

# Q3 2021 Financial Results

Conference Call Slides



# 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 expected cash collections for Medicare Advantage plans; our estimated memberships; our long-term opportunities and the expected benefits of our operational initiatives; and our 2021 annual guidance for total revenue, revenue from our Medicare segment and our Individual, Family and Small Business segment, GAAP net loss, adjusted EBITDA, profit (loss) from our Medicare segment, profit from our Individual, Family and Small Business segment, cash used in operations, cash used for capital expenditures, corporate shared service expenses, GAAP net loss attributable to common stockholders per diluted share and non-GAAP net loss per diluted share. 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 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 Third Quarter 2021 Overview

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- **Implemented a number of operational changes reflecting our enhanced focus on enrollment quality**
- Quality initiatives present long-term opportunities for establishing eHealth as industry leader in customer experience and a premium distribution channel for carriers, setting a high bar for other major brokers
- Q3 2021 results and revised FY 2021 guidance reflect the near-term impact of quality initiatives on our telephonic conversion rates
- Top of the funnel demand on our platform remains solid, reflecting positive trends in the Medicare Advantage market and continuing penetration of the online distribution channel
- **Online unassisted business** continues to scale with strong year-over-year enrollment growth, lifetime values and quality metrics
- Continued strong growth in Medicare cash collections. Medicare Advantage cohorts enrolled in 2019 and earlier are now cash flow positive with cash collected to-date exceeding upfront acquisition costs

# Q3 2021 Financial Highlights

**Q3 revenue and earnings reflect the impact of enrollment quality initiatives on our telephonic conversion rates**

**Online business continued to scale driving significant enrollment growth at attractive LTVs**

**Estimated Medicare Advantage membership at quarter-end grew 33% year-over-year**



Q3 2021 revenue declined 32% to \$63.9MM compared to Q3 2020; Q3 2021 GAAP net loss was \$(53.0)MM



Adjusted EBITDA<sup>(1)</sup> loss of (\$55.2)MM, compared to (\$11.2)MM in Q3 2020



Total Medicare approved members declined by 22% year-over-year



Estimated commission generating Medicare membership of 875K grew 19% compared to Q3 2020

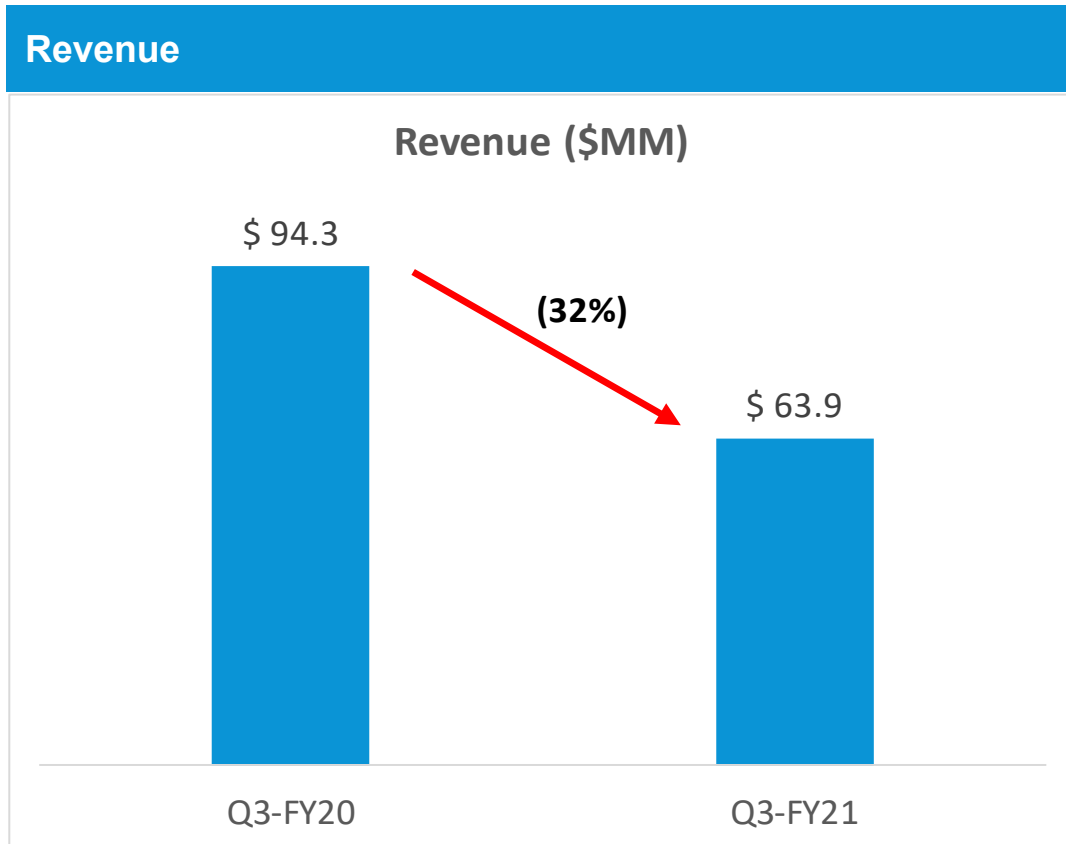


Medicare Advantage LTV of \$975 increased 9% year-over-year from \$898 in Q3 2020

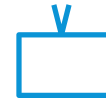


Fully unassisted online submissions for Major Medicare products grew 58%<sup>(2)</sup> compared to Q3 2020

# Q3 2021 Revenue



Total revenue declined 32% on a year-over basis due primarily to an \$8.8 million decrease in Medicare commission revenue and a \$14.6 million decrease in Medicare advertising revenue.

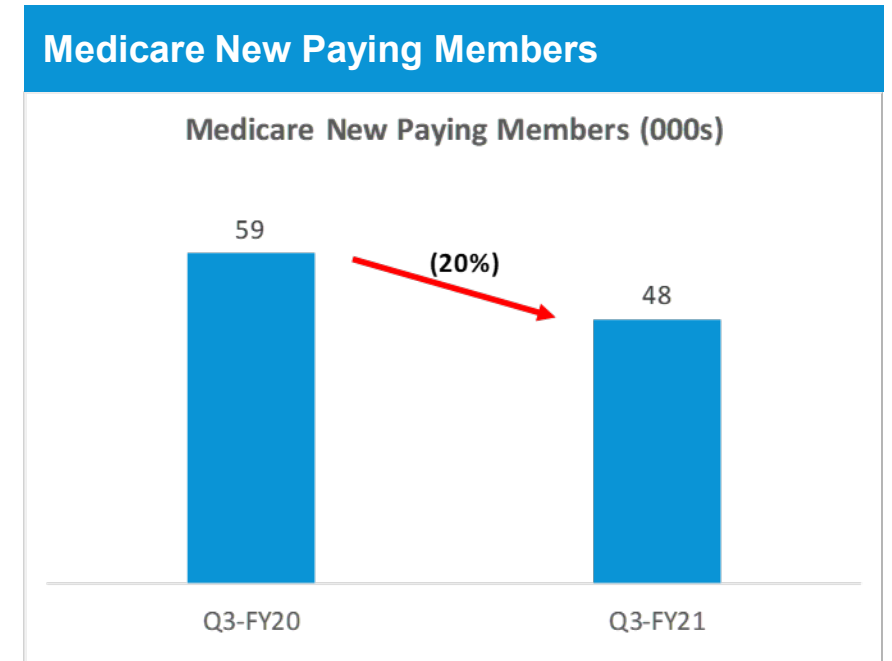
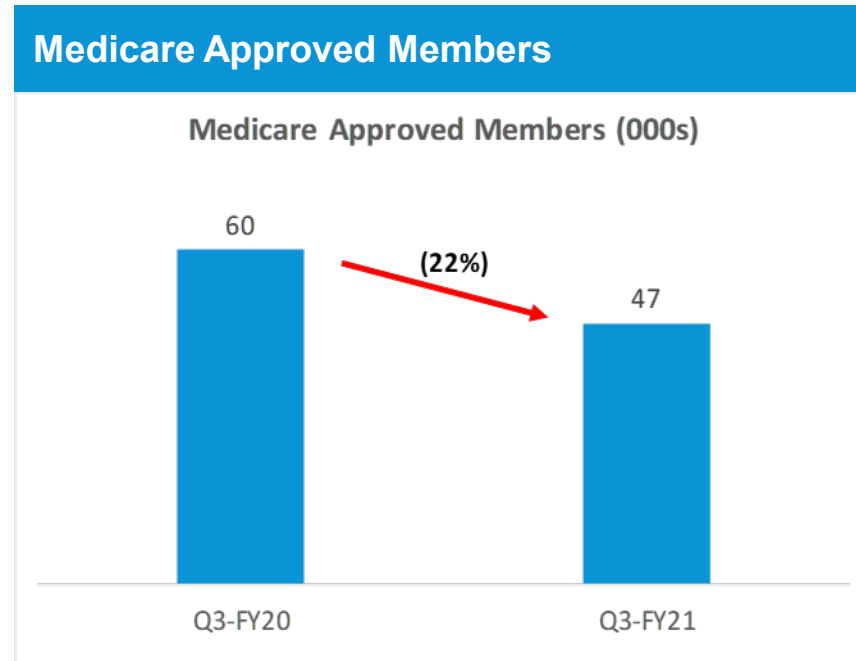


Decline in approved Medicare members during the quarter was partially offset by a 9% increase in Medicare Advantage lifetime values compared to a year ago

# Q3 2021 Medicare Approved Members<sup>(1)</sup> and New Paying Members<sup>(2)</sup>

Total approved Medicare members declined 22% and Medicare Advantage approved members declined 18% year-over-year

Direct TV channel declined to 6% of total MA enrollments offset by a larger contribution from the online and partner channels

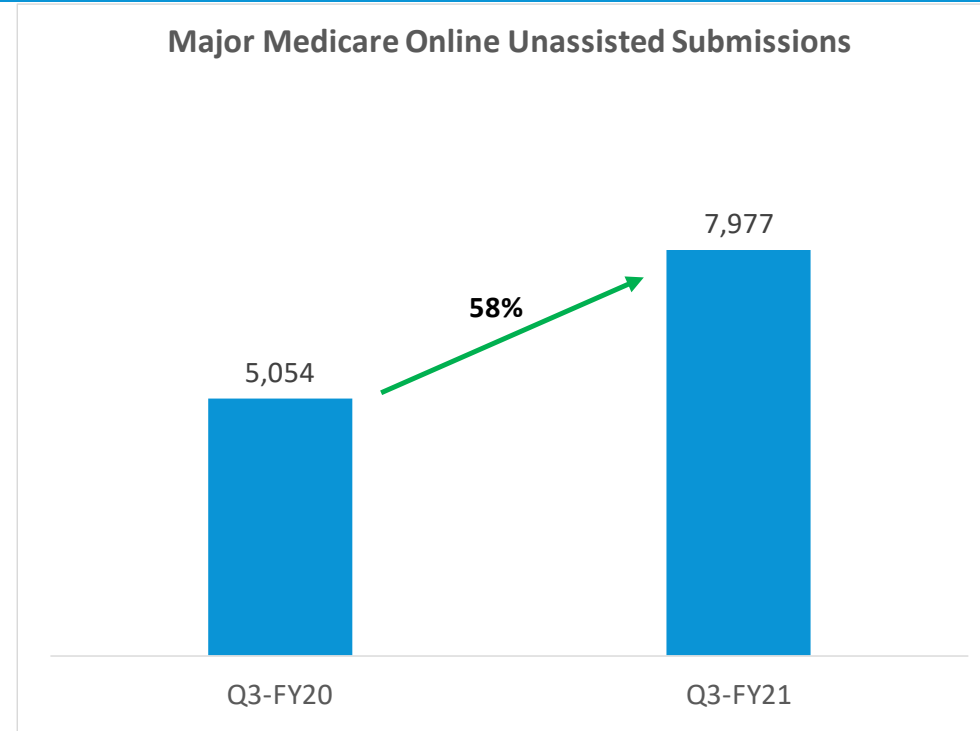


# Q3 2021 Major Medicare Online Applications

Online business continues to generate strong growth. Unassisted online applications for major Medicare <sup>(1)</sup> products grew 58% year-over-year

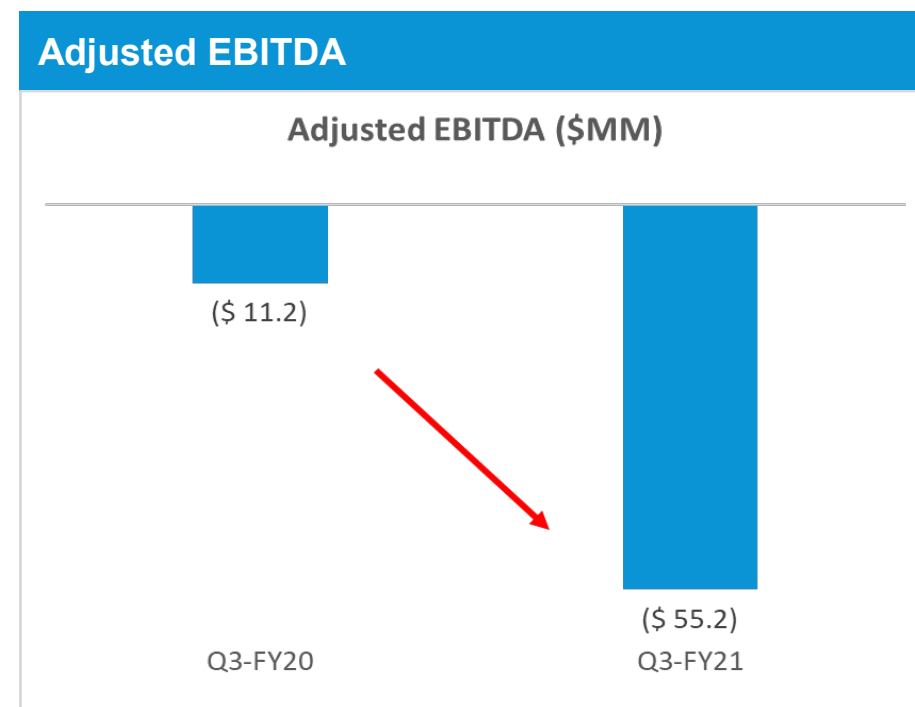
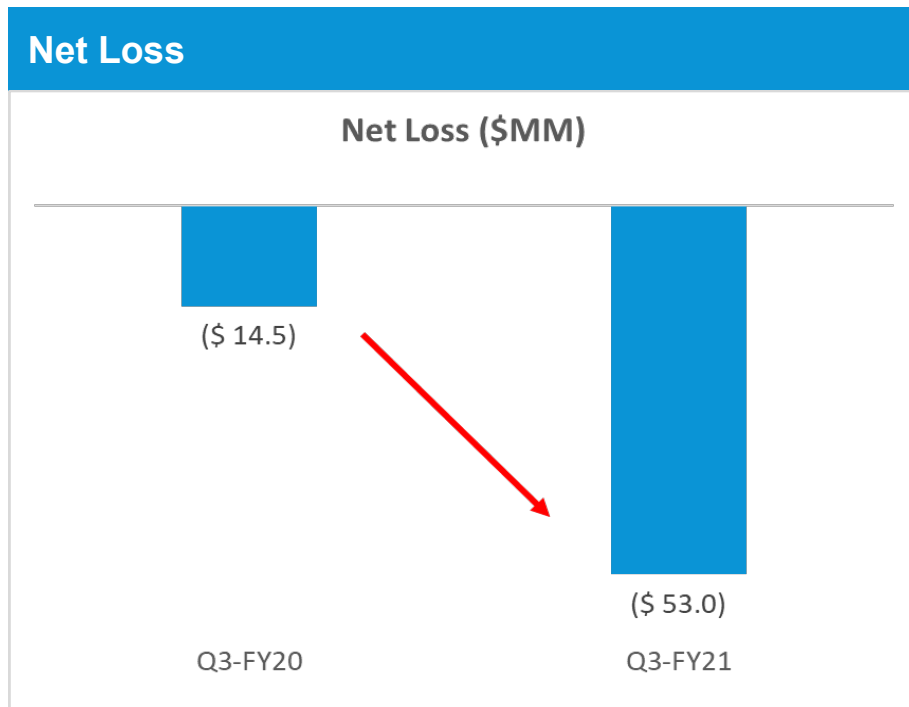
17% of major Medicare submissions were online unassisted for Q3 2021 compared to 9% for Q3 2020

## Major Medicare Online Unassisted Submissions



# Q3 2021 Net Loss and Adj. EBITDA<sup>(1)</sup>

Third quarter 2021 Net Loss and Adjusted EBITDA reflect a significant investment in our internal telesales capacity ahead of the Annual Enrollment Period, lower telephonic conversion rates due to enrollment quality initiatives and a decline in high-margin Medicare advertising revenue

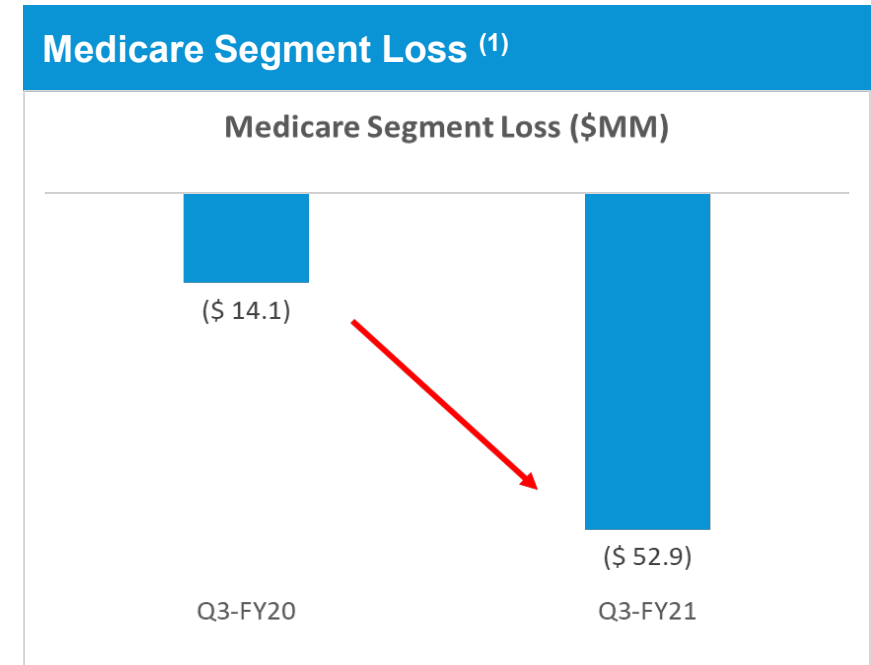
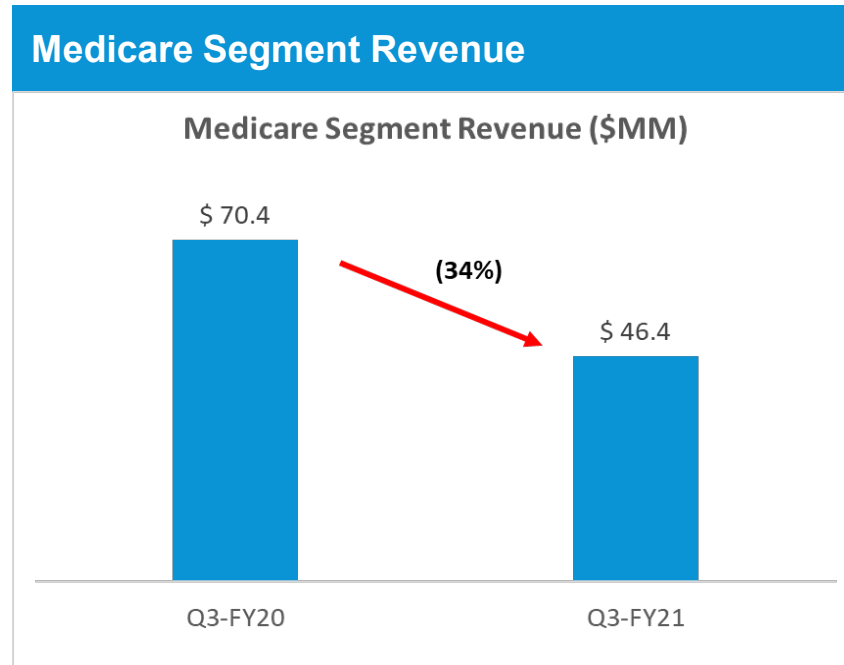




# Q3 2021 Medicare Segment Revenue and Loss

Q3 was an investment quarter as we completed our internal agent ramp and launched initial marketing campaigns in preparation for the AEP

Due to telephonic conversion declines, Medicare segment revenue and loss underperformed expectations

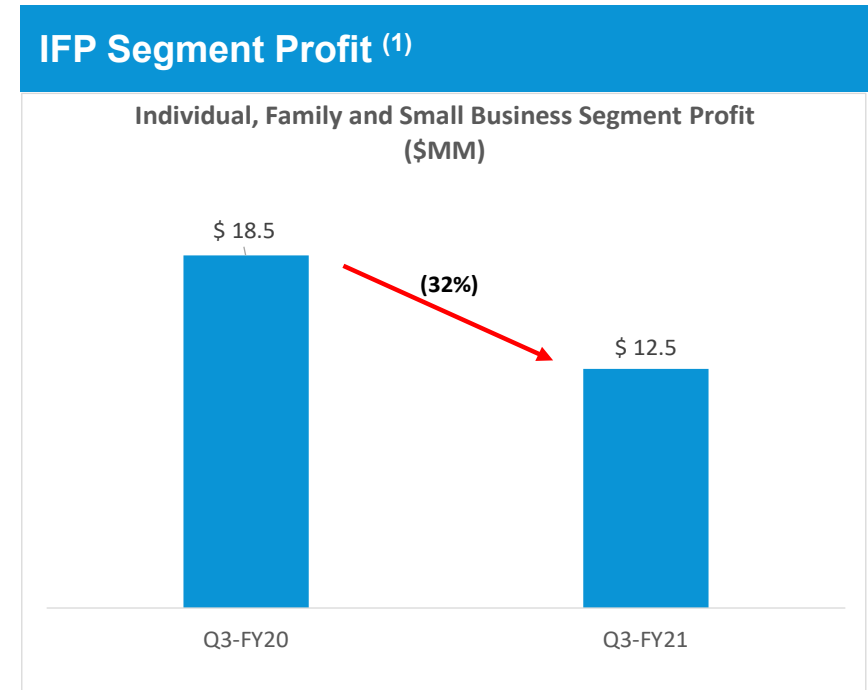
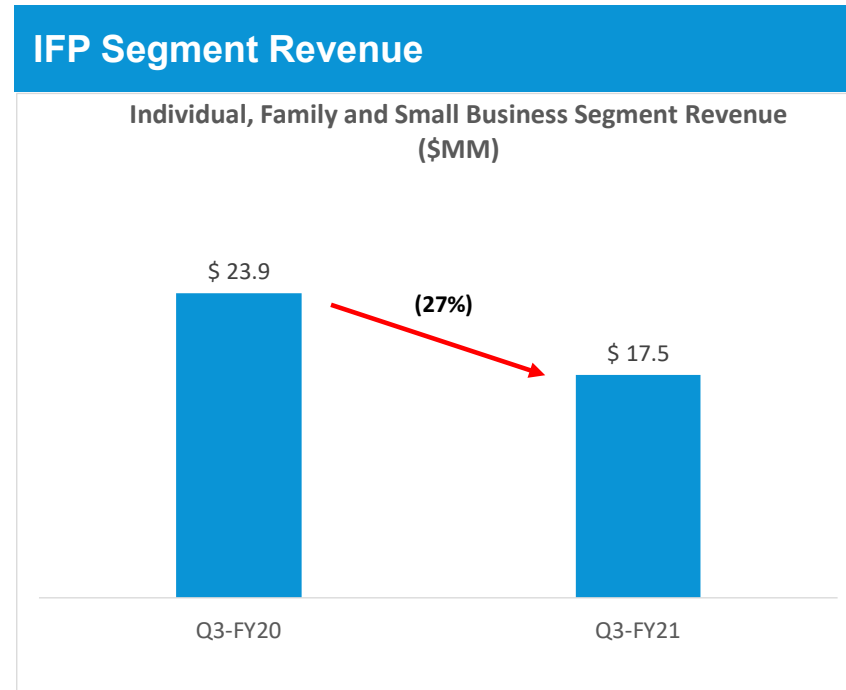


(1) Segment loss is calculated as revenue for the applicable segment less marketing and advertising, customer care and enrollment, technology and content and general and administrative operating expenses, excluding stock-based compensation expense, depreciation and amortization, restructuring and reorganization 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 expense, depreciation and amortization, restructuring and reorganization charges, and amortization of intangible assets, allocated to the applicable segment based on usage.

# Q3 2021 IFP Segment Revenue and Profit

**IFP Revenue and Segment Profit declined compared to Q3 2020 due to lower tail revenue of \$11.6 million compared to \$17.5 million in Q3 of 2020**

**Approved IFP members grew 88% year-over-year accompanied by a double digit increase in LTVs**



(1) 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 expense, depreciation and amortization, restructuring and reorganization 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 expense, depreciation and amortization, restructuring and reorganization charges, and amortization of intangible assets, allocated to the applicable segment based on usage.

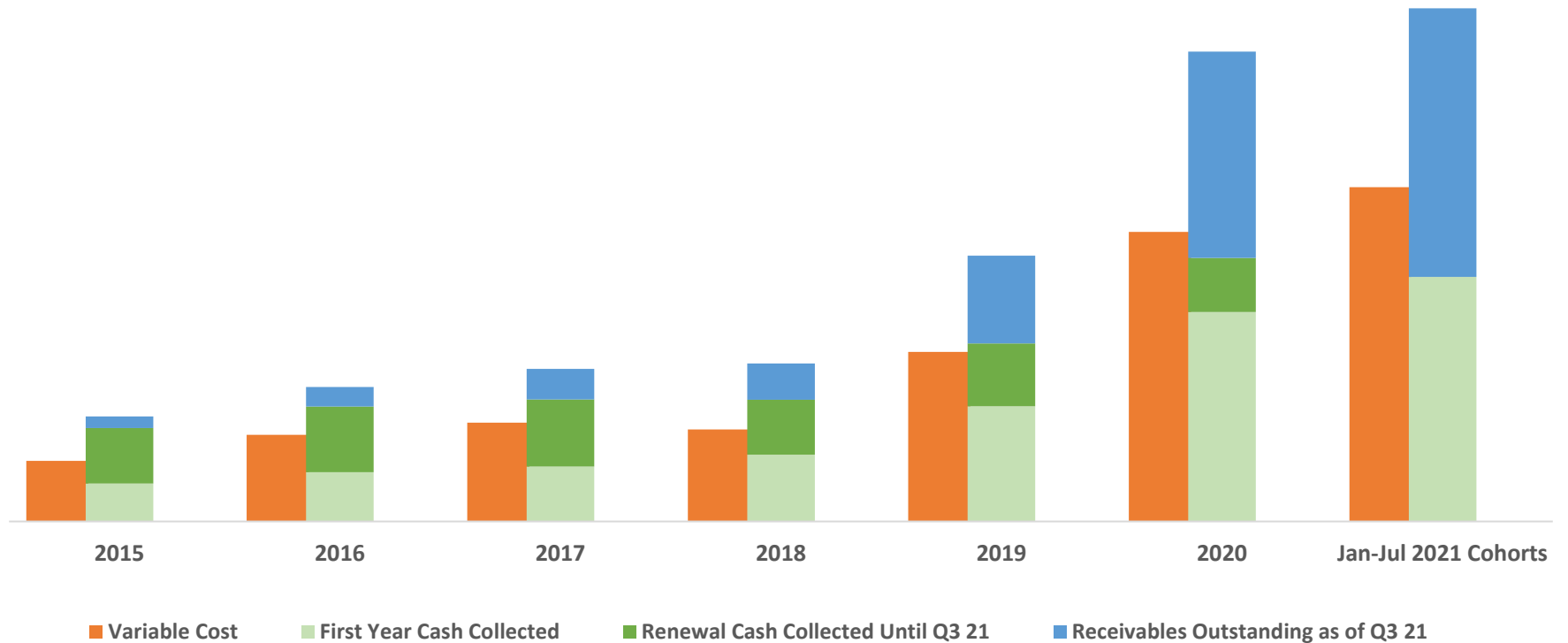
# Medicare Advantage Variable Cost and Cash Collection

Cash collections from our MA cohorts enrolled in 2019 and earlier have exceeded upfront acquisitions costs

These cohorts are now generating positive cash flow as we continue to collect monthly renewal payments

2020 cohorts are nearing cash break-even

Medicare Advantage Variable Cost and Cash Collection

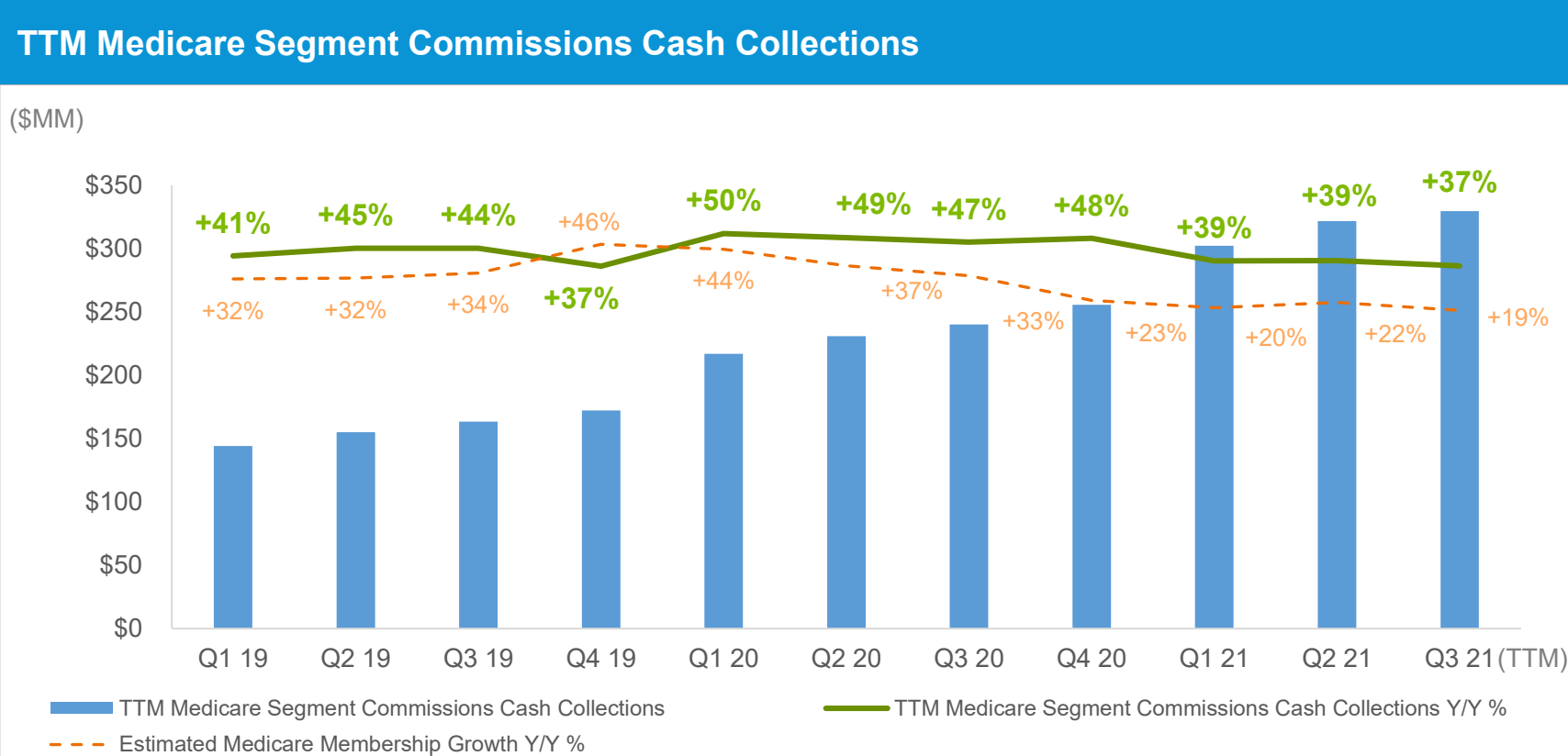


# Trailing Twelve Months (“TTM”) Medicare Segment Commissions Cash Collections

Q3 2021 TTM Medicare Segment commissions cash collections increased by 37% year-over-year

Cash collections continue to outpace membership growth

TTM Medicare Segment commissions cash collections per MA equivalent member<sup>(1)</sup> of \$465 grew 11% year-over-year



(1) MA Equivalent member is calculated as the total number of estimated Medicare Advantage and Medicare Supplement membership and 25% of the estimated Medicare Part D membership during the period presented.

# Medicare Advantage Plan Member Turnover Trend Since Q4 2018

MA	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'10	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21
Approved Members <sup>(1)</sup>	83,376	40,741	36,576	35,171	167,073	64,898	60,477	44,999	217,278	106,884	78,569	36,836
Estimated Beginning (Paying) Membership <sup>(2)</sup>	235,268	276,357	280,763	291,171	309,180	404,694	384,513	407,243	421,237	533,282	538,716	562,905
New Paying Members <sup>(3)</sup>	62,817	49,531	36,122	33,974	116,351	86,299	57,232	44,528	136,857	140,997	77,710	38,193
Estimated Ending (Paying) Membership <sup>(4)</sup>	276,357	280,763	291,171	309,180	404,694	384,513	407,243	421,237	533,282	538,716	562,905	559,235
<b>Medicare Advantage Plan Member Turnover<sup>(5)</sup></b>	<b>21,728</b>	<b>45,125</b>	<b>25,714</b>	<b>15,965</b>	<b>20,837</b>	<b>106,480</b>	<b>34,502</b>	<b>30,534</b>	<b>24,812</b>	<b>135,563</b>	<b>53,521</b>	<b>41,863</b>
Trailing Twelve Month Member Turnover <sup>(6)</sup>	95,065	89,357	102,403	108,532	107,641	168,996	177,783	192,353	196,328	225,411	244,430	255,759

# Medicare Advantage Plan Member Turnover Trend Since Q4 2018 (cont'd)

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- (1) Approved members consist of the number of individuals on submitted applications that were approved by the relevant insurance carrier for the identified product during the period presented. Approved members may not pay for their plan and become paying members.
- (2) Estimated Beginning (Paying) 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.
- (3) New Paying Members consist of approved members from the period presented and any periods prior to the period presented from whom we have received an initial commission payment during the period presented.
- (4) Estimated Ending (Paying) 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.
- (5) Medicare Advantage Plan Member Turnover for the period is derived as follows: Estimated Beginning Membership plus New Paying Members minus Estimated Ending Membership.
- (6) Trailing Twelve Month Member Turnover is the sum of Medicare Advantage Plan Member Turnover for the prior twelve months.

# Operational Initiatives

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## Telesales

- Successfully pivoted to full-time, internal salesforce with internal agents representing over 95% of total compared to 50% at the beginning of last year's AEP
- Introduced major enrollment quality initiatives including an enrollment verification step for telephonic enrollments, enhanced agent scripts and additional agent training
- Migrated to cloud-based call center technology and launched enhanced lead scoring and routing

## Online business

- Upgraded our recommendation engine to further improve the accuracy of personalized plan-matching

## Marketing

- Leveraged data analytics to better forecast ROIs across key demand generation channels and initiatives in real time and opportunistically allocate marketing spend

# 2021 Guidance

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## For the full year ending December 31, 2021, we have updated our financial outlook:

- **Total revenue** is expected to be in the range of \$535.0 million to \$575.0 million compared to prior guidance range of \$660 million to \$700 million.
- **GAAP net loss** is expected to be in the range of \$(43.0) million to \$(63.0) million compared to prior guidance range of GAAP net income of \$42.0 million to \$57.0 million.
- **Adjusted EBITDA** is expected to be in the range of (\$20.0) million to \$0.0 million compared to prior guidance range of \$110.0 million to \$125.0 million.
- **Cash used in operations** is expected to be in the range of \$125.0 million to \$135.0 million compared to prior guidance range of \$85.0 million to \$95.0 million, and cash used for capital expenditures is expected to be in the range of \$21.0 million to \$24.0 million compared to our previous guidance of \$24.0 million to \$27.0 million.
- **Non-GAAP net loss per diluted share** is expected to be in the range of \$(0.45) to \$(1.13) compared to our previous guidance of non-GAAP net income per diluted share of \$2.77 to \$3.26 per share.
- **Medicare segment revenue** is expected to be in the range of \$471.0 million to \$509.0 million compared to prior guidance range of \$601.0 million to \$639.0 million.
- **IFP segment revenue** is expected to be in the range of \$64.0 million to \$66.0 million compared to prior range of \$59.0 million to \$61.0 million.
- **Medicare segment profit (loss)<sup>(1)</sup>** is expected to be in the range of \$(5.0) million to \$16.0 million compared to prior guidance range of \$130.0 million to \$146.0 million.
- **IFP segment profit<sup>(1)</sup>** is expected to be in the range of \$41.0 million to \$43.0 million compared to prior range of \$36.0 million to \$38.0 million.
- **GAAP net loss attributable to common stockholders per diluted share** is expected to be in the range of \$(2.26) to \$(2.99) compared to our previous guidance of GAAP net income attributable to common stockholder of \$0.84 to \$1.39 per share.



# Appendix 1

	Three Months Ended September 30,	
	2021	2020
Net loss attributable to common stockholders	\$ (59,948)	\$ (14,505)
Paid-in-kind dividends for preferred stock	4,561	—
Change in preferred stock redemption value	2,373	—
GAAP net loss	(53,014)	(14,505)
Stock-based compensation expense	5,234	6,332
Depreciation and amortization	4,899	2,995
Amortization of intangible assets	121	287
Restructuring and reorganization charges	573	—
Other (income) expense, net	(189)	101
Benefit from income taxes	(12,834)	(6,443)
Adjusted EBITDA	<u>\$ (55,210)</u>	<u>\$ (11,233)</u>

# Appendix 2

	Full Year 2021 Guidance	
	Low	High
GAAP net loss attributable to common stockholders	\$ (82.0)	\$ (62.0)
Impact from preferred stock	19.0	19.0
GAAP net loss	(63.0)	(43.0)
Stock-based compensation expense	36.0	34.0
Depreciation and amortization	17.5	16.5
Restructuring and reorganization charges	4.9	4.9
Amortization of intangible assets	0.7	0.7
Other income, net	(0.5)	(1.5)
Benefit from income taxes	(15.6)	(11.6)
Adjusted EBITDA	\$ (20.00)	\$ —