



# Q3 2019 Financial Results Conference Call Slides

October 24, 2019

# Non-GAAP Financial Measures

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## **Non-GAAP Information**

This presentation includes both GAAP and non-GAAP financial measures. The presentation of 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.

# eHealth Q3 2019 Highlights

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Q3 2019 revenue grew 72% compared to Q3 2018, exceeding company's expectations.



Q3 2019, with Adjusted EBITDA of -\$18.8MM, represented an investment quarter in preparation for Medicare Annual Enrollment Period (AEP) in Q4



Medicare segment revenue grew 75% year-over-year, with approved members increasing by 70% year-over-year



21% of Medicare major medical applications submitted online, compared to 9% in Q3 2018



Individual, Family and Small Business segment revenue grew 59% year-over-year, with IFP approved members increasing by 76% year-over-year

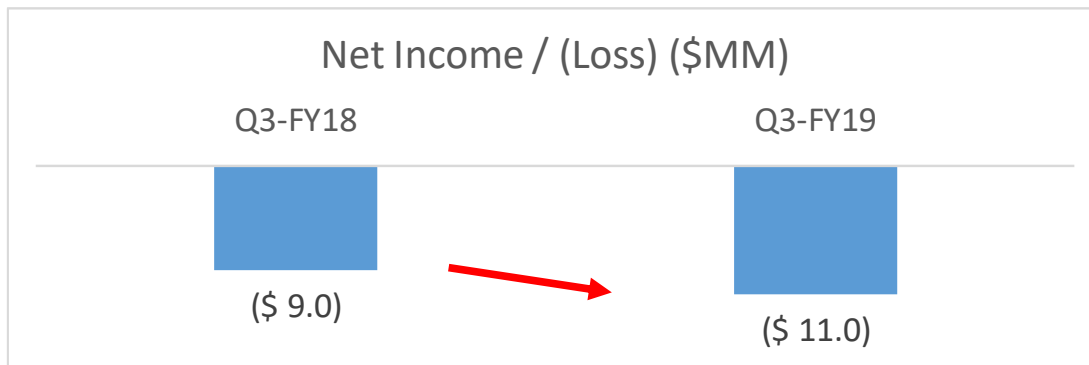
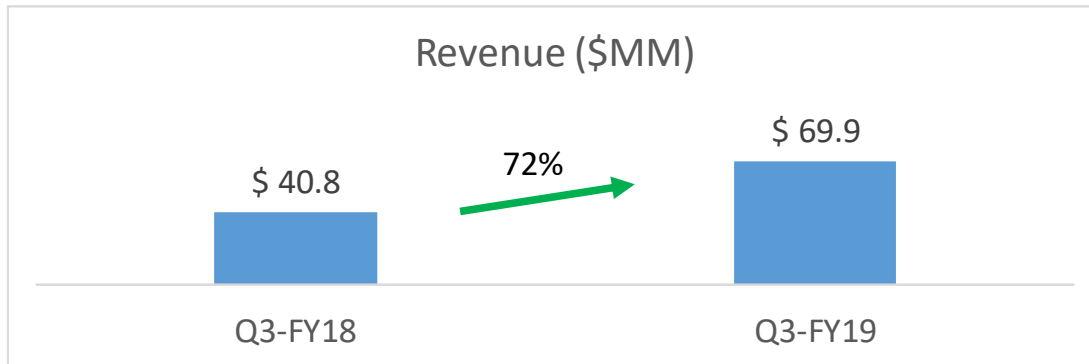


\$358MM commissions receivable balance at the end of Q3 2019

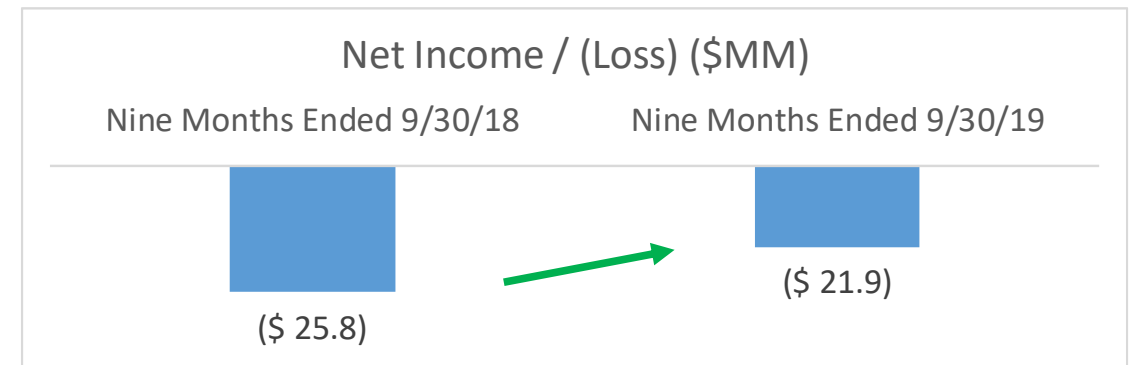
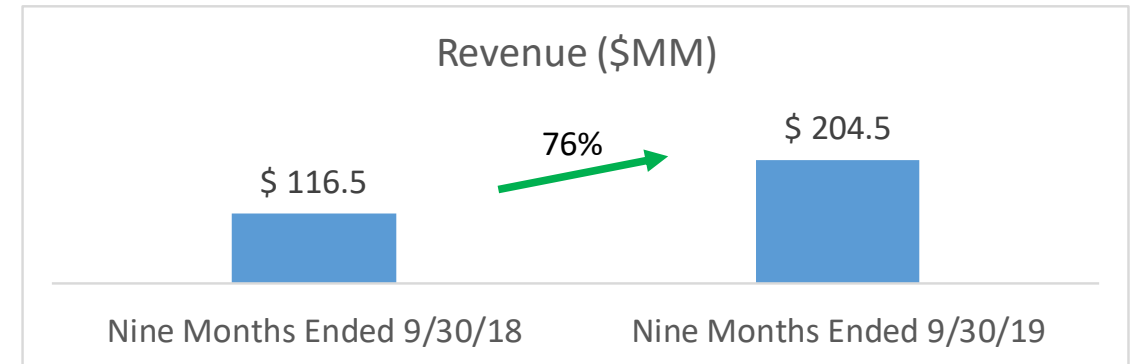
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# Q3 2019 and Nine Months Ended September 30, 2019 Revenue and Net Income / (Loss)<sup>(1)</sup>

## Q3 2019



## Nine Months Ended September 30, 2019



# Q3 2019 and Nine Months Ended September 30, 2019 AEBITDA<sup>(1)</sup> and Non-GAAP Net Income / (Loss)<sup>(2)</sup>

## Q3 2019

### Adjusted EBITDA (\$MM)

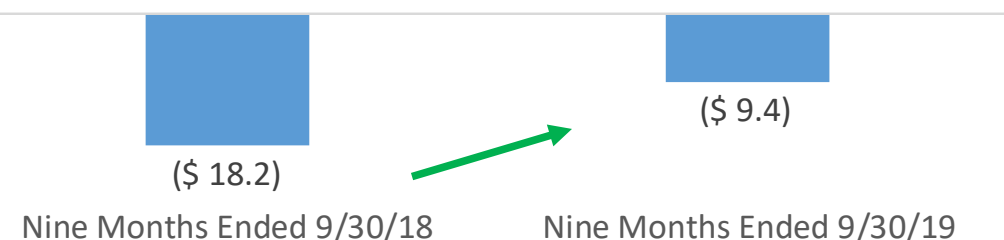


### Non-GAAP Net Income / (Loss) (\$MM)

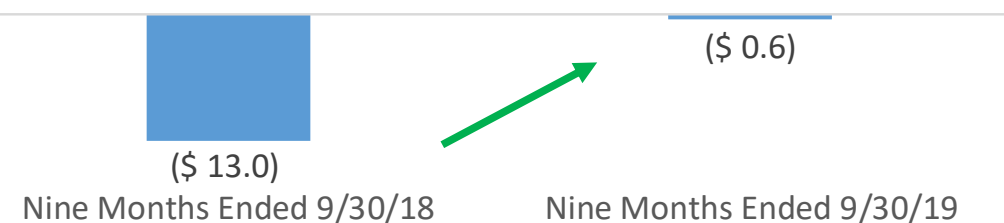


## Nine Months Ended September 30, 2019

### Adjusted EBITDA (\$MM)

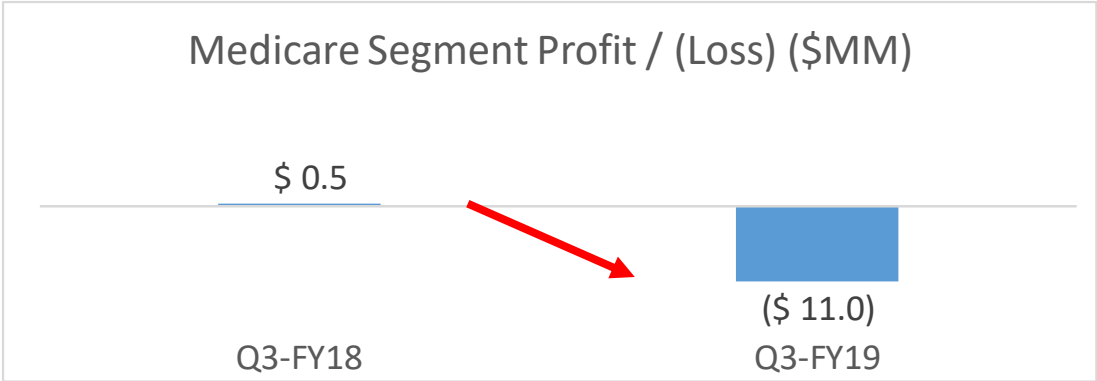
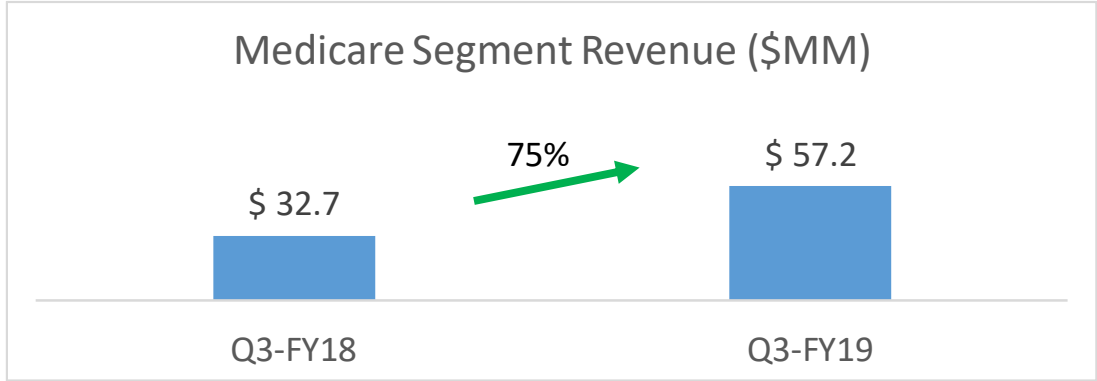


### Non-GAAP Net Income / (Loss) (\$MM)

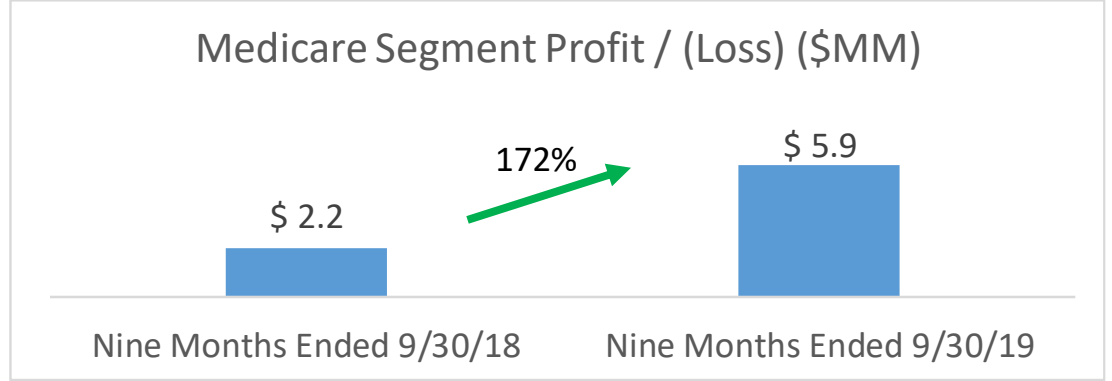
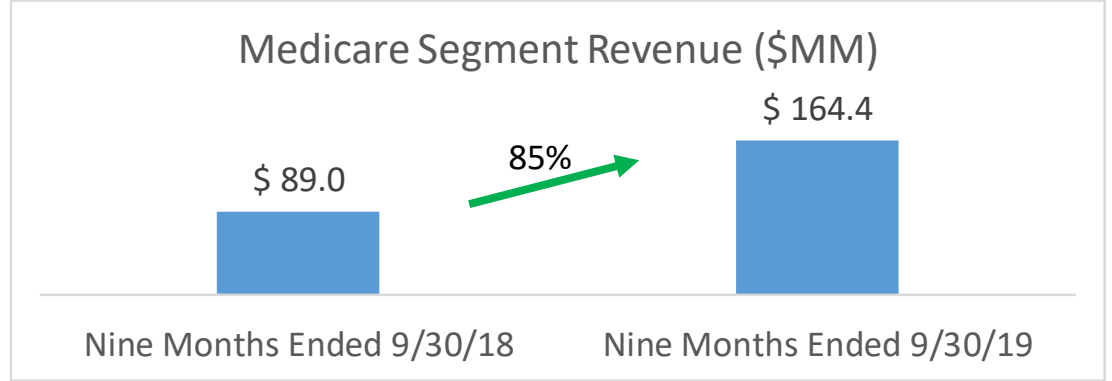


# Q3 2019 and Nine Months Ended September 30, 2019 Medicare Segment Revenue and Profit

## Q3 2019



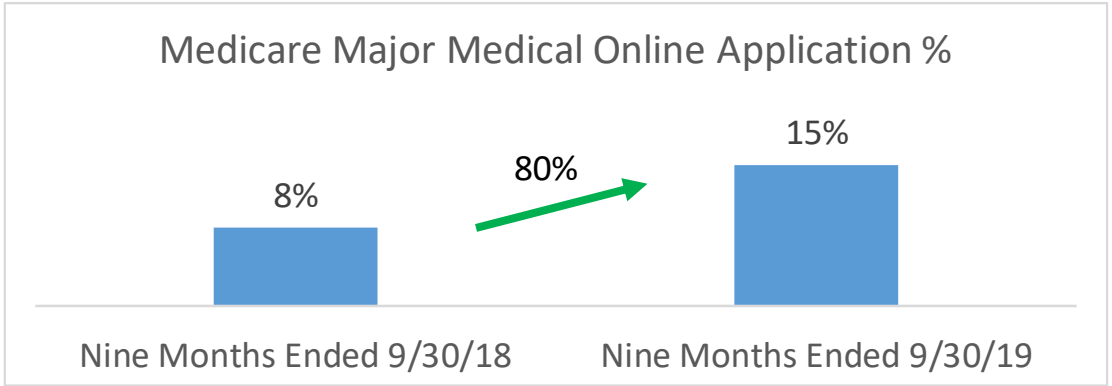
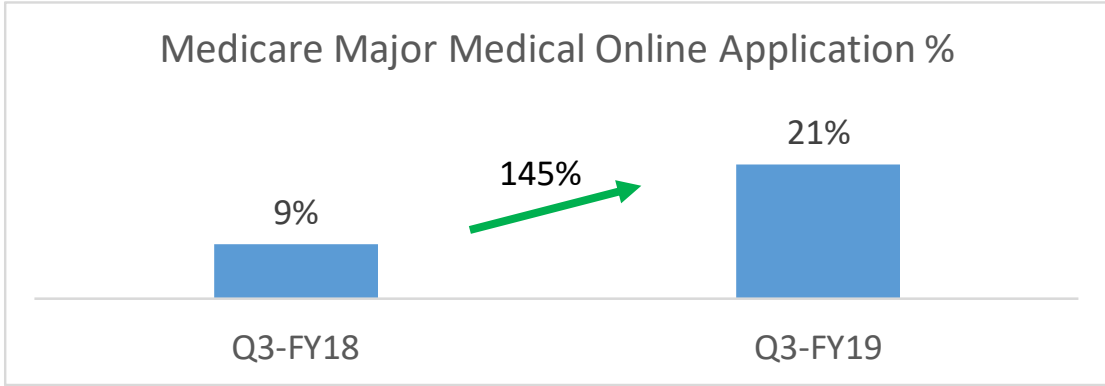
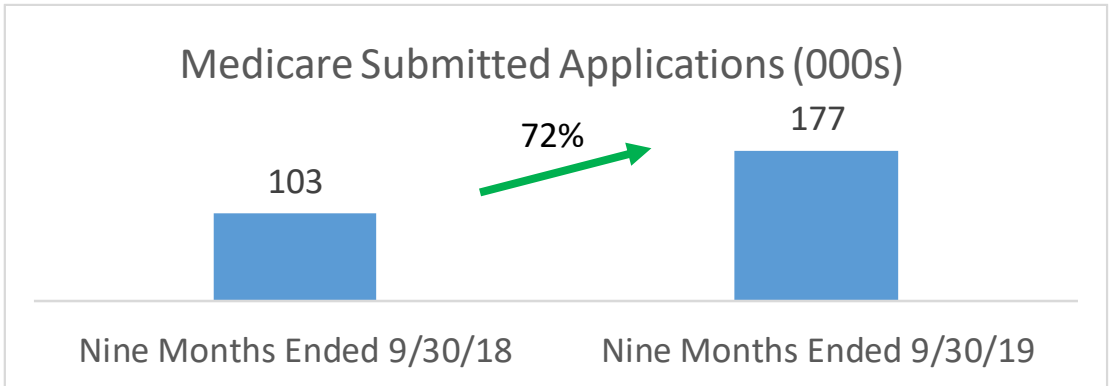
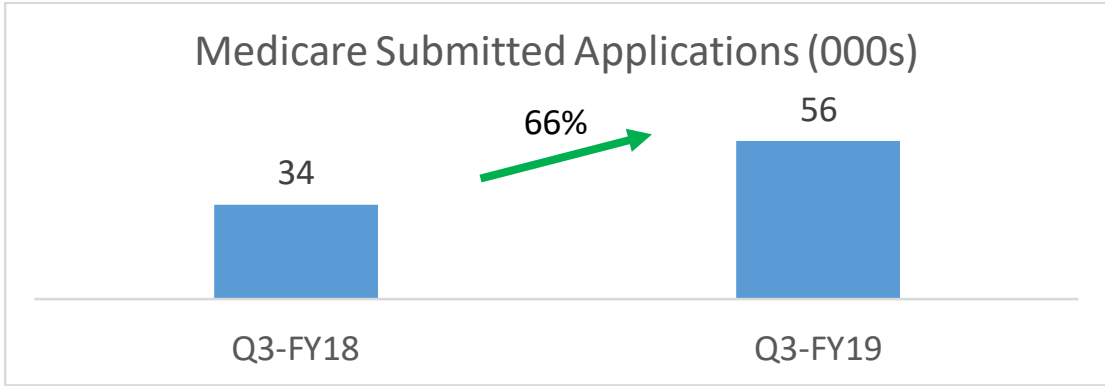
## Nine Months Ended September 30, 2019



# Q3 2019 and Nine Months Ended September 30, 2019 Medicare Application Volumes and Medicare Major Medical Online %<sup>(1)</sup>

## Q3 2019

## Nine Months Ended September 30, 2019

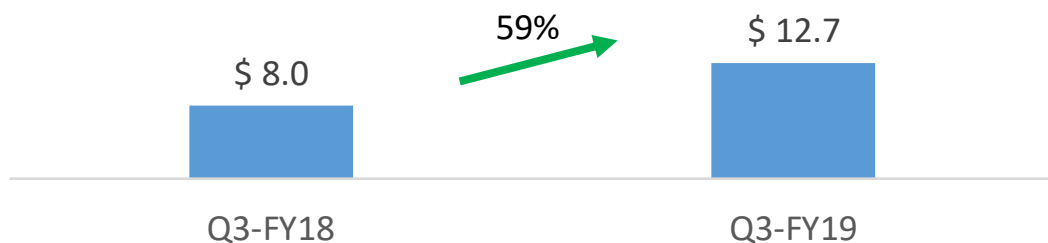


(1) Major Medicare plans include Medicare Advantage and Medicare Supplement plans

# Q3 2019 and Nine Months Ended September 30, 2019 Individual, Family and Small Business Segment Revenue and Profit

## Q3 2019

Individual, Family and Small Business Segment Revenue (\$MM)

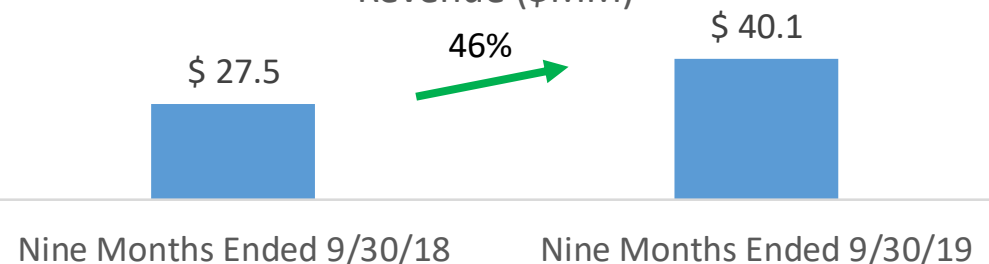


Individual, Family and Small Business Segment Profit / (Loss) (\$MM)

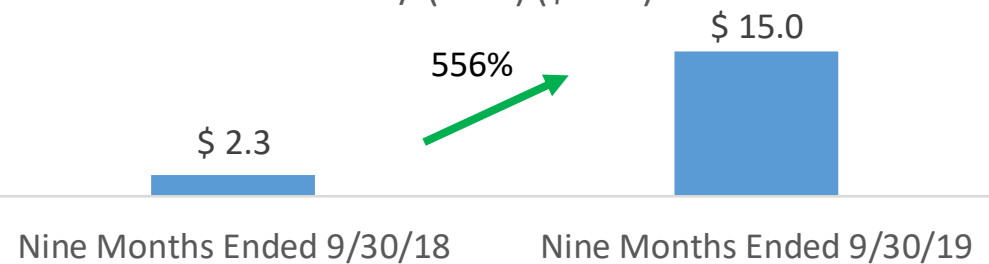


## Nine Months Ended September 30, 2019

Individual, Family and Small Business Segment Revenue (\$MM)



Individual, Family and Small Business Segment Profit / (Loss) (\$MM)

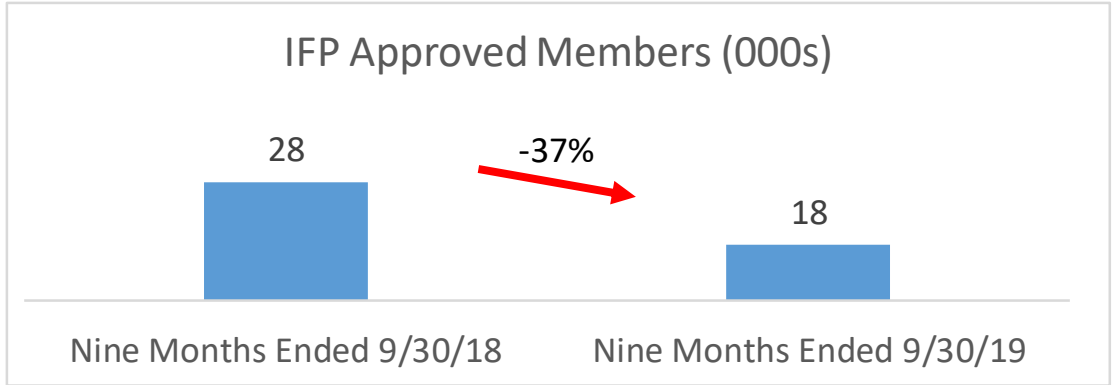
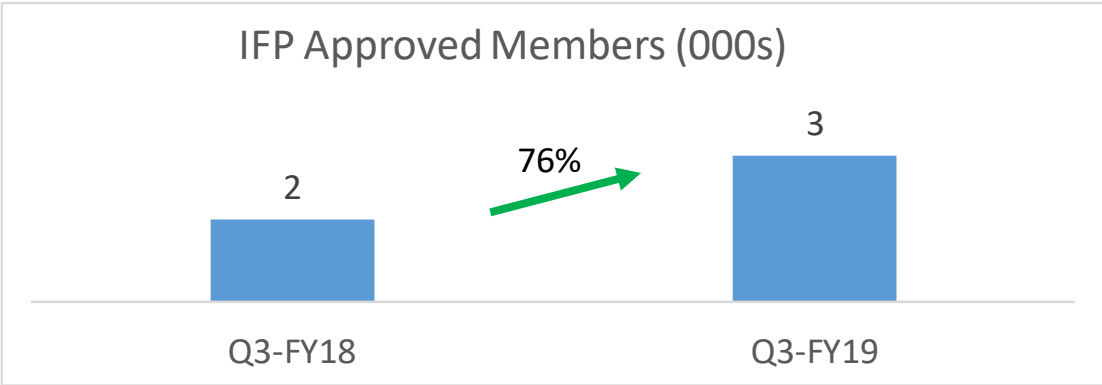
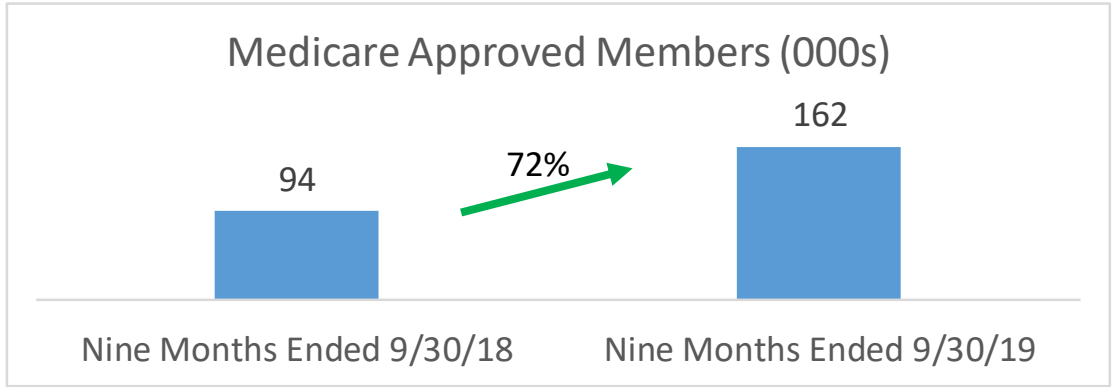
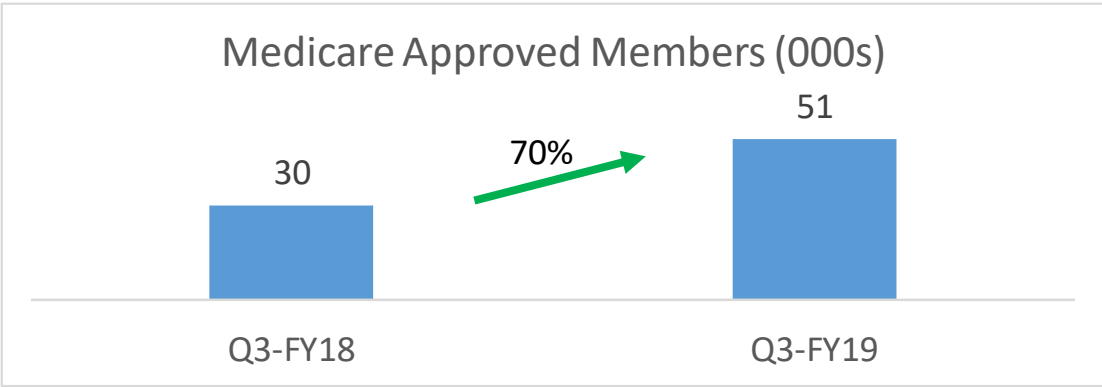




# Q3 2019 and Nine Months Ended September 30, 2019 Approved Members

## Q3 2019

## Nine Months Ended September 30, 2019



# Q3 2019 and Nine Months Ended September 30, 2019 Commission Revenue Breakdown

(\$000s)

	Three Months Ended September 30, 2019			Three Months Ended September 30, 2018		
	Commission Revenue from Members Approved During the Period <sup>(1)</sup>	Net Commission Revenue from Members Approved in Prior Periods <sup>(2)</sup>	Total Commission Revenue	Commission Revenue from Members Approved During the Period <sup>(1)</sup>	Net Commission Revenue from Members Approved in Prior Periods <sup>(2)</sup>	Total Commission Revenue
Medicare Segment	\$ 43,888	\$ 3,813	\$ 47,701	\$ 26,999	\$ (35)	\$ 26,964
Individual, Family and Small Business Segment	4,392	7,669	12,061	4,262	2,387	6,649
Total commission revenue	\$ 48,280	\$ 11,482	\$ 59,762	\$ 31,261	\$ 2,352	\$ 33,613

	Nine Months Ended September 30, 2019			Nine Months Ended September 30, 2018		
	Commission Revenue from Members Approved During the Period <sup>(1)</sup>	Net Commission Revenue from Members Approved in Prior Periods <sup>(2)</sup>	Total Commission Revenue	Commission Revenue from Members Approved During the Period <sup>(1)</sup>	Net Commission Revenue from Members Approved in Prior Periods <sup>(2)</sup>	Total Commission Revenue
Medicare Segment	\$ 141,898	\$ 5,226	\$ 147,124	\$ 80,601	\$ (62)	\$ 80,539
Individual, Family and Small Business Segment	14,403	23,068	37,471	16,333	8,094	24,427
Total commission revenue	\$ 156,301	\$ 28,294	\$ 184,595	\$ 96,934	\$ 8,032	\$ 104,966

Net Commissions Revenue Adjustments from Members Approved in Prior Periods<sup>(2)</sup> is “**Tail Revenue**” and consists of:

- **Residual revenue** recognized due to actual cash collections *exceeding* the constrained LTV for the revenue booked at the time of approval
- **Impairment of commissions receivable** due to actual cash collections to-date lower than the expected cash collections to-date in the constrained LTV for the revenue booked at the time of approval

# Medicare Advantage Plan Member Turnover Trend Since Q4 2018

	Q4 18	Q1 19	Q2 19	Q3 19
<b>Estimated Beginning Membership<sup>(1)</sup></b>	<b>235,269</b>	<b>276,357</b>	<b>280,763</b>	<b>291,171</b>
<b>Approved Members<sup>(2)</sup></b>	<b>83,376</b>	<b>40,741</b>	<b>36,576</b>	<b>35,171</b>
Estimated Total New Paying Members from Approved Members <sup>(3)</sup>	76,180	39,087	34,614	33,284
Less Estimated Future Quarters Paying Members from Approved Members <sup>(4)</sup>	(15,920)	(5,476)	(3,968)	(3,278)
New Paying Members from Approved Members <sup>(5)</sup>	60,260	33,611	30,646	30,006
Plus				
New Paying Members from Prior Quarters Approved Members <sup>(6)</sup>	2,557	15,920	5,476	3,968
<b>New Paying Members<sup>(7)</sup></b>	<b>62,817</b>	<b>49,531</b>	<b>36,122</b>	<b>33,974</b>
<b>Estimated Ending Membership<sup>(8)</sup></b>	<b>276,357</b>	<b>280,763</b>	<b>291,171</b>	<b>309,180</b>
<b>Medicare Advantage Plan Member Turnover<sup>(9)</sup></b>	<b>21,729</b>	<b>45,125</b>	<b>25,714</b>	<b>15,965</b>
Trailing Twelve Month Member Turnover <sup>(10)</sup>	95,065	89,357	102,403	108,533
Average Trailing Twelve Month Estimated Membership Plus New Paying Members <sup>(11)</sup>	262,856	276,949	296,491	316,501
<b>Trailing Twelve Month Member Turnover Rate<sup>(12)</sup></b>	<b>36%</b>	<b>32%</b>	<b>35%</b>	<b>34%</b>

Trailing Twelve Month Approved to Paid Ratio<sup>(13)</sup>

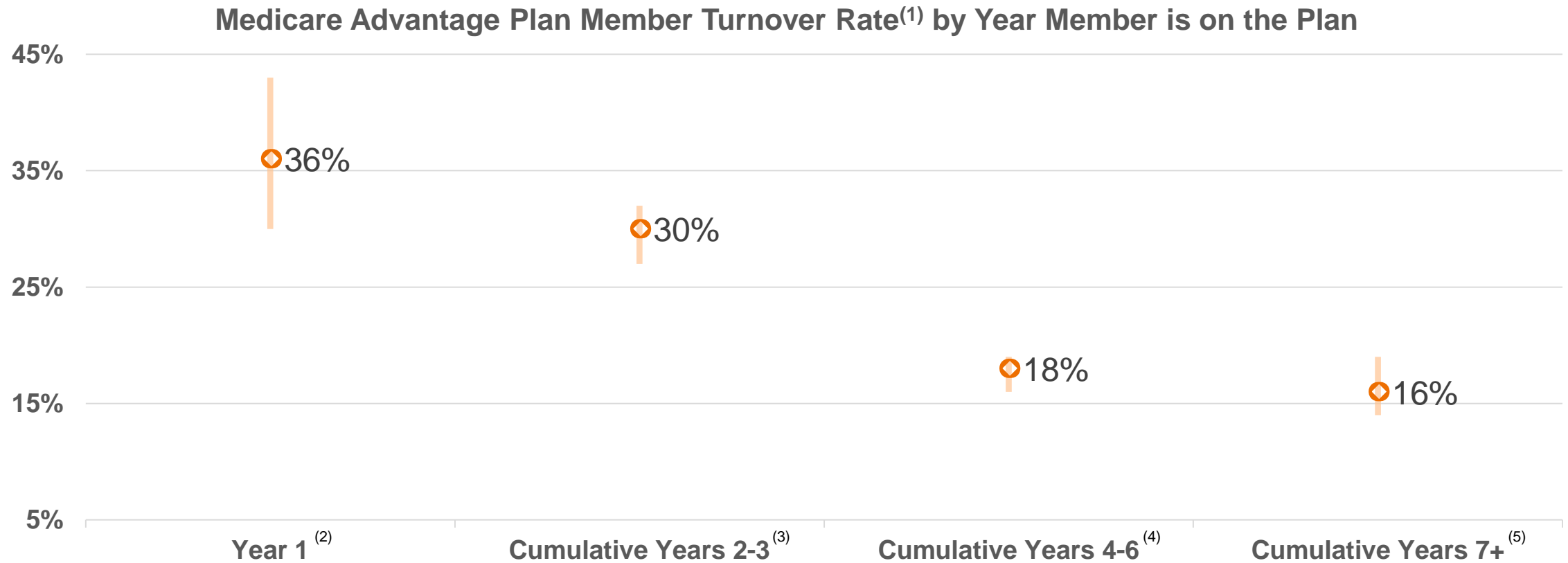
91%	92%	93%	93%
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Avg = 92%

# Medicare Advantage Plan Member Turnover Trend Since Q4 2018

- (1) Estimated Beginning Membership is the Estimated Ending Membership for the period prior to the period of estimation. Membership is estimated using the methodology described in our periodic filings with the Securities and Exchange Commission.
- (2) The number of approved members is equal to the number of individuals on applications that were approved during the period presented and includes individuals on approved applications that were submitted prior to the period presented. A single application for some products may cover more than one individual. Each of the individuals on a single submitted application are counted as approved members after the application is approved.
- (3) Estimated Total New Paying Members from Approved Members represents estimated number of current quarter's approved members for whom we expect to receive a commission payment in the current quarter or future quarters. We estimate Total New Paying Members by applying our historical experience for the percentage of approved members who pay for their plans.
- (4) Estimated Future Quarters Paying Members from Approved Members represents estimated number of current quarter's approved members for whom we expect to receive a commission payment in future quarters and not in the current quarter. We calculate Future Quarters Paying Members as follows: Estimated Total New Paying Members from Approved Members minus New Paying Members from Approved Members.
- (5) New Paying Members from Approved Members represents the number of current quarter's approved members for whom we have received or applied a commission payment in the current quarter.
- (6) New Paying Members from Prior Quarter Approved Members represents the number of prior quarters' approved members for whom we have received or applied a commission payment in the current quarter.
- (7) New Paying Members is the sum of (i) New Paying Members from Approved Members; plus (ii) New Paying Members from Prior Quarters Approved Members.
- (8) Estimated Ending Membership is the number of members we estimate as of the end of the period. Membership is estimated using the methodology described in our periodic filings with the Securities and Exchange Commission.
- (9) Medicare Advantage Plan Member Turnover for the period is derived as follows: Estimated Beginning Membership plus New Paying Members minus Estimated Ending Membership.
- (10) Trailing Twelve Month Member Turnover is the sum of Medicare Advantage Plan Member Turnover for the prior twelve months.
- (11) Average Trailing Twelve Month Estimated Membership Plus New Paying Members is the sum of (i) trailing twelve month Estimated Beginning Membership, plus (ii) New Paying Members for the trailing twelve month, divided by 4.
- (12) Trailing Twelve Month Member Turnover Rate is Trailing Twelve Month Turnover divided by Average Trailing Twelve Month Estimated Membership Plus New Paying Members.
- (13) Trailing Twelve Month Approved to Paid Ratio is the sum of trailing twelve month New Paying Members divided by the sum of trailing twelve month Approved Members.

# Medicare Advantage Plan Member Turnover Rate<sup>(1)</sup> by Year





# Appendix

# Reconciliation of GAAP to Non-GAAP Financial Measures

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
<i>(In \$000's)</i>				
GAAP net loss	\$ (11,024)	\$ (8,972)	\$ (21,937)	\$ (25,831)
Stock-based compensation expense	5,510	3,543	13,417	9,224
Change in fair value of earnout liability	(5,400)	3,800	15,106	6,300
Acquisition costs	—	—	—	76
Restructuring	—	—	—	1,865
Amortization of intangible assets	547	547	1,641	1,545
Tax effect of non-GAAP adjustments	312	(3,083)	(8,782)	(6,197)
Non-GAAP net loss	\$ (10,055)	\$ (4,165)	\$ (555)	\$ (13,018)
GAAP net loss	\$ (11,024)	\$ (8,972)	\$ (21,937)	\$ (25,831)
Stock-based compensation expense	5,510	3,543	13,417	9,224
Change in fair value of earnout liability	(5,400)	3,800	15,106	6,300
Depreciation and amortization	765	620	2,153	1,870
Acquisition costs	—	—	—	76
Restructuring	—	—	—	1,865
Amortization of intangible assets	547	547	1,641	1,545
Other income, net	(568)	(296)	(1,824)	(776)
Benefit from income taxes	(8,649)	(6,186)	(17,974)	(12,487)
Adjusted EBITDA	\$ (18,819)	\$ (6,944)	\$ (9,418)	\$ (18,214)