

# Q2 2021 Financial Results

Conference Call Slides

eHealth<sup>®</sup>



July 29, 2021

# 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 and member turnover rate; our estimated memberships; our annual enrollment opportunity; and our 2021 annual guidance for total revenue, revenue from our Medicare segment and our Individual, Family and Small Business segment, GAAP net income, adjusted EBITDA, profit from our Medicare segment and our Individual, Family and Small Business segment, cash used in operations, cash used for capital expenditures, corporate shared service expenses, GAAP net income attributable to common stockholders per diluted share and non-GAAP net income 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 Q2 2021 Highlights

**Medicare Advantage enrollment growth exceeded our expectations**

**Strong performance in our IFP business**

**Significant investment in scaling our internal Medicare agent force ahead of the AEP**



Q2 2021 revenue grew 9% to \$96.6MM compared to Q2 2020; Q2 2021 GAAP net loss of \$(18.4)MM



Adjusted EBITDA<sup>(1)</sup> loss of (\$13.0)MM, ahead of our expectations given earlier agent ramp



Total Medicare approved members grew by 19% year-over-year and Medicare Advantage approved members grew 30%



Estimated total commission generating Medicare membership of 877K grew 22%

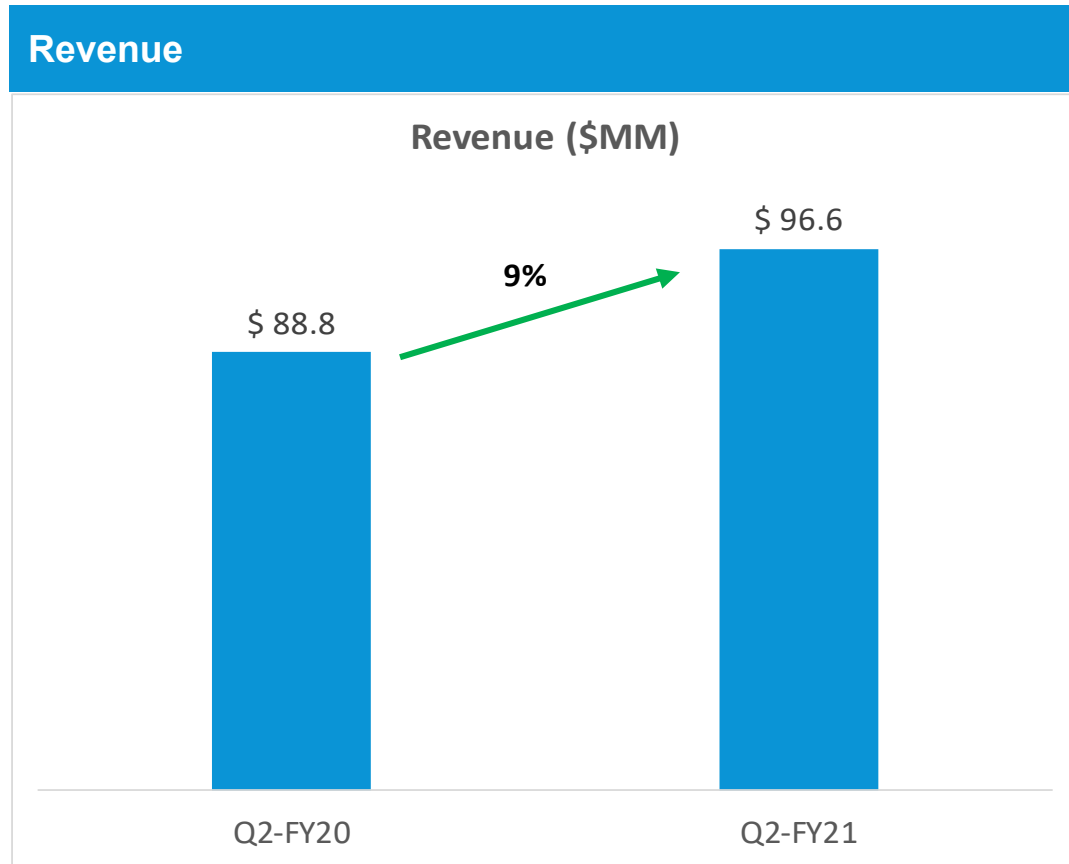


38% of Medicare major medical applications submitted online, compared to 30% in Q2 2020<sup>(2)</sup>

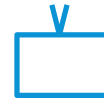


Continued growth in cash collections per member driven by higher commission rates and larger base of new-to-Medicare Advantage enrollees

# Q2 2021 Revenue



Continue to **achieve strong year-over-year growth** in new Medicare enrollments despite the tough comparison with the COVID-related Special Enrollment Period that occurred in Q2 2020



Positive impact from strong enrollment growth partially offset by a decline in Medicare LTVs in line with our expectations and negative adjustment revenue compared to Q2 2020

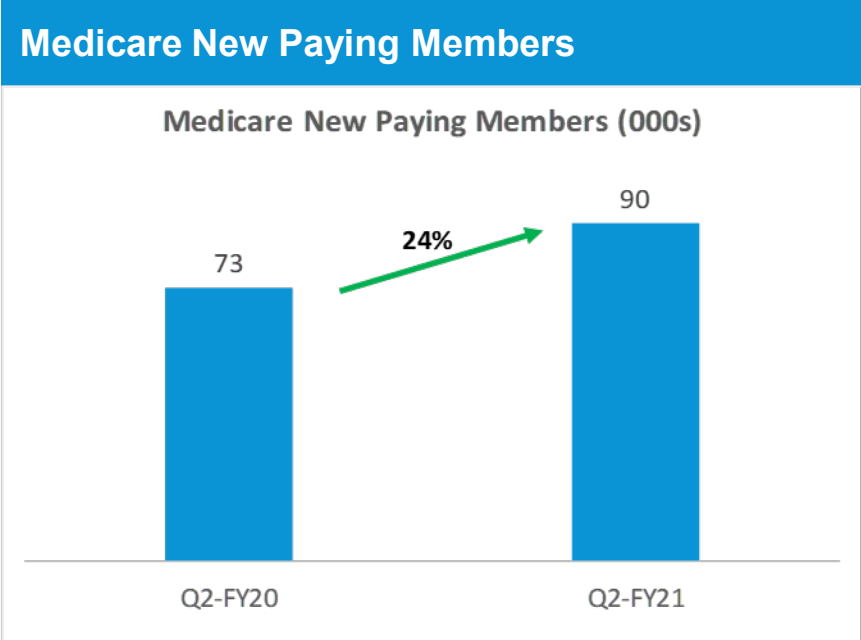
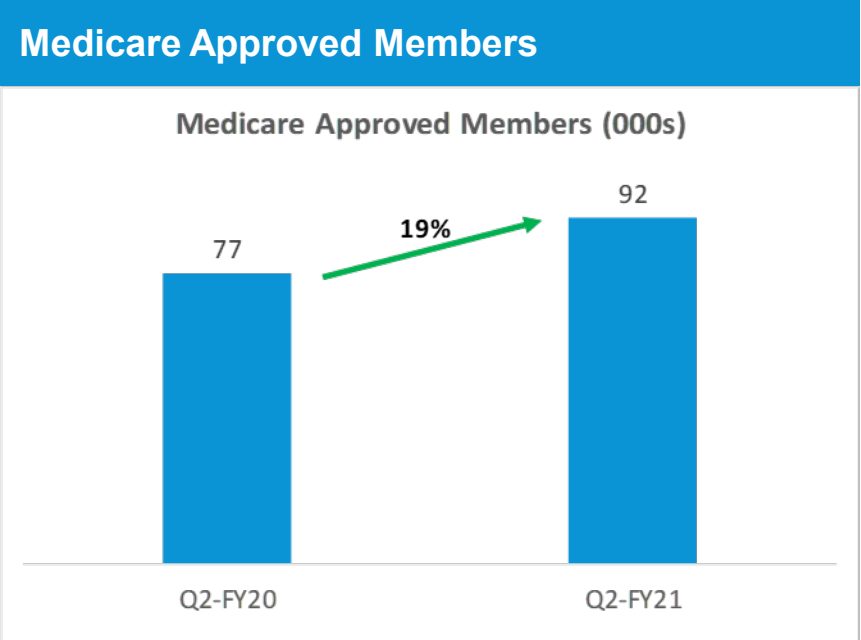


**Significant growth in our IFP revenue** driven by a combination of new enrollment growth and lower than expected churn of existing IFP members

# Q2 2021 Medicare Approved Members<sup>(1)</sup> and New Paying Members<sup>(2)</sup>

19% growth in approved Medicare members was driven primarily by a 30% increase in Medicare Advantage enrollments

Our estimated number of revenue generating Medicare members was approximately 877K at the end of the second quarter, an increase of 22% year-over-year



(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) 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.

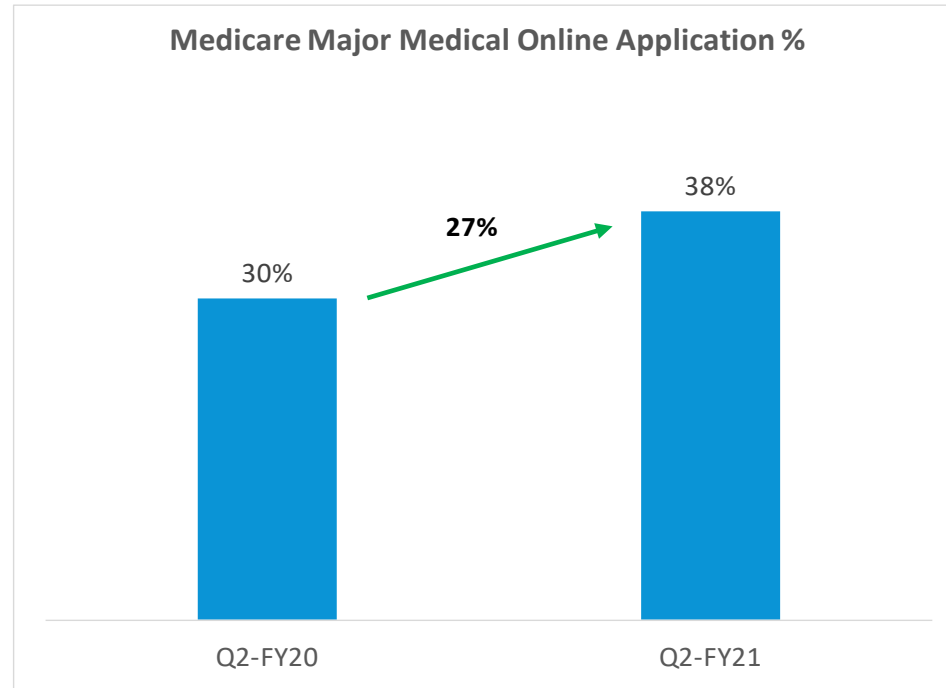
# Q2 2021 Medicare Major Medical Online Application<sup>(1)</sup>



Achieved online penetration for Q2 2021 of 38%, compared to 30% for Q2 2020

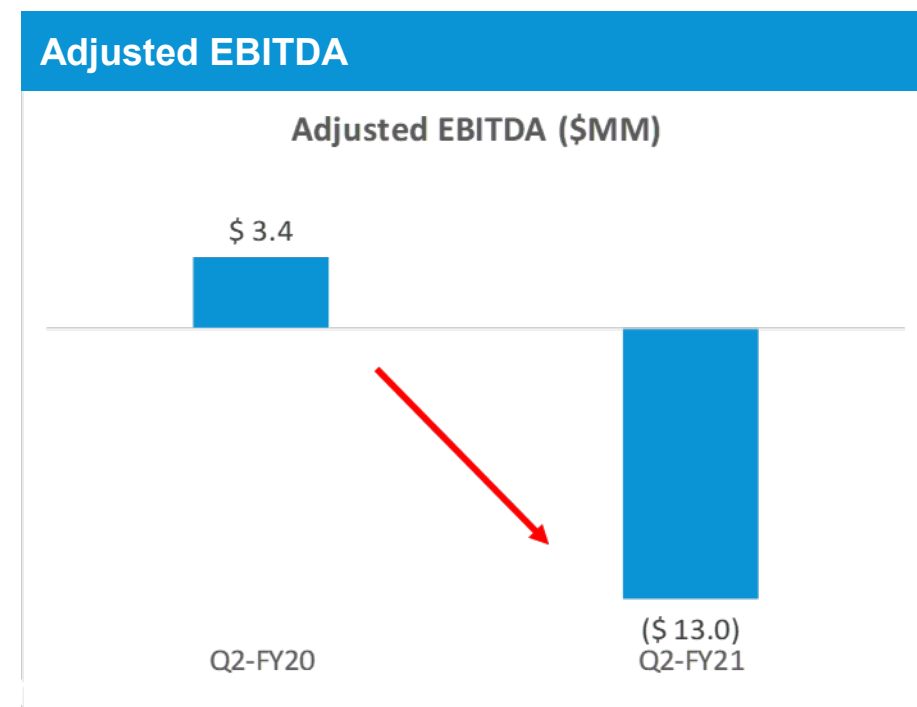
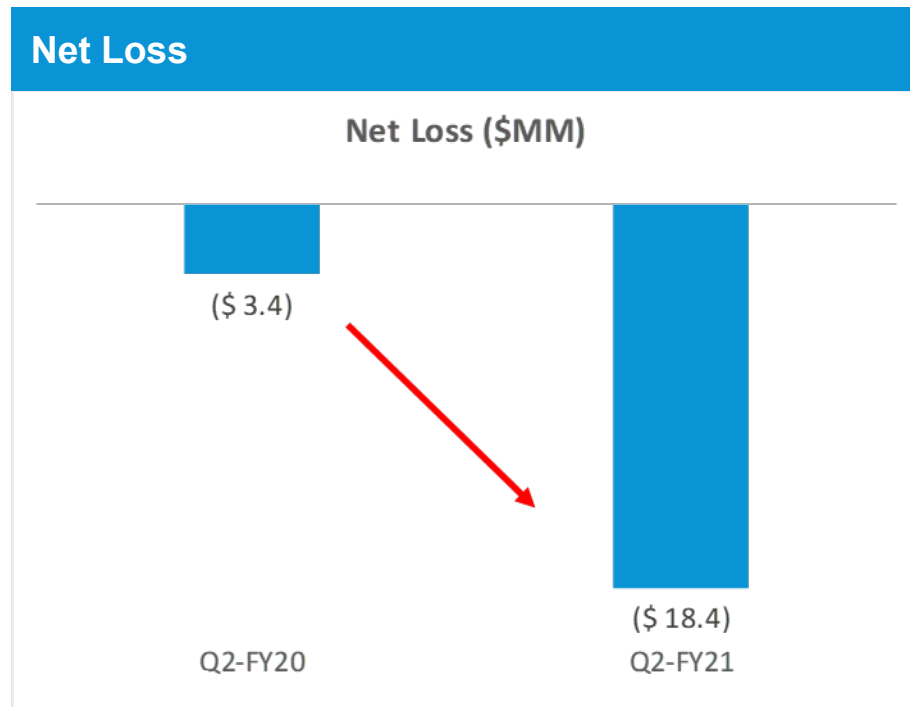
Fully unassisted online applications for Medicare major medical products grew 80%

## Medicare Major Medical Online Application %



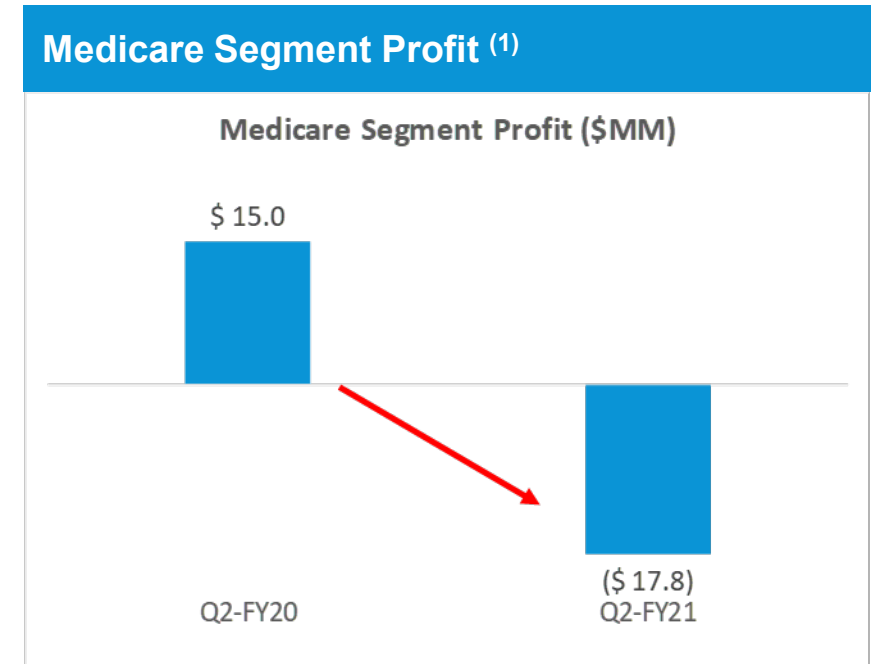
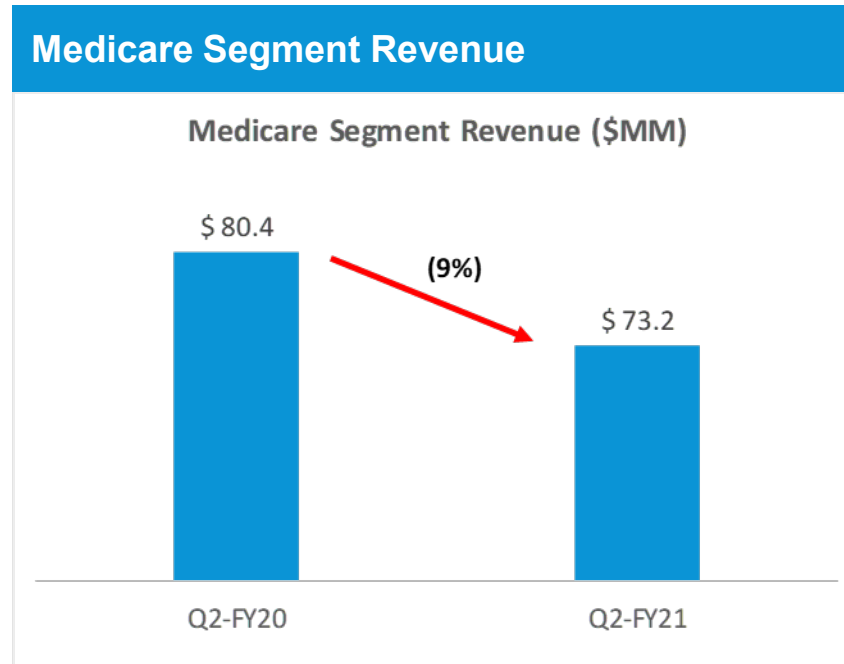
# Q2 2021 Net Loss and Adj. EBITDA<sup>(1)</sup>

Second quarter 2021 Net Loss and Adjusted EBITDA reflect a significant investment in our Medicare telesales capacity ahead of the Annual Enrollment Period including a significant shift to internal agent force and an earlier hiring ramp compared to 2020



# Q2 2021 Medicare Segment Revenue and Profit

Strong MA enrollment volume growth offset by negative adjustment revenue in the Medicare Segment vs Q2 2020 as well as significant investment in telesales due to our early internal agent ramp

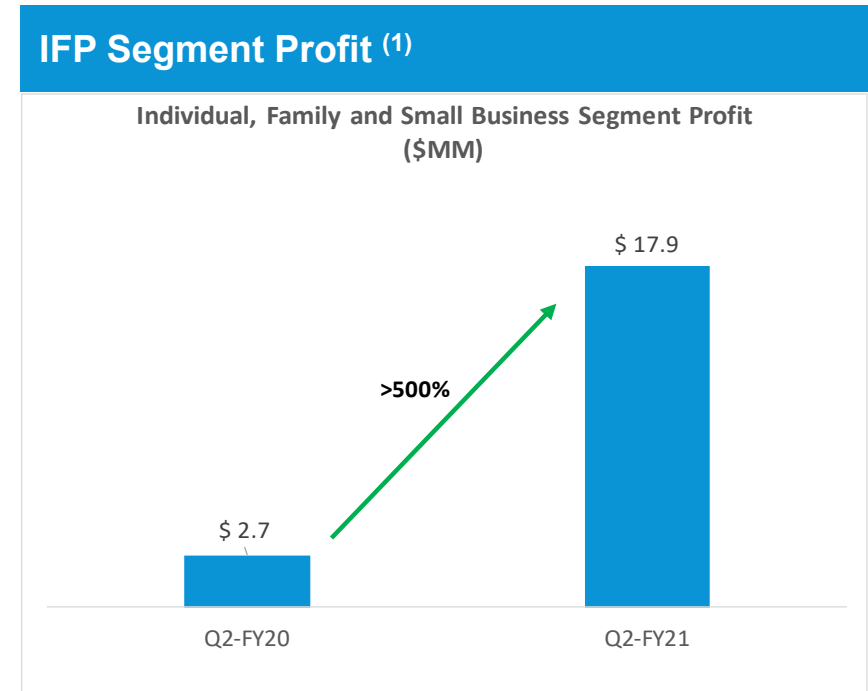
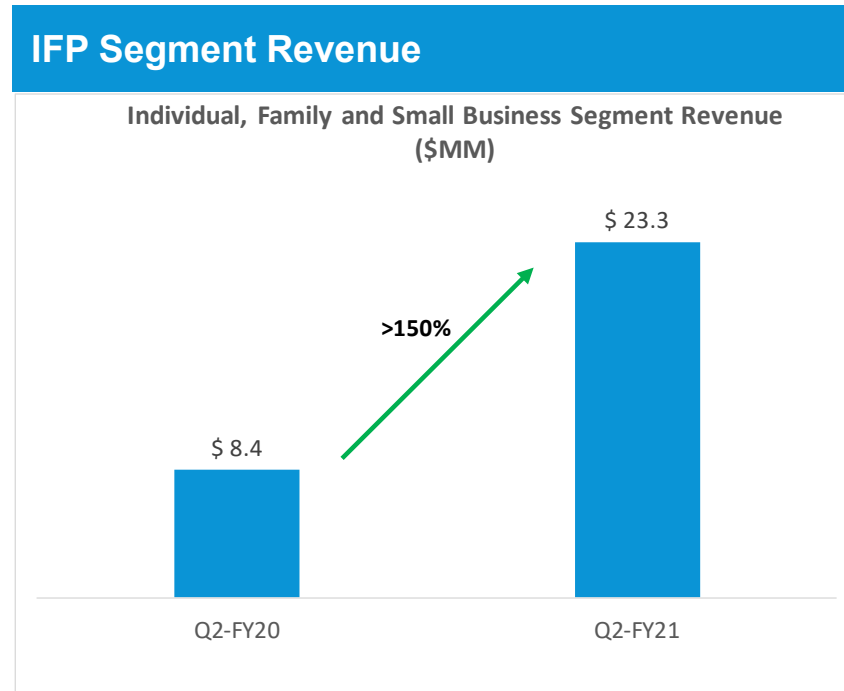


(1) Segment profit is calculated as revenue for the applicable segment less marketing and advertising, customer care and enrollment, technology and content and general and administrative operating expenses, excluding stock-based compensation expense, depreciation and amortization, restructuring charges,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



# Q2 2021 IFP Segment Revenue and Profit

**IFP Revenue and Segment Profit growth driven by a combination of strong new enrollments and a continuing increase in persistency of our existing book of business**



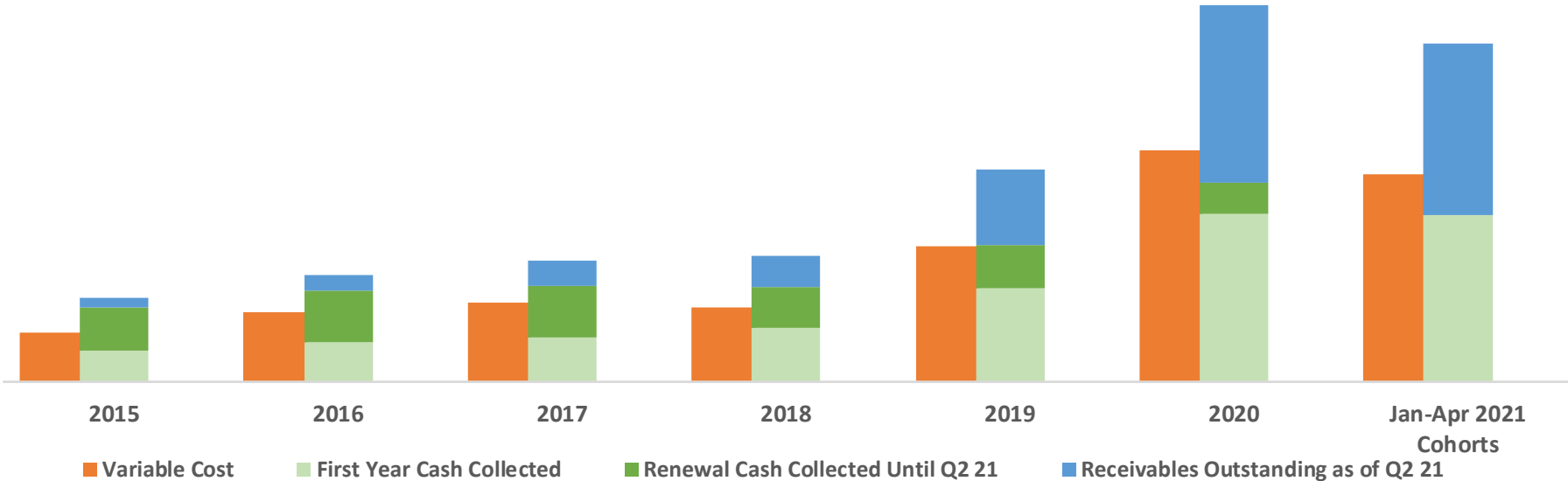
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# Medicare Advantage Variable Cost and Cash Collection

2019 MA cohorts have now achieved break even on the basis of upfront acquisition cost compared to cash collections generated by the cohort to date

The 2019 MA cohorts will be generating positive cash flow going forward as we continue to collect monthly renewal payments

Medicare Advantage Variable Cost and Cash Collection

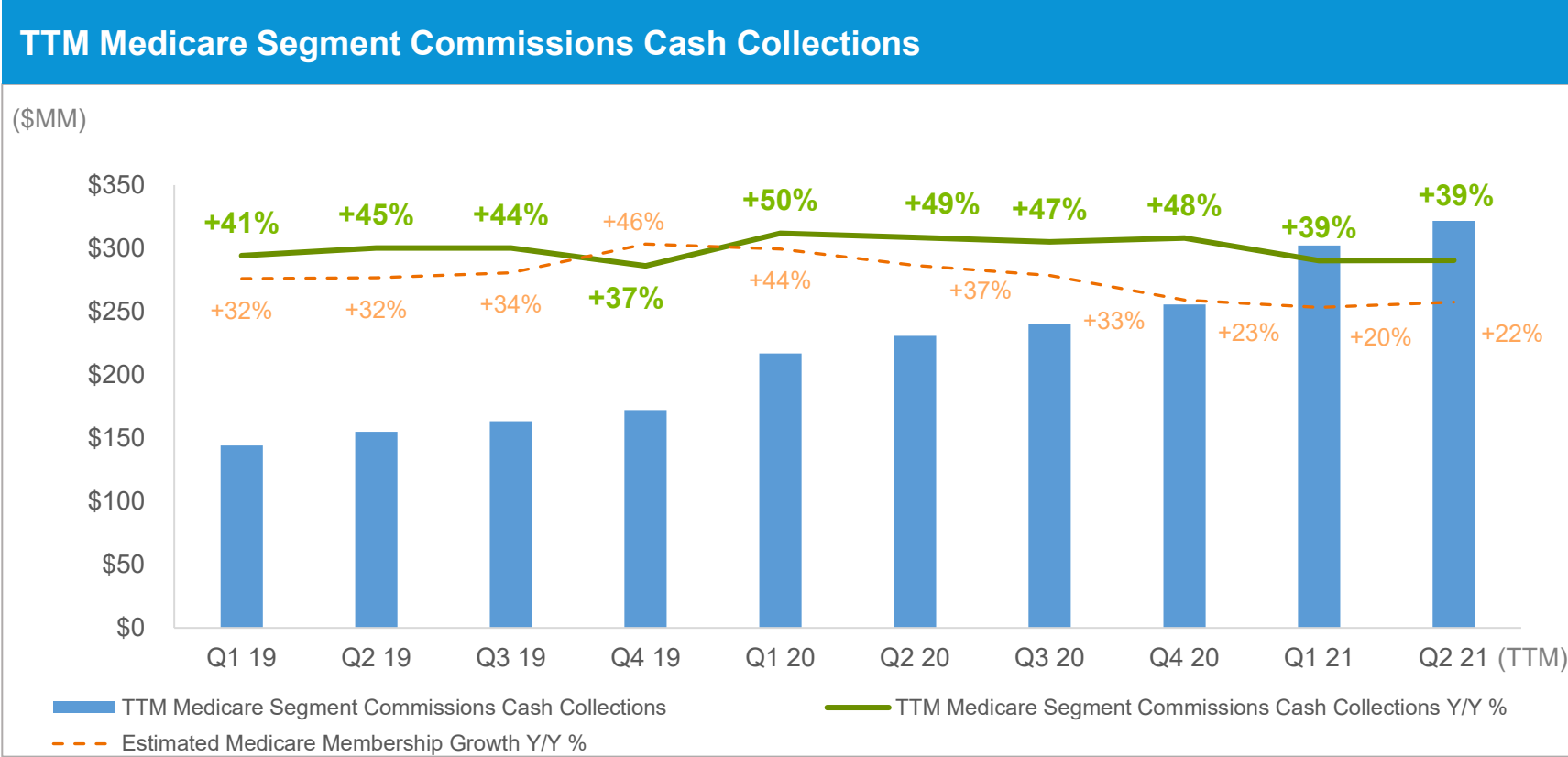


# Trailing Twelve Months (“TTM”) Medicare Segment Commissions Cash Collections

Q2 2021 TTM Medicare Segment commissions cash collections increased by 39% year-over-year

Cash collections continue to outpace membership growth

TTM Medicare Segment commissions cash collections per MA equivalent member<sup>(1)</sup> of \$450 grew 8% 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 20	Q3 20	Q4 20	Q1 21	Q2 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
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
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
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
<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>
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	244,431
Average Trailing Twelve Month Estimated Membership Plus New Paying Members <sup>(7)</sup>	262,856	276,948	296,490	316,501	348,362	389,638	420,853	452,510	485,651	531,472	575,143
<b>Trailing Twelve Month Member Turnover Rate<sup>(8)</sup></b>	<b>36%</b>	<b>32%</b>	<b>35%</b>	<b>34%</b>	<b>31%</b>	<b>43%</b>	<b>42%</b>	<b>43%</b>	<b>40%</b>	<b>42%</b>	<b>42%</b>

# 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.
- (7) 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.
- (8) Trailing Twelve Month Member Turnover Rate is Trailing Twelve Month Turnover divided by Average Trailing Twelve Month Estimated Membership Plus New Paying Members.

# 2021 Guidance

For the full year ending December 31, 2021, we are reaffirming our annual guidance on a consolidated basis, including revenue, GAAP Net Income, adjusted EBITDA, Non-GAAP net income per diluted share, corporate shared expenses, cash used in operations and cash used for capital expenditures.

- **Total revenue** is expected to be in the range of \$660 million to \$700 million.
- **GAAP net income** is expected to be in the range of \$42 million to \$57 million.
- **Adjusted EBITDA** is expected to be in the range of \$110 million to \$125 million.
- **Cash used in operations** is expected to be in the range of \$85 million to \$95 million, and cash used for capital expenditures is expected to be in the range of \$24 million to \$27 million.
- **Corporate shared service expenses<sup>(1)</sup>**, excluding stock-based compensation and depreciation and amortization expense, is expected to be in the range of \$56.0 million to \$59.0 million.
- **Non-GAAP net income per diluted share** is expected to be in the range of \$2.77 to \$3.26 per share.

We are adjusting our segment level guidance for 2021. Our guidance for GAAP net income per diluted share was also adjusted to reflect the impact from the HIG investment.

- **Medicare segment revenue** is expected to be in the range of \$601 to \$639 million compared to prior guidance range of \$621 to \$659 million.
- **IFP segment revenue** is expected to be in the range of \$59 to \$61 million compared to prior range of \$39 to \$41 million.
- **Medicare segment profit<sup>(2)</sup>** is expected to be in the range of \$130 to \$146 million compared to prior guidance range of \$147 to \$164 million.
- **IFP segment profit<sup>(2)</sup>** is expected to be in the range of \$36 to \$38 million compared to prior range of \$19 to \$20 million.
- **GAAP net income attributable to common stockholders per diluted share** is expected to be in the range of \$0.84 to \$1.39 per share, which reflects impacts related to the private placement with H.I.G Capital. Prior to closing the private placement with H.I.G. Capital, we previously guided to GAAP net income per diluted share of \$1.53 to \$2.08 per share.

(1) 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.

(2) 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 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 charges, and amortization of intangible assets, allocated to the applicable segment based on usage.

# Appendix 1

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	Three Months Ended June 30,	
	2021	2020
Net loss attributable to common stockholders	\$ (22,889)	\$ (3,370)
Paid-in-kind dividends for preferred stock	3,083	—
Change in preferred stock redemption value	1,397	—
GAAP net loss	(18,409)	(3,370)
Stock-based compensation expense	8,245	6,676
Change in fair value of earnout liability	—	—
Depreciation and amortization	3,997	2,592
Amortization of intangible assets	119	373
Restructuring charges	—	—
Acquisition costs	—	—
Other income, net	(172)	(452)
Benefits from income taxes	(6,752)	(2,432)
Adjusted EBITDA	\$ (12,972)	\$ 3,387

# Appendix 2

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	Full Year 2021 Guidance	
	Low	High
GAAP net income attributable to common stockholders	23.0	38.0
Impact from preferred stock	19.0	19.0
GAAP net income	42.0	57.0
Stock-based compensation expense	39.0	37.0
Depreciation and amortization	15.5	14.5
Restructuring charges	2.1	2.1
Amortization of intangible assets	1.5	1.5
Other income, net	(1.5)	(2.5)
Provision for income taxes	11.4	15.4
Adjusted EBITDA	<u>\$ 110.00</u>	<u>\$ 125.00</u>