

# Benefitfocus Investor Presentation

First Quarter 2021

**Benefitfocus** for *life*<sup>™</sup>

## Non-GAAP Financial Measures

- The company uses certain non-GAAP financial measures in this presentation, including non-GAAP gross profit, operating income/loss, net loss/income, net loss/income per common share, adjusted EBITDA and free cash flow. Generally, a non-GAAP financial measure is a numerical measure of a company's performance or financial position that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP.
- Non-GAAP gross profit, operating income/loss, net loss/income and net loss/income per common share exclude stock-based compensation expenses, amortization of acquisition-related intangible assets, transaction and acquisition-related costs expensed, restructuring charges, expense related to the impairment of goodwill, intangible assets and long-lived assets, gain or loss on extinguishment of debt, and costs not core to our business. We define adjusted EBITDA as net loss before net interest, taxes, and depreciation and amortization expense, adjusted to eliminate stock-based compensation expense, expense related to the impairment of goodwill, intangible assets and long-lived assets, transaction and acquisition-related costs expensed, restructuring charges, gain or loss on extinguishment of debt, and costs not core to our business. We define free cash flow as cash used in operating activities less capital expenditures, adjusted to eliminate restructuring charges. Please note that other companies might define their non-GAAP financial measures differently than we do.
- Management presents these non-GAAP financial measures in this release because it considers them to be important supplemental measures of performance. Management uses these non-GAAP financial measures for planning purposes, including analysis of the company's performance against prior periods, the preparation of operating budgets and to determine appropriate levels of operating and capital investments. Management believes that these non-GAAP financial measures provide additional insight for analysts and investors in evaluating the company's financial and operational performance. Management also intends to provide these non-GAAP financial measures as part of the company's future earnings discussions and, therefore, their inclusion should provide consistency in the company's financial reporting.
- Non-GAAP financial measures have limitations as an analytical tool. Investors are encouraged to review the reconciliation of the non-GAAP measures to their most directly comparable GAAP measures provided in this presentation, including in the accompanying tables.

## Safe Harbor Statement

- Except for historical information, all of the statements, expectations, and assumptions contained in this presentation are forward-looking statements. Actual results might differ materially from those explicit or implicit in the forward-looking statements. Important factors that could cause actual results to differ materially include: volatility and uncertainty in the global economy and financial markets in light of the evolving COVID-19 pandemics; our continuing losses and need to achieve GAAP profitability; fluctuations in our financial results; our ability to maintain our culture, retain and motivate qualified personnel; immature and volatile market for our products and services; risks related to changing healthcare and other applicable regulations; risks associated with acquisitions; cyber-security risks; the need to innovate and provide useful products and services; our ability to compete effectively; privacy, security and other risks associated with our business; and the other risk factors set forth from time to time in our SEC filings, copies of which are available free of charge within the Investor Relations section of the Benefitfocus website at <http://investor.benefitfocus.com/sec-filings> or upon request from our Investor Relations Department. Benefitfocus assumes no obligation and does not intend to update these forward-looking statements, except as required by law.

## Important Additional Information and Where to Find It

- The company intends to file a proxy statement on Schedule 14A, an accompanying **WHITE** proxy card and other relevant documents with the SEC in connection with such solicitation of proxies from the company's stockholders for the company's 2021 annual meeting of stockholders. **STOCKHOLDERS OF THE COMPANY ARE STRONGLY ENCOURAGED TO READ THE COMPANY'S DEFINITIVE PROXY STATEMENT (INCLUDING ANY AMENDMENTS OR SUPPLEMENTS THERETO) AND ALL OTHER DOCUMENTS FILED WITH THE SEC CAREFULLY AND IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION.** Investors and stockholders may obtain a copy of the definitive proxy statement, an accompanying **WHITE** proxy card, any amendments or supplements to the definitive proxy statement and other documents filed by the company with the SEC at no charge at the SEC's website at [www.sec.gov](http://www.sec.gov). Copies will also be available at no charge in the Investor Relations section of the Benefitfocus website at <https://investor.benefitfocus.com/sec-filings> or by contacting the company's Investor Relations department at [ir@benefitfocus.com](mailto:ir@benefitfocus.com), as soon as reasonably practicable after such materials are electronically filed with, or furnished to, the SEC.

## Certain Information Regarding Participants to the Solicitation

- The company, its directors and certain of its executive officers are participants in the solicitation of proxies from the company's stockholders in connection with matters to be considered at the company's 2021 annual meeting of stockholders. Information regarding the direct and indirect interests, by security holdings or otherwise, of the company's directors and executive officers in the company is included in the company's Proxy Statement on Schedule 14A for its 2020 annual meeting of stockholders, filed with the SEC on April 29, 2020, the company's Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on March 10, 2021, the company's Amendment No. 1 to the company's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2020, filed with the SEC on April 30, 2021 and in the company's Current Reports on Form 8-K filed with the SEC from time to time. Changes to the direct or indirect interests of the company's directors and executive officers are set forth in SEC filings on Initial Statements of Beneficial Ownership on Form 3 or Statements of Change in Ownership on Form 4. These documents are available free of charge as described above. Updated information regarding the identities of potential participants and their direct or indirect interests, by security holdings or otherwise, in the company will be set forth in the company's Proxy Statement for its 2021 annual meeting of stockholders and other relevant documents to be filed with the SEC, if and when they become available.

# Our mission is to improve lives with benefits.

Benefitfocus is one of the largest benefits platforms in the U.S. enabling benefits enrollment and data exchange for Health Plans and Employers

**Benefitfocus** for *life*<sup>™</sup>

# Investment Themes



One of the largest benefits platforms in the U.S. and massive, growing market



Delivering value to Health Plan and Employer markets



Diversified recurring revenue, improving operating leverage and disciplined capital strategy



Executing growth strategy and enhancing ESG to unlock shareholder value

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# Vast Opportunity

**\$3.8T**

Health care spend, ~20% of GDP

**\$20K**

Annual premium for employer family plan, rising each year

**8x**

Increase in deductibles vs. wages

**Zero**

Consumer personalization

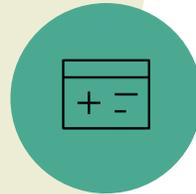
Sources: \$3.8T per cms.gov (2019), \$20K and 8x per kff.org (2019)

# Attractive Value Proposition



## Health Plans

Lower operational costs, higher member satisfaction and digital transformation



## Employers

Lower health care costs, reduced complexity and higher employee retention



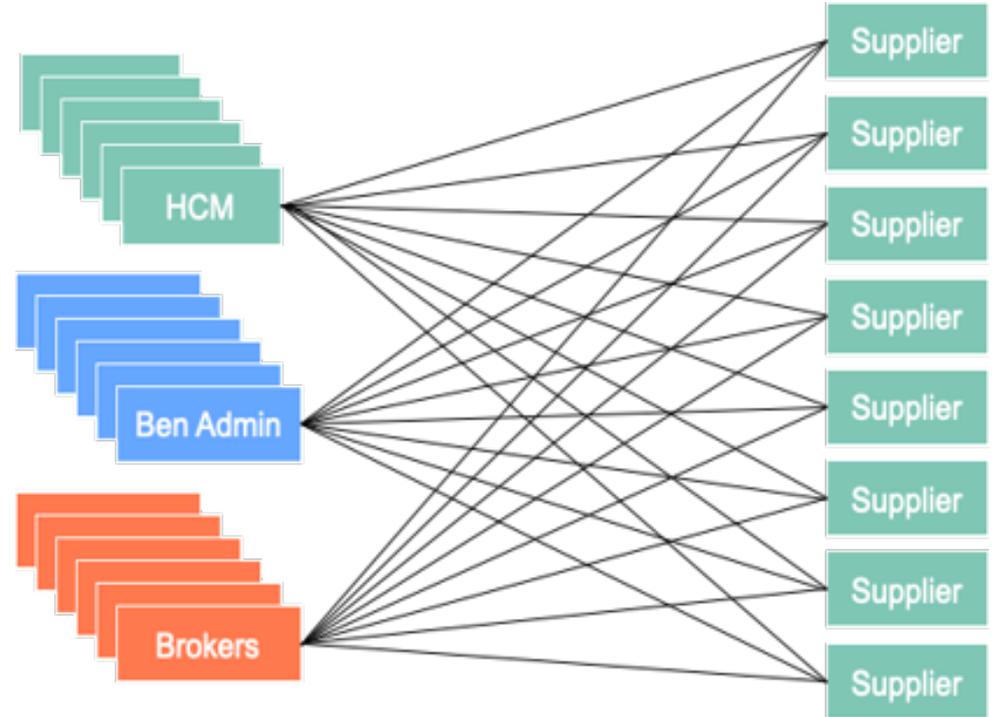
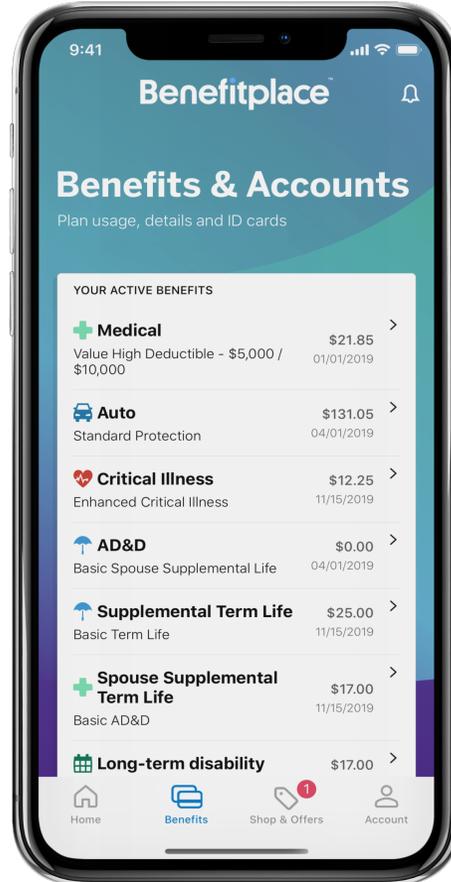
## Employees and Health Plan Members

Valuable, affordable and personalized benefits

# Benefits Enrollment for Health Plans and Employers

Solving complex benefits administration problems with a modern user interface

- HCM
- Payroll
- Benefits



# One of the Largest Benefits Platforms in the U.S.

*1 in 12 Americans on the  
Benefitfocus Platform*

**\$59B**

total premium  
sold

**~\$1B**

Benefit Catalog  
premium sold

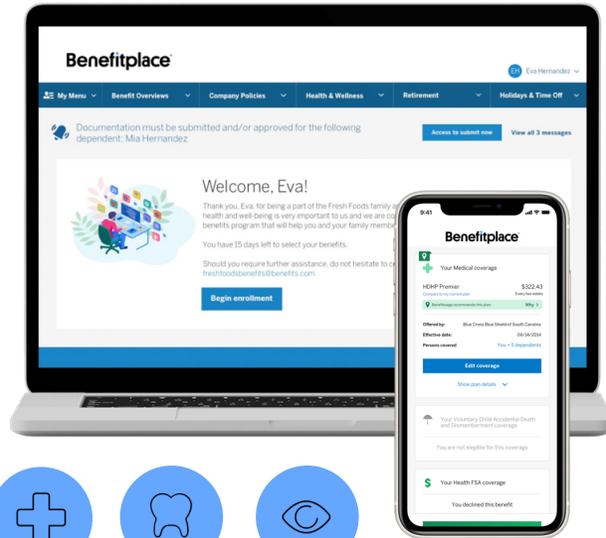
**25M+**

Lives

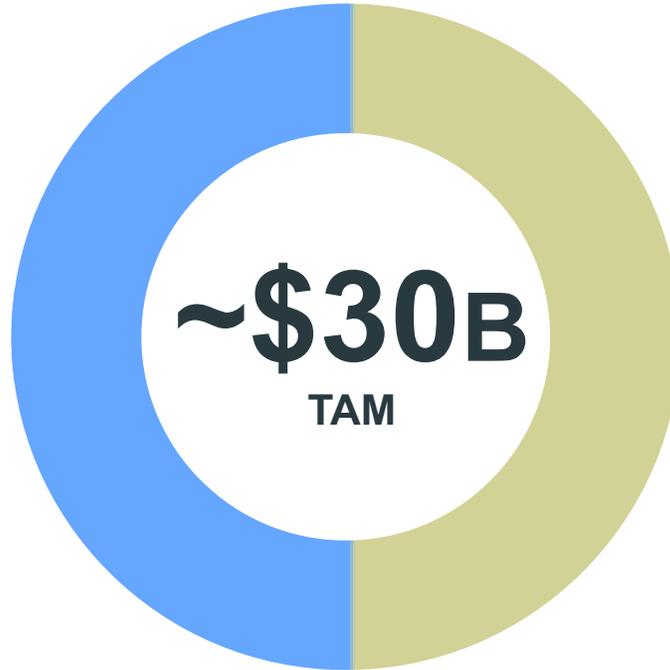
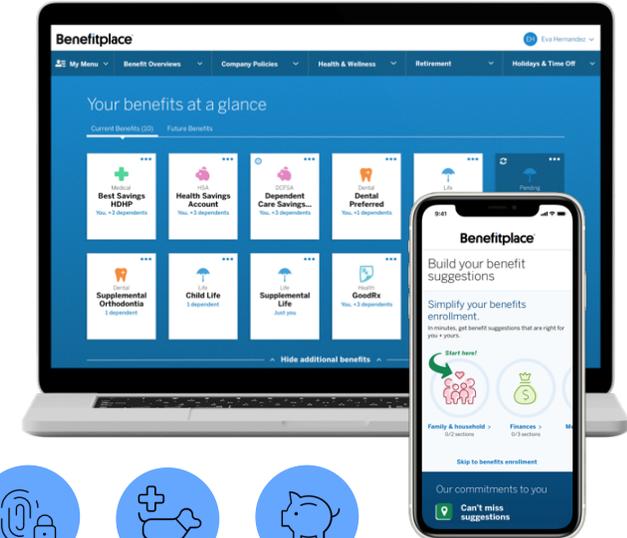
Source: Benefitfocus; numbers are approximate and estimated as of December 31, 2020

# Massive TAM with Significant Opportunity

## Software as a Service



## Platform



Source: Benefitfocus as of December 31, 2019

# Investment Themes



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Delivering value to Health Plan and Employer markets

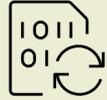


Diversified recurring revenue, improving operating leverage and disciplined capital strategy



Executing growth strategy and enhancing ESG to unlock shareholder value

# Competitive Differentiation



Market leading data transfer capabilities



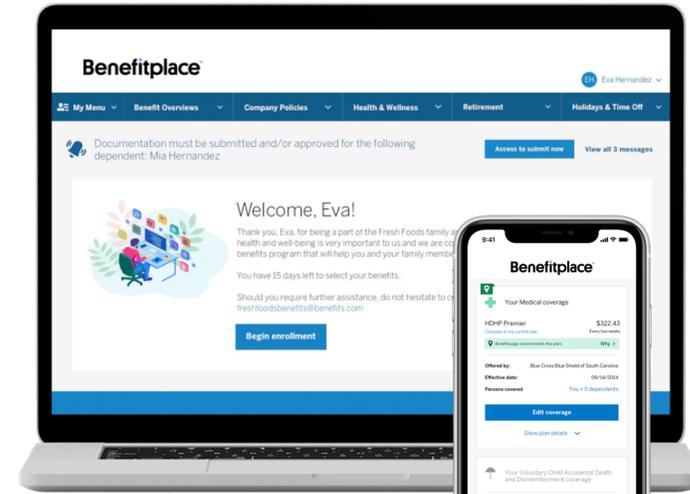
AI-powered platform



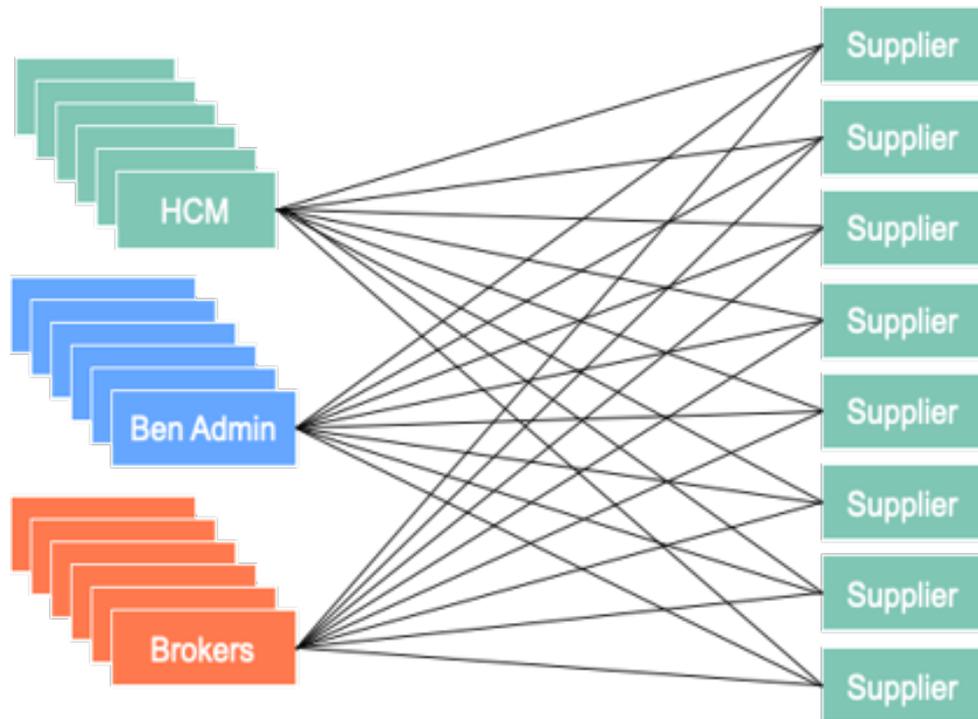
Vast and unique data assets



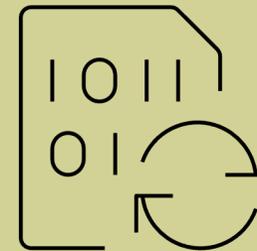
Industry leading voluntary benefit products



# Market Leading Data Transfer Capabilities



**Industry Leading  
First Pass Yield**



# AI-powered Platform: Benefitsaige is the AI that Delivers Insights across our Ecosystem

**Benefitsaige**<sup>®</sup>



## **Personalized Benefits**

Consumers connect to the benefits their families need.



## **Population Health Insights**

Employers control healthcare costs and optimize benefit strategy.



## **Operational Scale**

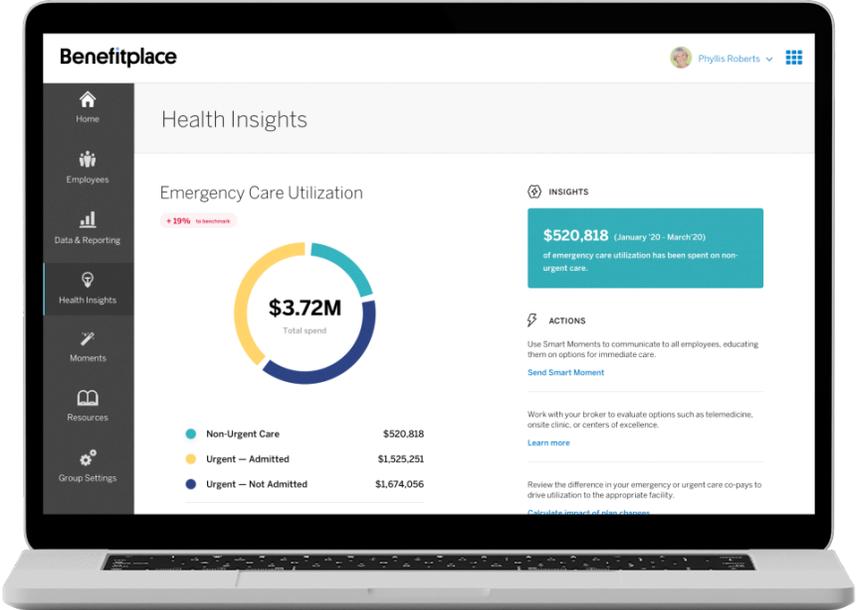
Health Plans gain operational scale with a connected, digital ecosystem

# Vast and Unique Data Assets: Powering Outcomes and Results

Benefitfocus has accumulated a massive amount of data for over two decades that helps shape product offerings and buying decisions.

71	million health care claims
40	million pharmacy claims
\$20	billion in payroll transactions

Source: Benefitfocus; numbers are approximate and estimated as of December 31, 2019



# Industry Leading Products: Comprehensive and Curated Marketplace of Suppliers

## Benefit Catalog

Robust portfolio of trusted health, wealth, property and lifestyle voluntary benefits integrated into our enrollment experience.



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# Diverse Revenue Streams

## Multiple Sources of Lives



Health Plans



Employers

*GO-TO-MARKET*

## Recurring & Repeatable Revenue



Subscription



Platform

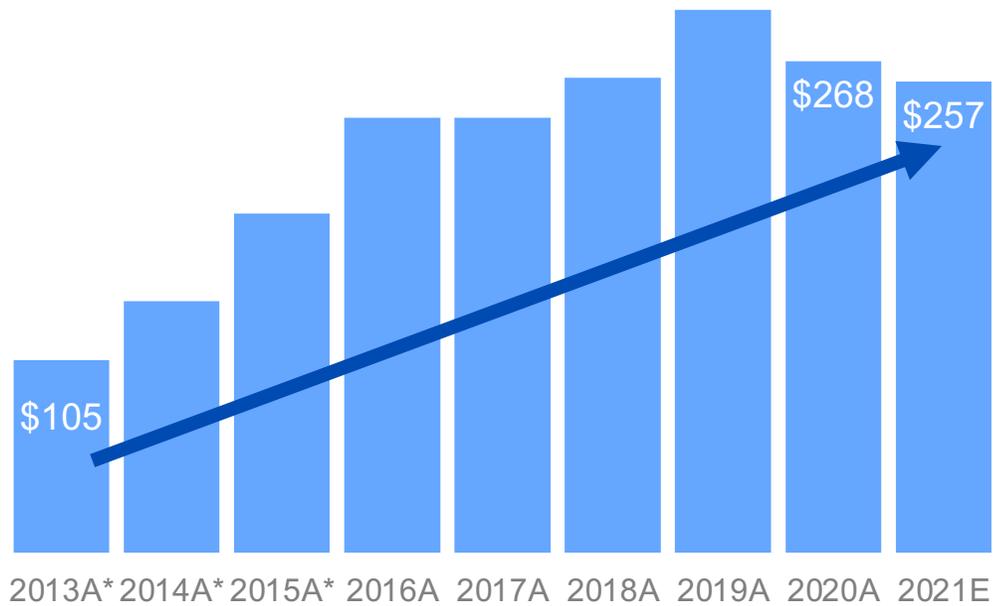


Professional Services

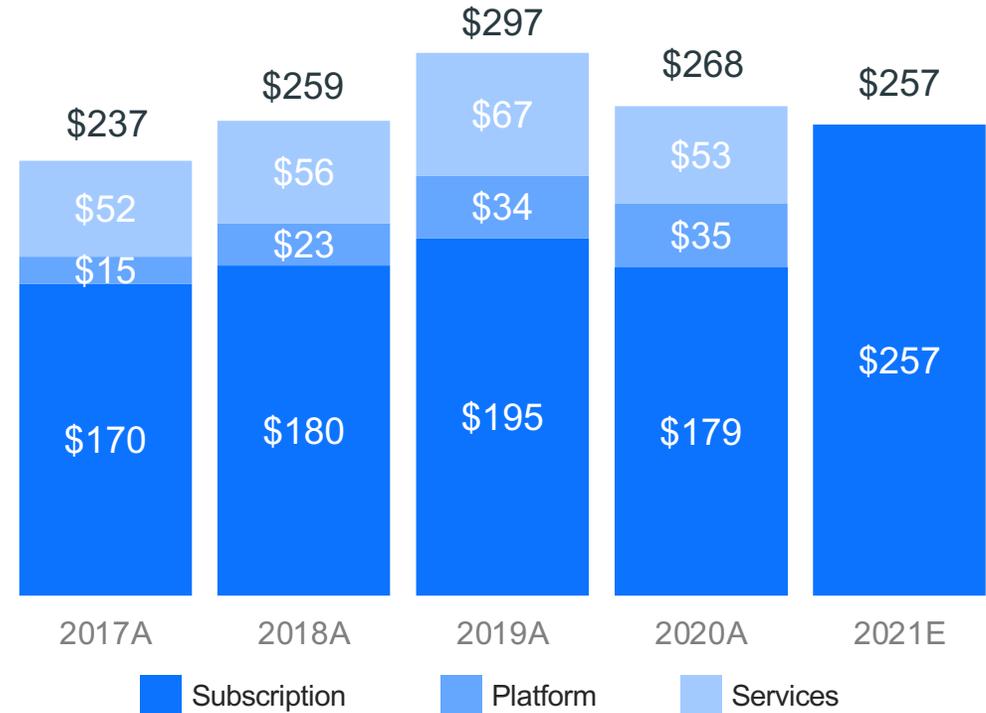
*REVENUE SOURCES*

# Recurring and Repeatable Revenue

10% Revenue CAGR since IPO (\$M)

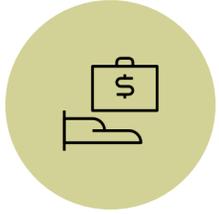


~80% Recurring and Repeatable Revenue (\$M)



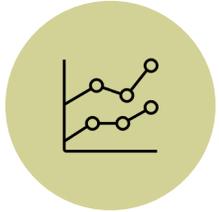
Note: \*Period prior to adoption of ASC 606 have not been restated; 2021 estimate based on midpoint of full year guidance provided May 4, 2021

# Driving Operating Leverage



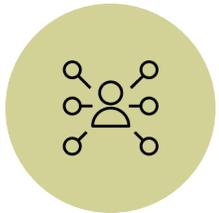
Proactively managed impact of COVID through decisive cost management actions

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Focused on profitable revenue growth; expanding margins, increasing adjusted EBITDA and Free Cash Flow

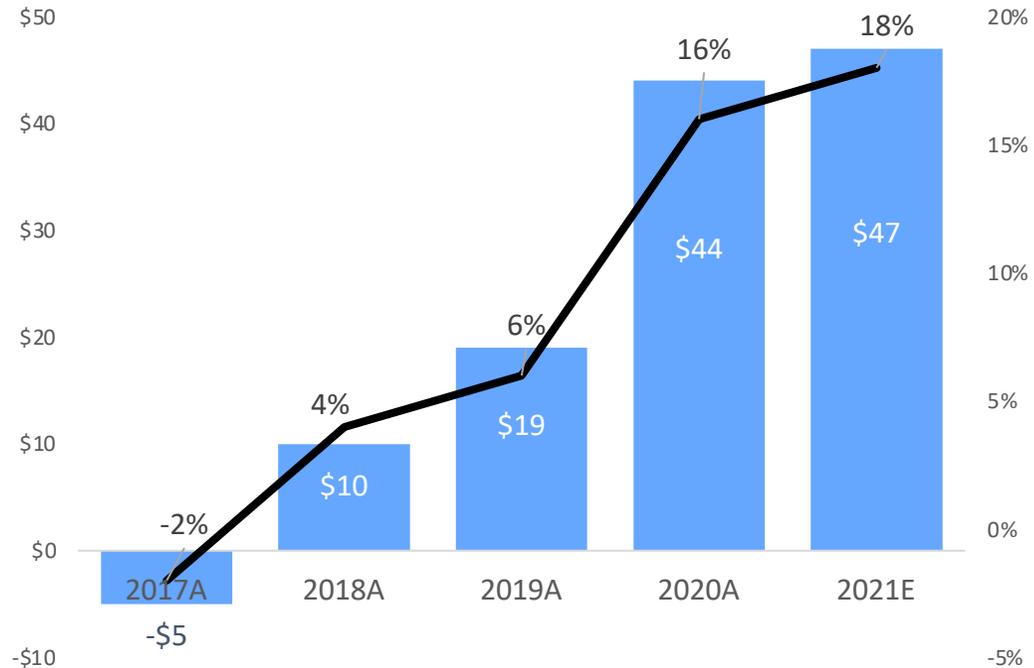
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Investing in automation to drive efficiencies and deliver exceptional customer experience

# Driving Operating Leverage

Adjusted EBITDA (\$M) and Adj. EBITDA Margin (%)



Free Cash Flow (\$M)

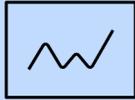


2021 estimates based on midpoint of full year guidance provided May 4, 2021; See important disclosures on non-GAAP financial measures and GAAP to non-GAAP reconciliation on slides 2 and 29.

# Mid-term 2023 Financial Targets

**8% to 10%**

Approx. organic revenue growth in 2023



**\$80 to \$100 million**

Cumulative free cash flow (2021 to 2023)



**22% to 25%**

Approx. adjusted EBITDA margins



**30 to 35 points\***

Progress against Rule of 40 target



- Opportunity to accelerate growth through strategic acquisitions
- All targets assume return to pre-pandemic business conditions

\*Rule of 40 calculated as revenue growth rate plus adjusted EBITDA margin

# Disciplined Capital Strategy

## Strong Balance Sheet

- Cash balance of \$189M
- Convertible debt of \$220M due December 2023; \$85M of lease obligations
- Net debt and lease obligations to EBITDA ~2.5x

## Potential Uses of Capital

- Invest organically and inorganically to extend market leadership
- Opportunistically repurchase debt and equity

Note: Cash balance and total debt as of 05/04/21; EBITDA based on 2021 midpoint guidance provided on 05/04/21  
See important disclosures on non-GAAP financial measures and GAAP to non-GAAP reconciliation on slides 2 and 29.

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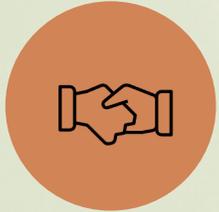


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# Strategic Priorities to Unlock Shareholder Value



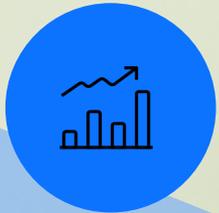
## Deliver on Customer Promises

➤ *Industry leading NPS*



## Expand profitability

➤ *Industry leading margins*



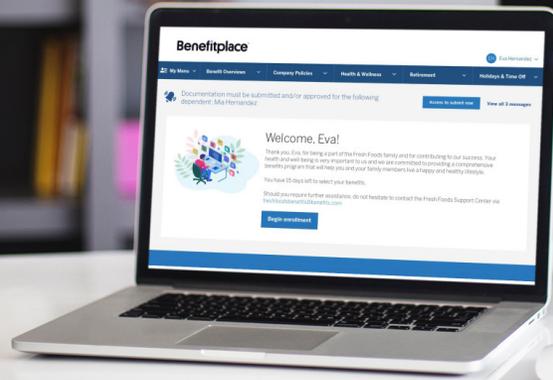
## Invest for growth

➤ *Focused on enrollment, engagement and data*



# Investing for Growth

## Enrollment



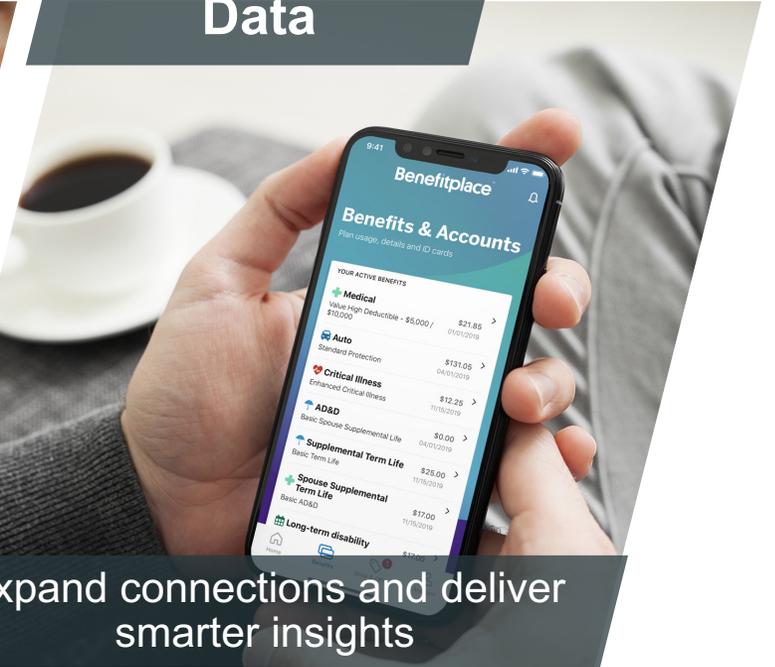
Simplifying benefits administration

## Engagement



Making benefits easy for employees and members

## Data



Expand connections and deliver smarter insights

*Extend Market Leadership*

# Enhancing ESG Policies and Practices

- Published first sustainability report which highlights, among other things, strength of data privacy, cybersecurity and human capital policies and practices
- Recent governance enhancements include:
  1. Naming independent Chairman and two new independent female directors
  2. Retaining global search firm to identify additional qualified and independent board candidates
  3. Putting forth shareholder proposal to declassify Board at 2021 Annual Shareholder Meeting
  4. Implementing majority voting standard for director elections
- Benefitfocus remains committed to building a world class company with best-in-class governance practices and policies

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# GAAP to non-GAAP Reconciliation

**Benefitfocus** for *life*<sup>™</sup>

# Unaudited Reconciliation of GAAP to non-GAAP (\$ in thousands)

	Year Ended December 31,			
	2020	2019	2018	2017
<b>Reconciliation from Net Loss to Adjusted EBITDA:</b>				
Net loss	\$(24,297)	\$(45,515)	\$ (52,627)	\$ (50,294)
Depreciation	15,285	15,288	11,721	12,391
Amortization of software development costs	7,455	5,130	3,944	3,257
Amortization of acquired intangible assets	2,274	1,933	150	258
Interest income	(632)	(2,613)	(250)	(182)
Interest expense	23,071	23,524	5,685	4,931
Income tax expense	22	27	28	15
Interest expense on building lease financing obligations (prior to adoption of ASC 842)	—	—	7,471	7,450
Stock-based compensation expense	14,537	19,572	28,868	16,137
Transaction and acquisition-related costs expensed	450	1,035	507	—
Restructuring costs	5,616	—	—	—
Impairment of long-lived assets	916	—	—	—
Gain on repurchase of convertible senior notes	(1,138)	—	—	—
Costs not core to our business	457	649	4,843	1,058
<b>Total net adjustments</b>	<b>68,313</b>	<b>64,545</b>	<b>62,967</b>	<b>45,315</b>
<b>Adjusted EBITDA</b>	<b>\$44,016</b>	<b>\$ 19,030</b>	<b>\$ 10,340</b>	<b>\$ (4,979)</b>
<b>Reconciliation of Free Cash Flow:</b>				
Net Cash (used in) provided by operating activities	\$27,651	\$ (18,375)	\$ 8,981	\$ (5,937)
Less: Purchase of property and equipment	(13,085)	(13,248)	(8,290)	(8,279)
Add back: Restructuring Costs	5,342	—	—	—
<b>Free Cash Flow</b>	<b>\$19,908</b>	<b>\$ (31,623)</b>	<b>\$ 691</b>	<b>\$ (14,216)</b>

Note: Management has not reconciled forward-looking adjusted EBITDA or free cash flow to their most directly comparable GAAP measure of GAAP net loss or GAAP operating cash flows. This is because management cannot predict with reasonable certainty the ultimate outcome of the various necessary GAAP components of such reconciliations, including, for example, those related to compensation, acquisition transactions and integration, or others that may arise during the year, without unreasonable effort. These components and other factors could materially impact the amount of the future directly comparable GAAP measures, which may differ significantly from their non-GAAP counterparts.

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