation expense	4,678	3,131	7,907	5,932
Change in fair value of earnout liability	7,200	2,500	20,506	2,500
Change in deferred rent	—	(65)	(1,272)	314
Other non-cash items	146	52	224	62
Changes in operating assets and liabilities:				
Accounts receivable	2,322	(178)	2,543	629
Commissions receivable	(13,205)	5,086	4,443	27,495
Prepaid expenses and other assets	(3,807)	673	(2,696)	(1,120)
Accounts payable	915	(635)	147	(1,202)
Accrued compensation and benefits	3,892	3,314	(5,498)	(3,598)
Accrued marketing expenses	(195)	(60)	(7,342)	(1,951)
Deferred revenue	(3,015)	665	(118)	376
Accrued expense and other liabilities	(783)	264	(1,166)	1,081
Net cash (used in) provided by operating activities	<u>(11,524)</u>	<u>(301)</u>	<u>1,225</u>	<u>10,436</u>
Investing activities				
Capitalized internal-use software and website development costs	(1,946)	(1,774)	(3,433)	(2,763)
Purchases of property and equipment and other assets	(2,277)	(905)	(3,786)	(1,122)
Payments for security deposits	(896)	—	(896)	—
Acquisition of business, net of cash acquired	—	—	—	(14,929)
Net cash used in investing activities	<u>(5,119)</u>	<u>(2,679)</u>	<u>(8,115)</u>	<u>(18,814)</u>
Financing activities				
Proceeds from issuance of common stock, net of issuance costs	—	—	126,051	—
Net proceeds from exercise of common stock options	888	559	3,255	668
Cash used to net-share settle equity awards	(2,172)	(1,456)	(3,452)	(1,742)
Repayment of debt	—	—	(5,000)	—
Acquisition-related contingent payments	—	—	(9,542)	—

Principal payments in connection with finance leases	(25)	(26)	(50)	(52)
Net cash (used in) provided by financing activities	(1,309)	(923)	111,262	(1,126)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(33)	(65)	29	(15)
Net (decrease) increase in cash, cash equivalents and restricted cash	(17,985)	(3,968)	104,401	(9,519)
Cash, cash equivalents and restricted cash at beginning of period	135,475	34,742	13,089	40,293
Cash, cash equivalents and restricted cash at end of period ⁽¹⁾	\$ 117,490	\$ 30,774	\$ 117,490	\$ 30,774

(1) The ending balance of cash, cash equivalents and restricted cash as of June 30, 2019 includes \$1.6 million of restricted cash, which is classified as part of Prepaid expenses and other current assets on the balance sheet as of June 30, 2019.

EHEALTH, INC.
SEGMENT INFORMATION
(In thousands, unaudited)

	Three Months Ended June 30,		Percent Change	Six Months Ended June 30,		Percent Change
	2019	2018		2019	2018	
Revenue						
Medicare ⁽¹⁾	\$ 52,267	\$ 25,468	105 %	\$ 107,168	\$ 56,231	91 %
Individual, Family and Small Business ⁽²⁾	13,500	7,189	88 %	27,372	19,496	40 %
Total revenue	<u>\$ 65,767</u>	<u>\$ 32,657</u>	101 %	<u>\$ 134,540</u>	<u>\$ 75,727</u>	78 %
Segment profit (loss)						
Medicare segment profit (loss) ⁽³⁾	\$ 6,095	\$ (1,473)	514 %	\$ 16,921	\$ 1,707	891 %
Individual, Family and Small Business segment profit (loss) ⁽³⁾	5,268	(617)	954 %	11,292	2,871	293 %
Total segment profit (loss)	11,363	(2,090)	644 %	28,213	4,578	516 %
Corporate ⁽⁴⁾	(10,516)	(7,994)	32 %	(18,812)	(15,848)	19 %
Stock-based compensation expense	(4,678)	(3,131)	49 %	(7,907)	(5,681)	39 %
Depreciation and amortization	(733)	(631)	16 %	(1,388)	(1,250)	11 %
Acquisition costs	—	(18)	(100) %	—	(76)	(100) %
Change in fair value of earnout liability	(7,200)	(2,500)	188 %	(20,506)	(2,500)	720 %
Restructuring charges	—	(9)	(100) %	—	(1,865)	(100) %
Amortization of intangible assets	(547)	(547)	— %	(1,094)	(998)	10 %
Other income, net	699	296	136 %	1,256	480	162 %
Loss before benefit from income taxes	<u>\$ (11,612)</u>	<u>\$ (16,624)</u>	(30) %	<u>\$ (20,238)</u>	<u>\$ (23,160)</u>	(13) %

Segment Information

We evaluate our business performance and manage our operations as two distinct reporting segments:

- Medicare; and
- Individual, Family and Small Business.

(1) The Medicare segment consists primarily of amounts earned from our sale of Medicare-related health insurance plans, including Medicare Advantage, Medicare Supplement and Medicare Part D prescription drug plans, and to a lesser extent, ancillary products sold to our Medicare-eligible customers, including but not limited to, dental and vision, our advertising program that allows Medicare-related carriers to purchase advertising on a separate website developed, hosted and maintained by us, and our delivery and sale to third parties of Medicare-related health insurance leads generated by our ecommerce platforms and our marketing activities.

(2) The Individual, Family and Small Business segment consists primarily of amounts earned from our sale of individual, family and small business health insurance plans and ancillary products sold to our non-Medicare-eligible customers, including but not limited to dental, vision, and short-term insurance. To a lesser extent, the Individual, Family and Small Business segment consists of amounts earned from our online sponsorship program that allows carriers to purchase advertising space in specific markets in a sponsorship area on our website, our licensing to third parties the use of our health insurance ecommerce technology, and our delivery and sale to third parties of individual and family health insurance leads generated by our ecommerce platforms and our marketing activities.

(3) Segment profit (loss) is calculated as revenue for the applicable segment less Marketing and Advertising, Customer Care and Enrollment, Technology and Content and General and Administrative operating expenses, excluding stock-based compensation, depreciation and amortization expense, acquisition costs, change in fair value of earnout liability, restructuring charges and amortization of intangible assets, that are directly attributable to the applicable segment and other indirect Marketing and Advertising, Customer Care and Enrollment and Technology and Content operating expenses, excluding stock-based compensation, depreciation and amortization expense and amortization of intangible assets, allocated to the applicable segment based on usage.

- (4) Corporate consists of other indirect General and Administrative operating expenses, excluding stock-based compensation, depreciation and amortization expense, which are managed in a corporate shared services environment and, because they are not the responsibility of segment operating management, are not allocated to the reportable segments.

EHEALTH, INC.
SUMMARY OF SELECTED METRICS
COMMISSION REVENUE BY PRODUCT
(In thousands, unaudited)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2019	2018	Percent Change	2019	2018	Percent Change
Medicare						
Medicare Advantage	\$ 36,607	\$ 17,738	106 %	\$ 76,450	\$ 39,673	93 %
Medicare Supplement	8,256	5,355	54 %	16,853	10,947	54 %
Medicare Part D	1,765	715	147 %	4,101	1,874	119 %
Total Medicare	46,628	23,808	96 %	97,404	52,494	86 %
Individual and Family ⁽¹⁾						
Non-Qualified Health Plans	5,817	1,069	444 %	8,446	2,510	236 %
Qualified Health Plans	553	1,675	(67) %	4,061	3,837	6 %
Total Individual and Family	6,370	2,744	132 %	12,507	6,347	97 %
Ancillaries						
Short-term	2,695	1,293	108 %	4,011	2,543	58 %
Dental	928	147	531 %	1,718	1,366	26 %
Vision	295	391	(25) %	757	731	4 %
Other	723	(118)	713 %	1,674	2,653	(37) %
Total Ancillaries	4,641	1,713	171 %	8,160	7,293	12 %
Small Business	1,998	1,772	13 %	4,638	4,131	12 %
Commission Bonus	969	609	59 %	2,124	1,088	95 %
Total Commission Revenue	\$ 60,606	\$ 30,646	98 %	\$ 124,833	\$ 71,353	75 %

- (1) We define our Individual and Family Plan offerings as major medical Individual and Family health insurance plans, which does not include Medicare-related, small business or ancillary plans. Individual and Family health insurance plans include both Qualified and Non-Qualified plans. Qualified health plans are Individual and Family health insurance plans that meet the requirements of the Affordable Care Act and are offered through the government-run health insurance exchange in the relevant jurisdiction. Non-Qualified health plans are Individual and Family health insurance plans that meet the requirements of the Affordable Care Act and are not offered through the exchange in the relevant jurisdiction. Individuals that purchase Non-Qualified health plans cannot receive a subsidy in connection with the purchase of those plans.

EHEALTH, INC.
SUMMARY OF SELECTED METRICS
SUBMITTED APPLICATIONS
(Unaudited)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2019	2018	Percent Change	2019	2018	Percent Change
Medicare ⁽¹⁾						
Medicare Advantage ⁽²⁾	38,449	23,149	66 %	82,940	47,945	73 %
Medicare Supplement ⁽²⁾	10,534	6,868	53 %	20,837	13,256	57 %
Medicare Part D	7,505	3,739	101 %	16,557	7,584	118 %
Total Medicare	56,488	33,756	67 %	120,334	68,785	75 %
Individual and Family ⁽³⁾						
Non-Qualified Health Plans	2,840	1,309	117 %	5,212	5,195	— %
Qualified Health Plans	1,431	1,037	38 %	2,286	3,721	(39) %
Total Individual and Family	4,271	2,346	82 %	7,498	8,916	(16) %

- Ancillaries ⁽⁴⁾

Short-term	12,856	25,779	(50) %	28,465	45,274	(37) %
Dental	9,200	9,324	(1) %	20,363	22,317	(9) %
Vision	4,060	4,209	(4) %	9,591	9,793	(2) %
Other	6,528	8,777	(26) %	12,741	22,118	(42) %
Total Ancillaries	<u>32,644</u>	<u>48,089</u>	(32) %	<u>71,160</u>	<u>99,502</u>	(28) %
Small Business ⁽⁵⁾	1,813	1,672	8 %	3,782	3,392	11 %
Total Submitted Applications	<u>95,216</u>	<u>85,863</u>	11 %	<u>202,774</u>	<u>180,595</u>	12 %

Submitted Applications

Applications are counted as submitted when the applicant completes the application and either clicks the submit button on our website or provides verbal authorization to submit the application. The applicant may have additional actions to take before the application will be reviewed by the insurance carrier, such as providing additional information. In addition, an applicant may submit more than one application.

- (1) Medicare-related health insurance applications submitted on our website or through our customer care center during the period, including Medicare Advantage, Medicare Supplement and Medicare Part D prescription drug plans.
- (2) The percentage of applications for Medicare Advantage and Medicare Supplement products submitted online through our platform increased from 9% for the three months ended June 30, 2018 to 11% for the three months ended June 30, 2019. The percentage of applications for Medicare Advantage and Medicare Supplement products submitted online through our platform increased from 8% for the six months ended June 30, 2018 to 12% for the six months ended June 30, 2019.
- (3) Major medical Individual and Family plan ("IFP") health insurance applications submitted on our website during the period. An applicant may submit more than one application. We define our IFP offerings as major medical Individual and Family health insurance plans, which does not include Medicare-related, Small Business or Ancillary plans.
- (4) Ancillaries consists primarily of Short-term, Dental and Vision insurance plans submitted on our website during the period.
- (5) Applications for Small Business health insurance applications are counted as submitted when the applicant completes the application, the employees complete their applications, the applicant submits the application to us and we submit the application to the carrier.

EHEALTH, INC. SUMMARY OF SELECTED METRICS APPROVED MEMBERS (Unaudited)

	<u>Three Months Ended June 30,</u>		<u>Percent Change</u>	<u>Six Months Ended June 30,</u>		<u>Percent Change</u>
	<u>2019</u>	<u>2018</u>		<u>2019</u>	<u>2018</u>	
Medicare						
Medicare Advantage	36,576	20,818	76 %	77,317	45,438	70 %
Medicare Supplement	8,769	5,267	66 %	17,400	10,683	63 %
Medicare Part D	<u>7,224</u>	<u>3,417</u>	111 %	<u>15,751</u>	<u>7,719</u>	104 %
Total Medicare	<u>52,569</u>	<u>29,502</u>	78 %	<u>110,468</u>	<u>63,840</u>	73 %
Individual and Family						
Non-Qualified Health Plans	1,934	1,275	52 %	8,005	10,488	(24) %
Qualified Health Plans	<u>920</u>	<u>1,214</u>	(24) %	<u>6,447</u>	<u>15,900</u>	(59) %
Total Individual and Family	<u>2,854</u>	<u>2,489</u>	15 %	<u>14,452</u>	<u>26,388</u>	(45) %
Ancillaries						
Short-term	14,129	25,964	(46) %	29,061	46,960	(38) %
Dental	9,478	9,302	2 %	22,534	23,464	(4) %
Vision	4,428	4,444	— %	10,843	11,039	(2) %
Other	<u>6,146</u>	<u>7,485</u>	(18) %	<u>11,358</u>	<u>16,731</u>	(32) %
Total Ancillaries	<u>34,181</u>	<u>47,195</u>	(28) %	<u>73,796</u>	<u>98,194</u>	(25) %
Small Business	3,245	3,464	(6) %	7,497	8,758	(14) %
Total Approved Members	<u>92,849</u>	<u>82,650</u>	12 %	<u>206,213</u>	<u>197,180</u>	5 %

Approved Members

Approved Members represents the number of individuals on submitted applications that were approved by the relevant insurance carrier for the identified product during the relevant period. Approved members may not pay for their plan and become paying members.

**SUMMARY OF SELECTED METRICS
ESTIMATED MEMBERSHIP
(Unaudited)**

	<u>As of June 30,</u>		Percent Change
	<u>2019</u>	<u>2018</u>	
Medicare ⁽¹⁾			
Medicare Advantage	291,171	226,048	29 %
Medicare Supplement	80,779	61,316	32 %
Medicare Part D	<u>149,312</u>	<u>106,573</u>	40 %
Total Medicare	521,262	393,937	32 %
Individual and Family ⁽²⁾	133,543	168,278	(21) %
Ancillaries ⁽³⁾			
Short-term	21,513	17,008	26 %
Dental	134,044	150,823	(11) %
Vision	74,157	75,696	(2) %
Other	<u>37,102</u>	<u>34,964</u>	6 %
Total Ancillaries	266,816	278,491	(4) %
Small Business ⁽⁴⁾	46,076	37,010	24 %
Total Estimated Membership	<u><u>967,697</u></u>	<u><u>877,716</u></u>	10 %

Estimated Membership

Estimated Membership represents the estimated number of members active as of the date indicated based on the number of members for whom we have received or applied a commission payment during the month of estimation.

- (1) For Medicare-related health insurance plans, we take the sum of (i) the number of members for whom we have received or applied a commission payment for a month that is up to two months prior to the date of estimation (after reducing that number using historical experience for assumed member cancellations over the period being estimated); and (ii) the number of approved members over that period (after reducing that number using historical experience for an assumed number of members who do not accept their approved policy from the same month of the previous year and for estimated member cancellations through the date of the estimate). To the extent we determine we have received substantially all of the commission payments related to a given month during the period being estimated, we will take the number of members for whom we have received or applied a commission payment during the month of estimation. The estimated number of members active on Medicare-related health insurance as of the date indicated is based on the number of members for whom we have received or applied a commission payment during the month of estimation.
- (2) To estimate the number of members on Individual and Family health insurance plans, we take the sum of (i) the number of IFP members for whom we have received or applied a commission payment for a month that is up to six months prior to the date of estimation (after reducing that number using historical experience for assumed member cancellations over the period being estimated); and (ii) the number of approved members over that period (after reducing that number by the percentage of members who do not accept their approved policy from the same month of the previous year for estimated member cancellations through the date of the estimate). To the extent we determine we have received substantially all of the commission payments related to a given month during the period being estimated, we will take the number of members for whom we have received or applied a commission payment during the month of estimation. For IFP health insurance plans, a member who purchases and is active on multiple standalone insurance plans will be counted as a member more than once. For example, a member who is active on both an Individual and Family health insurance plan and a standalone dental plan will be counted as two continuing members.

**EHEALTH, INC.
SUMMARY OF SELECTED METRICS
ESTIMATED MEMBERSHIP (Continued)
(Unaudited)**

- (3) For Ancillary health insurance plans (such as Short-term, Dental and Vision insurance), we take the sum of (i) the number of members for whom we have received or applied a commission payment for a month that is up to three months prior to the date of estimation (after reducing that number using historical experience for assumed member cancellations over the period being estimated); and (ii) the number of approved members over that period (after reducing that number using historical experience for an assumed number of members who do not accept their approved policy from the same month of the previous year and for estimated member cancellations through the date of the estimate). To the extent we determine we have received substantially all of the commission payments related to a given month during the period being estimated, we will take the number of members for whom we have received or applied a commission payment during the month of estimation. The one to three-month period varies by insurance product and is largely dependent upon the timeliness of commission payment and related reporting from the related carriers.
- (4) For Small Business health insurance plans, we estimate the number of members using the number of initial members at the time the group is approved, and we update this number for changes in membership if such changes are reported to us by the group or carrier in the period it is reported. However, groups generally notify the carrier directly of policy cancellations and increases or decreases in group size without informing us. Health insurance carriers often do not communicate policy cancellation information or group size changes to us. We often are made aware of policy cancellations and group size changes at the time of annual renewal and update our membership statistics accordingly in the period they are reported.

Health insurance carriers bill and collect insurance premiums paid by our members. The carriers do not report to us the number of members that we have as of a given date. The majority of our members who terminate their policies do so by discontinuing their premium payments to the carrier and do not inform us of the cancellation. Also, some of our members pay their premiums less frequently than monthly. Given the number of months required to observe non-payment of commissions in order to confirm cancellations, we estimate the number of members who are active on insurance policies as of a specified date.

After we have estimated membership for a period, we may receive information from health insurance carriers that would have impacted the estimate if we had received the information prior to the date of estimation. We may receive commission payments or other information that indicates that a member who was not included in our estimates for a prior period was in fact an active member at that time, or that a member who was included in our estimates was in fact not an active member of ours. For instance, we reconcile information carriers provide to us and may determine that we were not historically paid commissions owed to us, which would cause us to have underestimated membership. Conversely, carriers may require us to return commission payments paid in a prior period due to policy cancellations for members we previously estimated as being active. We do not update our estimated membership numbers reported in previous periods. Instead, we reflect updated information regarding our historical membership in the membership estimate for the current period. As a result of the delay in our receipt of information from insurance carriers, actual trends in our membership are most discernible over periods longer than from one quarter to the next. As a result of the delay we experience in receiving information about our membership, it is difficult for us to determine with any certainty the impact of current conditions on our membership retention. Healthcare reform and its impacts as well as other factors could cause the assumptions and estimates that we make in connection with estimating our membership to be inaccurate, which would cause our membership estimates to be inaccurate.

EHEALTH, INC.
SUMMARY OF SELECTED METRICS
CONSTRAINED LIFETIME VALUE OF
COMMISSIONS PER APPROVED MEMBER
(Unaudited)

	<u>Three Months</u> <u>Ended June 30,</u>		<u>Percent</u> <u>Change</u>
	<u>2019</u>	<u>2018</u>	
Medicare			
Medicare Advantage ⁽¹⁾	\$ 983	\$ 851	15 %
Medicare Supplement ⁽¹⁾	\$ 967	\$ 1,026	(6) %
Medicare Part D ⁽¹⁾	\$ 257	\$ 294	(12) %
Individual and Family			
Non-Qualified Health Plans ⁽¹⁾	\$ 167	\$ 125	34 %
Qualified Health Plans ⁽¹⁾	\$ 160	\$ 100	60 %
Ancillaries			
Short-term ⁽¹⁾	\$ 95	\$ 57	67 %
Dental ⁽¹⁾	\$ 65	\$ 64	2 %
Vision ⁽¹⁾	\$ 45	\$ 46	(3) %
Small Business ⁽²⁾	\$ 160	\$ 164	(2) %

Constrained Lifetime Value of Commissions Per Approved Member

- (1) Constrained lifetime value ("LTV") of commissions per approved member represents commissions estimated to be collected over the estimated life of an approved member's policy after applying constraints in accordance with our revenue recognition policy. The estimate is driven by multiple factors, including but not limited to, contracted commission rates, carrier mix, expected policy churn and applied constraints. These factors may result in varying values from period to period.
- (2) For Small Business, the amount represents the estimated commissions we expect to collect from the plan over the following 12 months. The estimate is driven by multiple factors, including but not limited to, contracted commission rates, carrier mix, expected policy churn and applied constraints. These factors may result in varying values from period to period.

EHEALTH, INC.
SUMMARY OF SELECTED METRICS
CONSTRAINTS ON LIFETIME VALUE
OF COMMISSIONS PER APPROVED MEMBER
(Unaudited)

	<u>Three and Six Months</u> <u>Ended June 30,</u>	
	<u>2019</u>	<u>2018</u>
Medicare		
Medicare Advantage	7 %	7 %
Medicare Supplement	5 %	5 %

Medicare Part D	5 %	5 %
Individual and Family		
Non-Qualified Health Plans	15 %	15 %
Qualified Health Plans	20 %	20 %
Ancillaries	10 %	10 %
Small Business	— %	— %

Constraints on Lifetime Value of Commissions Per Approved Member

Constraints are applied to derive LTV of commissions per approved member for revenue recognition in accordance with our revenue recognition policy. The constraints are applied to help ensure that commissions estimated to be collected over the estimated life of an approved member's plan are recognized as revenue only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with future commissions receivable from the plan is subsequently resolved. We evaluate constraints on an annual basis for factors affecting our estimate of LTV of commissions per approved member and apply management judgment to determine the constraints based on current trends impacting our business.

EHEALTH, INC. SUMMARY OF SELECTED METRICS EXPENSE METRICS PER APPROVED MEMBER (Unaudited)

	<u>Three Months Ended June 30,</u>		<u>Percent Change</u>
	<u>2019</u>	<u>2018</u>	
Medicare variable cost per approved member			
Medicare variable marketing cost per approved Medicare Advantage ("MA")-equivalent member (1)	\$ 335	\$ 337	(1) %
Medicare customer care and enrollment ("CC&E") cost per approved MA-equivalent member (2)	\$ 407	\$ 410	(1) %
Total Medicare cost per approved member	\$ 742	\$ 747	(1) %
Individual and Family Plan ("IFP") variable cost per approved member			
IFP variable marketing cost per approved IFP-equivalent member (3)	\$ 57	\$ 48	18 %
IFP CC&E cost per approved IFP-equivalent member (4)	\$ 160	\$ 106	52 %
Total IFP cost per approved member	\$ 217	\$ 154	41 %

Expense Metrics Per Approved Member

- (1) Variable marketing cost per approved MA-equivalent member represents direct costs incurred in member acquisition for Medicare Advantage, Medicare Supplement and Medicare Part D plans from our direct marketing partners and online advertising channels divided by MA-equivalent approved members in a given period. MA-equivalent members is a derived metric and is equal to the sum of Medicare Part D approved members divided by 4, the number of Medicare Advantage approved members and the number of Medicare Supplement approved members in the given period.
- (2) Medicare CC&E cost per approved MA-equivalent member is equal to the CC&E expense of our Medicare business included in our operating costs divided by MA-equivalent approved members in a given period. MA-equivalent approved members is a derived metric and is equal to the sum of Medicare Part D approved members divided by 4, the number of Medicare Advantage approved members and the number of Medicare Supplement approved members in the given period.
- (3) Variable marketing cost per approved IFP-equivalent member represents direct costs incurred in member acquisition for IFP plans from our direct, marketing partners and online advertising channels divided by IFP-equivalent approved members in a given period. IFP-equivalent approved members is a derived metric and is equal to the sum of the number of short-term approved members divided by 3 and the IFP approved members in the given period.
- (4) IFP CC&E cost per approved IFP-equivalent member is equal to the CC&E expense of our IFP business included in our operating costs divided by IFP-equivalent approved members in a given period. IFP-equivalent approved members is a derived metric and is equal to the sum of the number of short-term approved members divided by 3 and the IFP approved members in the given period.

EHEALTH, INC. RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES (In thousands, except per share amounts, unaudited)

	<u>Three Months Ended June 30,</u>			
	<u>2019</u>		<u>2018</u>	
	<u>Amount</u>	<u>Percent of Total Revenue</u>	<u>Amount</u>	<u>Percent of Total Revenue</u>
GAAP marketing and advertising expense	\$ 23,104	35%	14,606	45%

Stock-based compensation expense ⁽¹⁾	(711)	(1)%	(553)	(2)%
Non-GAAP marketing and advertising expense	\$ 22,393	34%	14,053	43%
GAAP customer care and enrollment expense	\$ 21,479	33%	\$ 13,219	40%
Stock-based compensation expense ⁽¹⁾	(285)	—%	(206)	(1)%
Non-GAAP customer care and enrollment expense	\$ 21,194	32%	13,013	40%
GAAP technology and content expense	\$ 10,437	16%	\$ 7,287	22%
Stock-based compensation expense ⁽¹⁾	(668)	(1)%	(383)	(1)%
Non-GAAP technology and content expense	\$ 9,769	15%	6,904	21%
GAAP general and administrative expense	\$ 14,862	23%	\$ 11,240	34%
Stock-based compensation expense ⁽¹⁾	(3,014)	(5)%	(1,989)	(6)%
Non-GAAP general and administrative expense	\$ 11,848	18%	9,251	28%
GAAP operating costs and expenses	\$ 78,078	119%	\$ 49,577	152%
Stock-based compensation expense ⁽¹⁾	(4,678)	(7)%	(3,131)	(10)%
Change in fair value of earnout liability ⁽²⁾	(7,200)	(11)%	(2,500)	(8)%
Acquisition costs ⁽³⁾	—	—%	(18)	—%
Restructuring charges ⁽⁴⁾	—	—%	(9)	—%
Amortization of intangible assets ⁽⁵⁾	(547)	(1)%	(547)	(2)%
Non-GAAP operating costs and expenses	\$ 65,653	100%	\$ 43,372	133%
GAAP loss from operations	\$ (12,311)	(19)%	\$ (16,920)	(52)%
Stock-based compensation expense ⁽¹⁾	4,678	7%	3,131	10%
Change in fair value of earnout liability ⁽²⁾	7,200	11%	2,500	8%
Acquisition costs ⁽³⁾	—	—%	18	—%
Restructuring charges ⁽⁴⁾	—	—%	9	—%
Amortization of intangible assets ⁽⁵⁾	547	1%	547	2%
Non-GAAP income (loss) from operations	\$ 114	—%	\$ (10,715)	(33)%

Explanation of Adjustments

- (1) Non-GAAP income (loss) from operations and non-GAAP expenses exclude the effect of expensing stock-based compensation related to stock options and restricted stock units.
- (2) Non-GAAP net income (loss), Non-GAAP net income (loss) per share and Adjusted EBITDA exclude the change in fair value of earnout liability related to the acquisition of GoMedigap, which was completed in January 2018.
- (3) Non-GAAP income (loss) from operations excludes costs related to the acquisition of GoMedigap, which was completed in January 2018.
- (4) Non-GAAP income (loss) from operations excludes restructuring charges.
- (5) Non-GAAP income (loss) from operations excludes amortization of intangible assets.

EHEALTH, INC. RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES (In thousands, except per share amounts, unaudited)

	Six Months Ended June 30,			
	2019		2018	
	Amount	Percent of Total Revenue	Amount	Percent of Total Revenue
GAAP marketing and advertising expense	\$ 47,045	35%	29,608	39%
Stock-based compensation expense ⁽¹⁾	(1,340)	(1)%	(923)	(1)%
Non-GAAP marketing and advertising expense	\$ 45,705	34%	28,685	38%
GAAP customer care and enrollment expense	\$ 41,423	31%	\$ 26,458	35%
Stock-based compensation expense ⁽¹⁾	(558)	—%	(371)	—%
Non-GAAP customer care and enrollment expense	\$ 40,865	30%	26,087	34%
GAAP technology and content expense	\$ 19,454	14%	\$ 15,628	21%
Stock-based compensation expense ⁽¹⁾	(1,217)	(1)%	(726)	(1)%
Non-GAAP technology and content expense	\$ 18,237	14%	14,902	20%

GAAP general and administrative expense	\$ 26,140	19%	\$ 21,931	29%
Stock-based compensation expense (1)	(4,792)	(4)%	(3,661)	(5)%
Non-GAAP general and administrative expense	<u>\$ 21,348</u>	16%	<u>18,270</u>	24%
GAAP operating costs and expenses	\$ 156,034	116%	\$ 99,367	131%
Stock-based compensation expense (1)	(7,907)	(6)%	(5,681)	(8)%
Change in fair value of earnout liability (2)	(20,506)	(15)%	(2,500)	(3)%
Acquisition costs (3)	—	—%	(76)	—%
Restructuring charges (4)	—	—%	(1,865)	(2)%
Amortization of intangible assets (5)	(1,094)	(1)%	(998)	(1)%
Non-GAAP operating costs and expenses	<u>\$ 126,527</u>	94%	<u>\$ 88,247</u>	117%
GAAP loss from operations	\$ (21,494)	(16)%	\$ (23,640)	(31)%
Stock-based compensation expense (1)	7,907	6%	5,681	8%
Change in fair value of earnout liability (2)	20,506	15%	2,500	3%
Acquisition costs (3)	—	—%	76	—%
Restructuring charges (4)	—	—%	1,865	2%
Amortization of intangible assets (5)	1,094	1%	998	1%
Non-GAAP income (loss) from operations	<u>\$ 8,013</u>	6%	<u>\$ (12,520)</u>	(17)%

Explanation of Adjustments

- (1) Non-GAAP income (loss) from operations and non-GAAP expenses exclude the effect of expensing stock-based compensation related to stock options and restricted stock units.
- (2) Non-GAAP net income (loss), Non-GAAP net income (loss) per share and Adjusted EBITDA exclude the change in fair value of earnout liability related to the acquisition of GoMedigap, which was completed in January 2018.
- (3) Non-GAAP income (loss) from operations excludes costs related to the acquisition of GoMedigap, which was completed in January 2018.
- (4) Non-GAAP income (loss) from operations excludes restructuring charges.
- (5) Non-GAAP income (loss) from operations excludes amortization of intangible assets.

EHEALTH, INC. RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES (In thousands, except per share amounts, unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
GAAP net loss	\$ (5,754)	\$ (12,014)	\$ (10,913)	\$ (16,859)
Stock-based compensation expense (1)	4,678	3,131	7,907	5,681
Change in fair value of earnout liability (2)	7,200	2,500	20,506	2,500
Acquisition costs (3)	—	18	—	76
Restructuring charges (4)	—	9	—	1,865
Amortization of intangible assets (5)	547	547	1,094	998
Tax effect of non-GAAP adjustments (6)	(4,407)	(1,739)	(9,094)	(3,114)
Non-GAAP net income (loss)	<u>\$ 2,264</u>	<u>\$ (7,548)</u>	<u>\$ 9,500</u>	<u>\$ (8,853)</u>
GAAP net loss per diluted share	\$ (0.25)	\$ (0.63)	\$ (0.48)	\$ (0.89)
Stock-based compensation expense (1)	0.20	0.16	0.35	0.30
Change in fair value of earnout liability (2)	0.31	0.13	0.91	0.13
Acquisition costs (3)	—	—	—	—
Restructuring charges (4)	—	—	—	0.10
Amortization of intangible assets (5)	0.02	0.03	0.05	0.05
Tax effect of non-GAAP adjustments (6)	(0.18)	(0.09)	(0.41)	(0.16)
Non-GAAP net income (loss) per diluted share	<u>\$ 0.10</u>	<u>\$ (0.40)</u>	<u>\$ 0.42</u>	<u>\$ (0.47)</u>
GAAP net loss	\$ (5,754)	\$ (12,014)	\$ (10,913)	\$ (16,859)
Stock-based compensation expense (1)	4,678	3,131	7,907	5,681
Change in fair value of earnout liability (2)	7,200	2,500	20,506	2,500
Depreciation and amortization (7)	733	631	1,388	1,250
Acquisition costs (3)	—	18	—	76
Restructuring charges (4)	—	9	—	1,865

Amortization of intangible assets ⁽⁵⁾	547	547	1,094	998
Other income, net ⁽⁸⁾	(699)	(296)	(1,256)	(480)
Benefit from income taxes ⁽⁹⁾	(5,858)	(4,610)	(9,325)	(6,301)
Adjusted EBITDA	<u>\$ 847</u>	<u>\$ (10,084)</u>	<u>\$ 9,401</u>	<u>\$ (11,270)</u>

Explanation of Adjustments

- (1) Non-GAAP net income (loss), Non-GAAP net income (loss) per diluted share and Adjusted EBITDA exclude the effect of expensing stock-based compensation related to stock options and restricted stock units.
- (2) Non-GAAP net income (loss), Non-GAAP net income (loss) per diluted share and Adjusted EBITDA exclude the change in fair value of earnout liability related to the acquisition of GoMedigap, which was completed in January 2018.
- (3) Non-GAAP net income (loss), Non-GAAP net income (loss) per diluted share and Adjusted EBITDA exclude costs related to the acquisition of GoMedigap, which was completed in January 2018.
- (4) Non-GAAP net income (loss), Non-GAAP net income (loss) per diluted share and Adjusted EBITDA exclude restructuring charges.
- (5) Non-GAAP net income (loss), Non-GAAP net income (loss) per diluted share and Adjusted EBITDA exclude amortization of intangible assets.
- (6) Non-GAAP net income (loss) and Non-GAAP net income (loss) per diluted share exclude the tax effect of non-GAAP adjustments.
- (7) Adjusted EBITDA excludes depreciation and amortization.
- (8) Adjusted EBITDA excludes other income, net.
- (9) Adjusted EBITDA excludes benefit from income taxes.

EHEALTH, INC.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES TO GUIDANCE (In millions, except per share amounts, unaudited)

	Year Ending December 31, 2019	
	Low	High
GAAP net income	\$ 15.5	\$ 20.5
Stock-based compensation expense	19.0	19.0
Amortization of intangible assets	2.2	2.2
Change in fair value of earnout liability	20.5	20.5
Tax effect of non-GAAP adjustments	(12.9)	(12.9)
Non-GAAP net income ⁽¹⁾	<u>\$ 44.3</u>	<u>\$ 49.3</u>
GAAP net income per diluted share	\$ 0.62	\$ 0.82
Stock-based compensation expense	0.76	0.76
Amortization of intangible assets	0.09	0.09
Change in fair value of earnout liability	0.82	0.82
Tax effect of non-GAAP adjustments	(0.52)	(0.52)
Non-GAAP net income per diluted share ⁽²⁾	<u>\$ 1.77</u>	<u>\$ 1.97</u>
GAAP net income	\$ 15.5	\$ 20.5
Stock-based compensation expense	19.0	19.0
Depreciation and amortization	3.5	3.5
Amortization of intangible assets	2.2	2.2
Change in fair value of earnout liability	20.5	20.5
Other income, net	(1.2)	(3.2)
Provision for income taxes	5.5	7.5
Adjusted EBITDA ⁽³⁾	<u>\$ 65.0</u>	<u>\$ 70.0</u>

Explanation of Adjustments

- (1) Non-GAAP net income is calculated by adding stock-based compensation, amortization of intangible assets, change in fair value of earnout liability and the income tax effect of non-GAAP adjustments to GAAP net income.
- (2) Non-GAAP net income per diluted share is calculated by adding stock-based compensation expense per diluted share, amortization of intangible assets per diluted share, change in fair value of earnout liability per diluted share and the income tax effect of non-GAAP adjustments to GAAP net income per diluted share.
- (3) Adjusted EBITDA is calculated by adding stock-based compensation, depreciation and amortization expense, amortization of intangible assets, change in fair value of earnout liability, other income, net and provision for income taxes to GAAP net income.



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