



Q1 2022 Earnings Presentation

May 3, 2022

Disclaimer

Safe Harbor

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: our need to increase sales and achieve consistent GAAP profitability; fluctuations in our financial results; our ability to maintain our culture and recruit, integrate and retain qualified personnel, including on our board of directors; our ability to compete effectively and implement our growth strategy; our reliance on channel partners; market developments and opportunities; the need to innovate and provide useful products and services; risks related to changing healthcare and other applicable regulations; the immature and volatile nature of the market for our products and services; privacy, security and other risks associated with our business; management of growth; volatility and uncertainty in the global economy and financial markets in light of the evolving COVID-19 pandemic and war in Ukraine; 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 <https://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.

Disclaimer

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, 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; transaction and acquisition-related costs expensed; restructuring costs; impairment of goodwill, intangible assets and long-lived assets; gain or loss on extinguishment of debt; other costs not core to our business; and loss on settlement of lawsuits. We define free cash flow as cash provided by or used in operating activities less capital expenditures, adjusted to eliminate cash paid for restructuring costs. Please note that other companies might define their non-GAAP financial measures differently than we do.

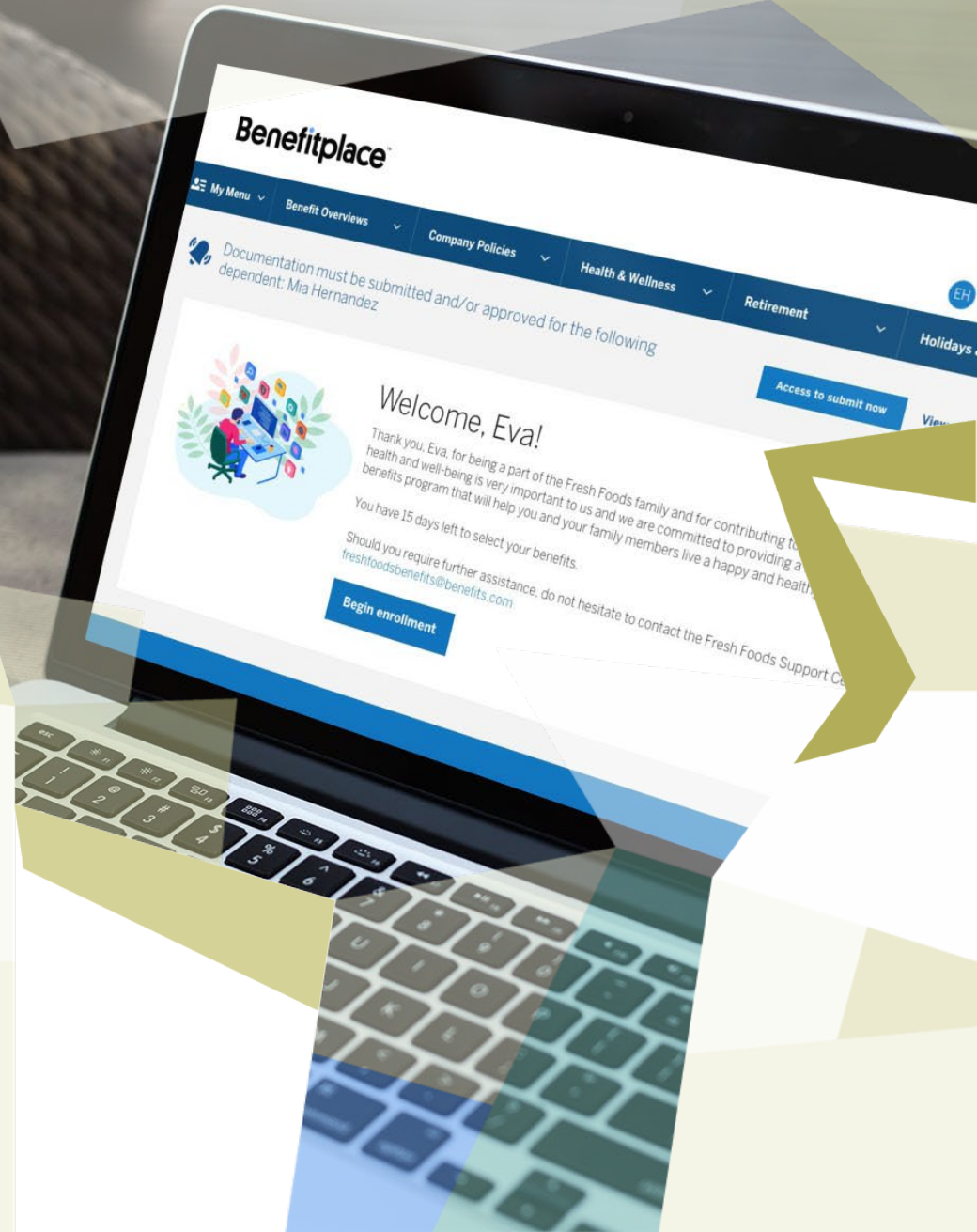
Management presents these non-GAAP financial measures in this presentation because it considers them to be important supplemental measures of performance. Management uses these non-GAAP financial measures for planning purposes, including analysis of the company's performance against prior periods, the 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.

Benefitfocus for *life*™

Matt Levin

Chief Executive Officer



Well Underway Executing our Strategy



We believe we are on track to return to long-term sustainable growth and our say:do ratio continues to be strong



The employer sales season is in process – solid sales pipeline



We continue to strengthen our leadership with key additions to the team

Note: See important disclosures on non-GAAP financial measures and GAAP to non-GAAP reconciliation on slides 3, 15, 16.



Recent Accomplishments

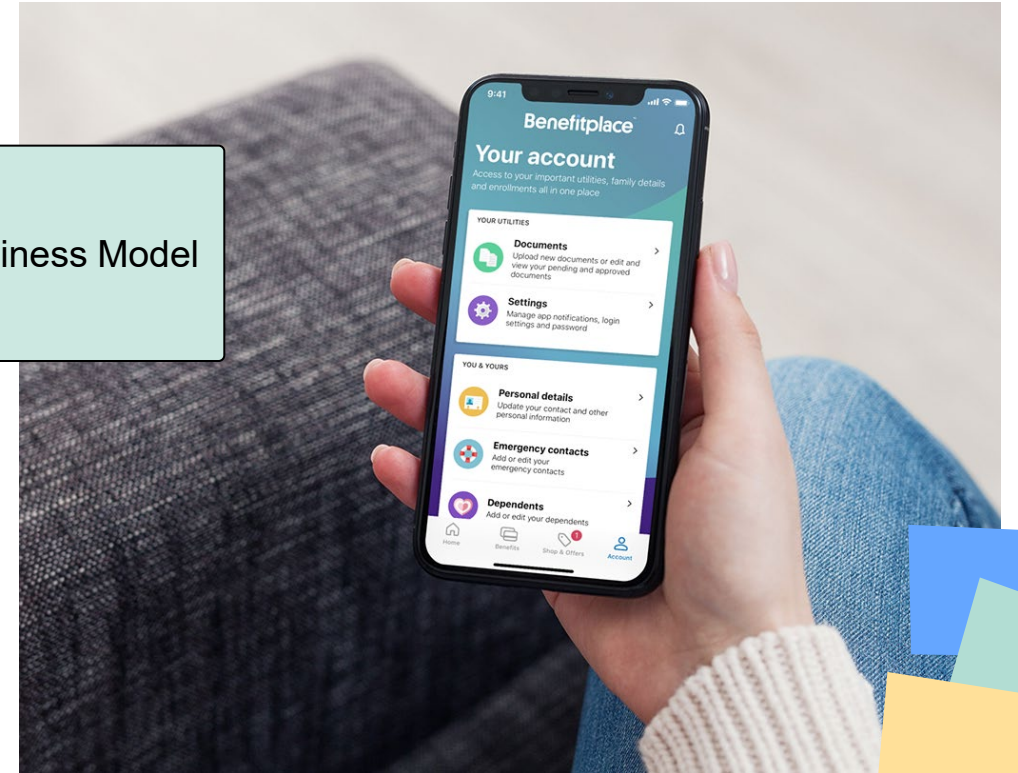
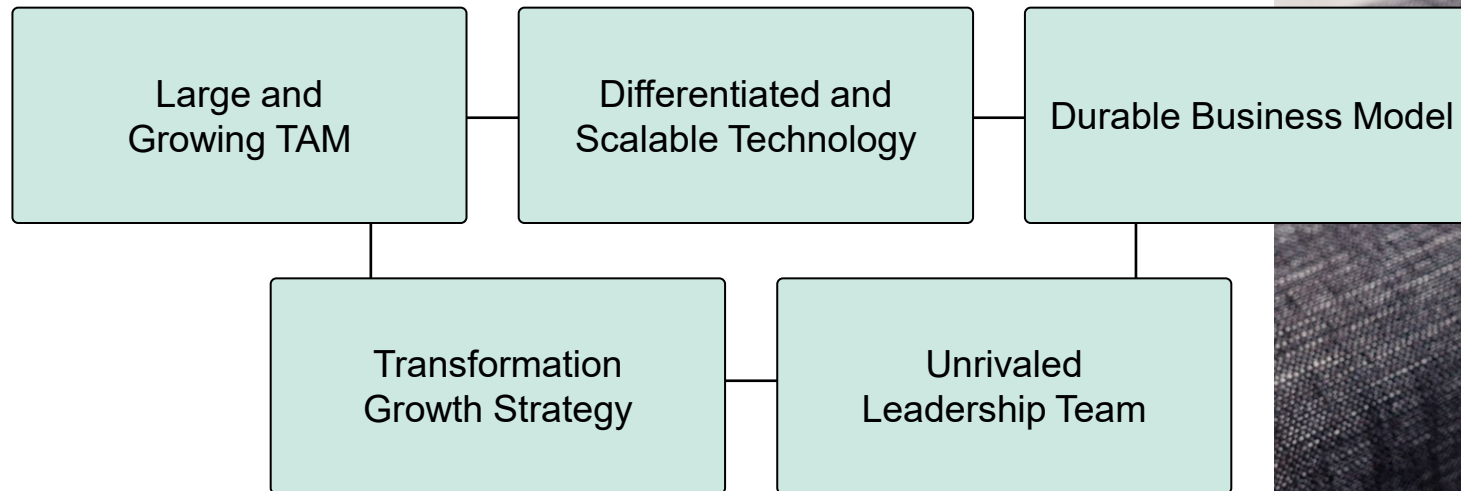
- Achieved 100% filing performance in 2022 ACA season, enabled by newly-acquired Tango platform
- Added to the Aon Connected Benefit Solution panel in Q1 2022



Key Financial Highlights

- Q1 2022 revenue achieved the high end of the guidance range
- GAAP EPS was (\$0.12) and non-GAAP Diluted EPS was \$0.01 for Q1 2022 which exceeded the high end of our guidance
- Q1 2022 Adjusted EBITDA of \$11.2M which exceeded the high end of our guidance

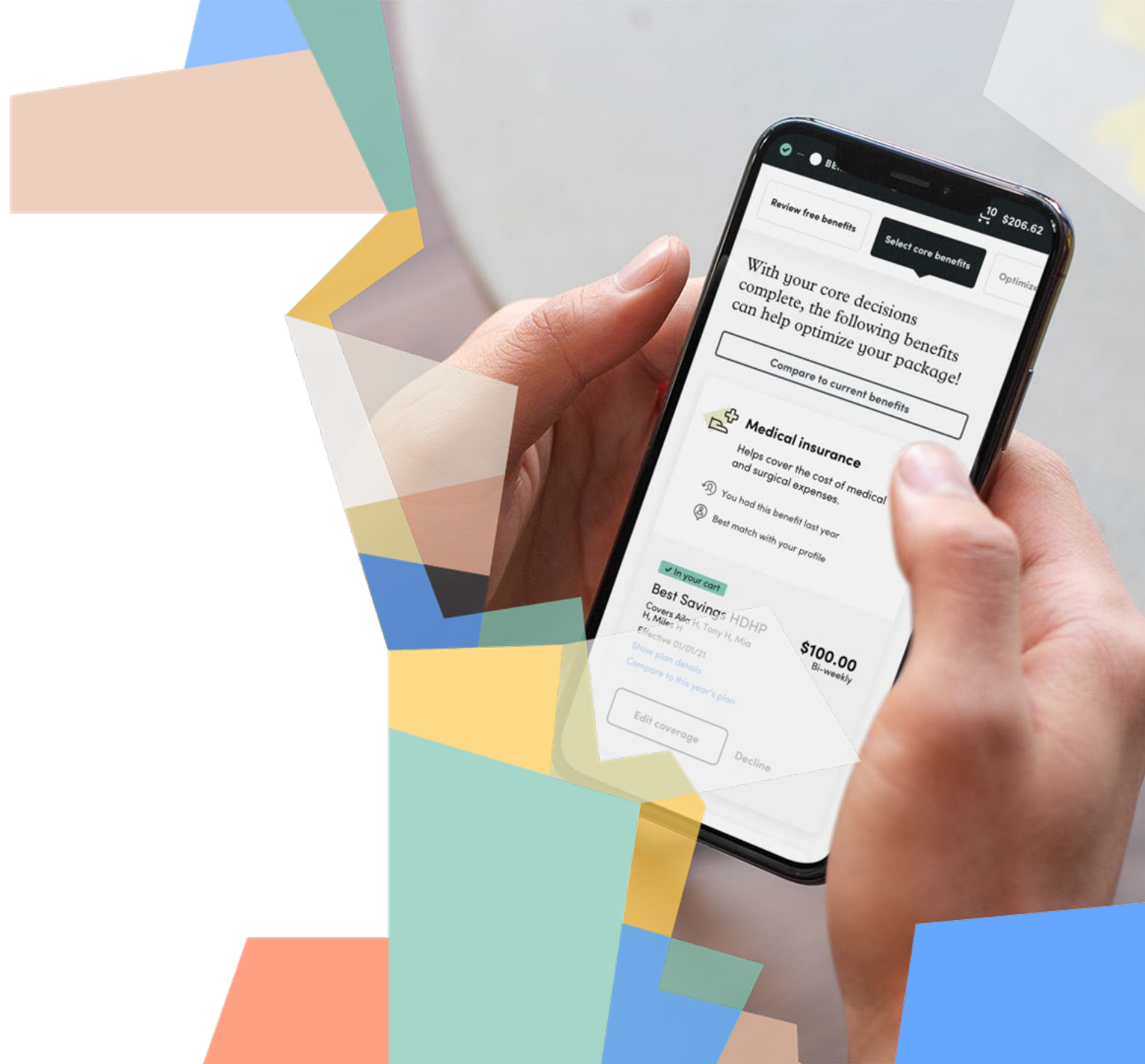
We have a Compelling Value Proposition for our Customers and our Shareholders





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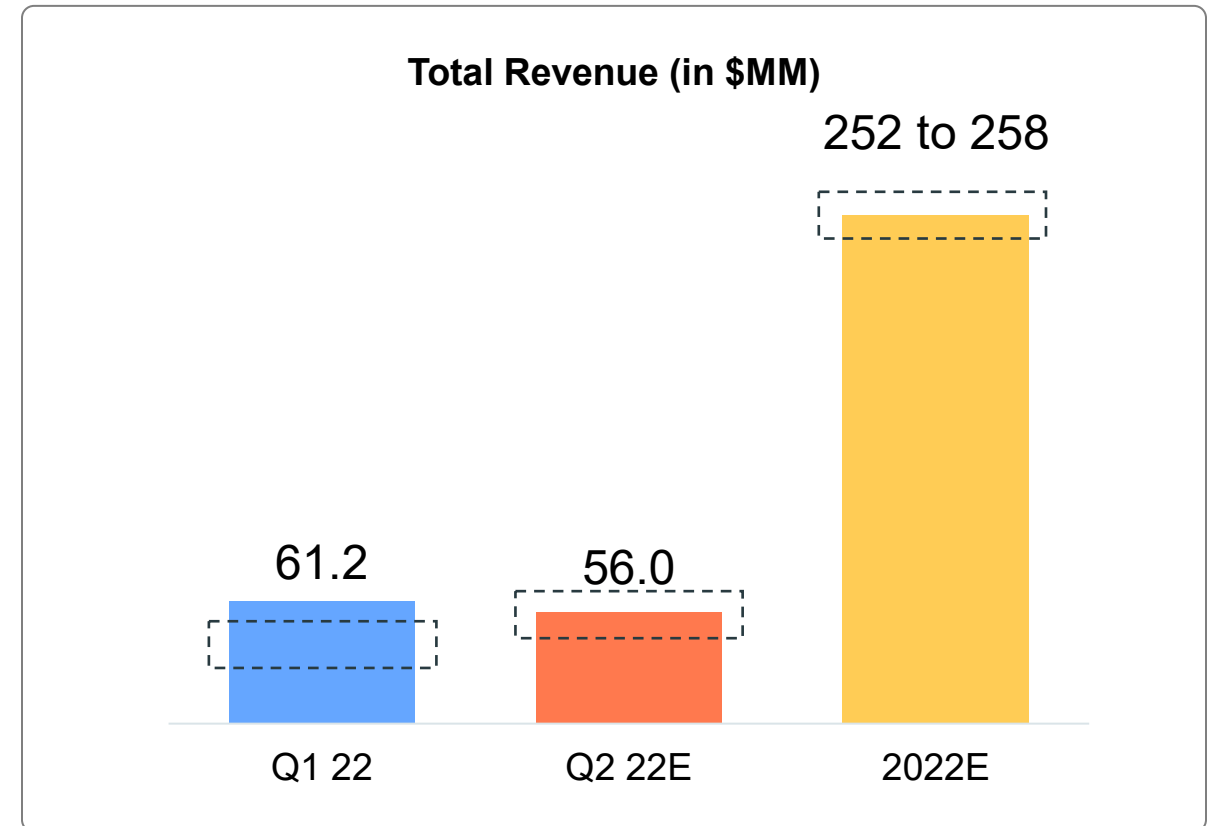
Chief Financial Officer



Tracking to Quarterly Revenue Guidance while Executing Long-Term Growth Strategy

Key Developments in Q1 2022

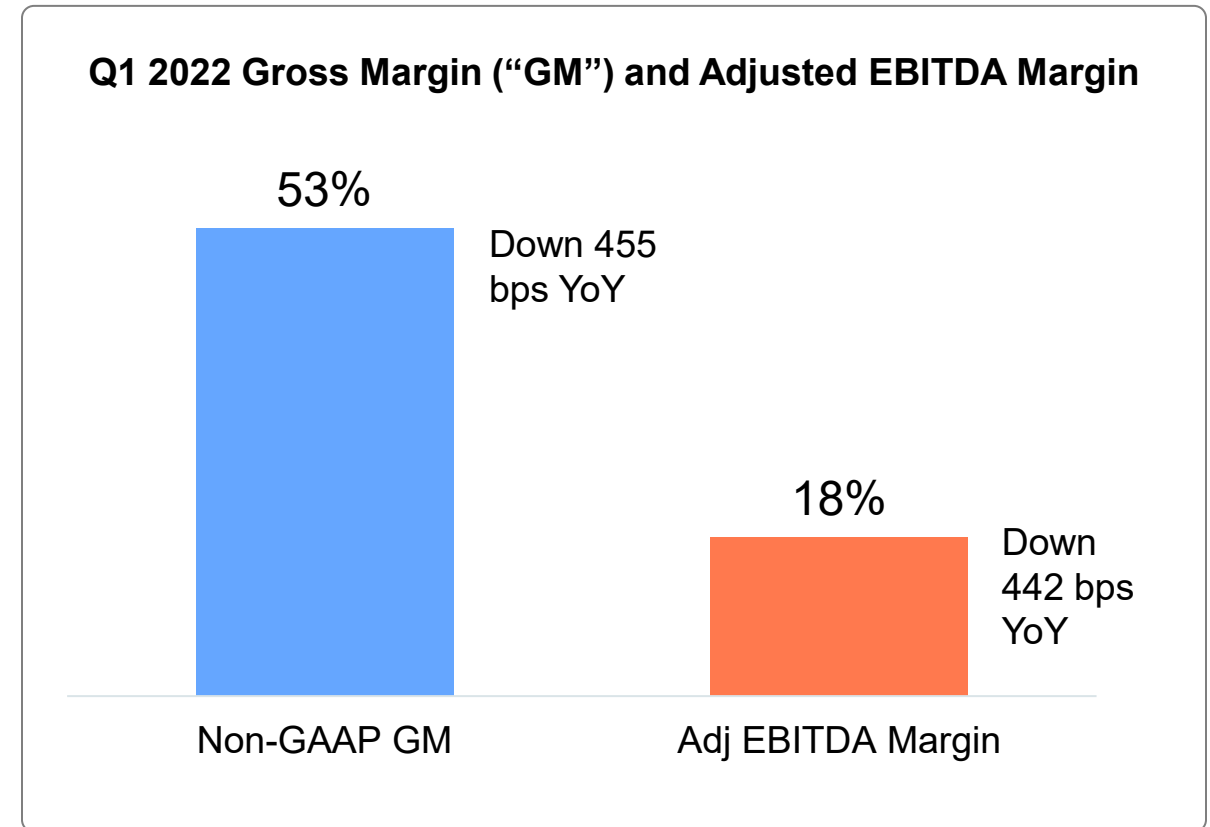
- Delivered revenue at high end of guidance range
- Managing planned quarterly revenue progression driven by 2021 challenges, as we execute growth plan
- We continue to expect a revenue-growth-inflection point to occur near the end of 2022



Margin Progression driven by Planned Revenue Trends

Key Developments in Q1 2022

- Our margins were impacted by planned ongoing investments in automation and process improvements, which we are putting in place to generate sustainable efficiencies beginning with the upcoming open enrollment later this year in the fourth quarter
- We continue to expect to preserve our gross margins on a full-year basis as we continue to reposition our business for growth

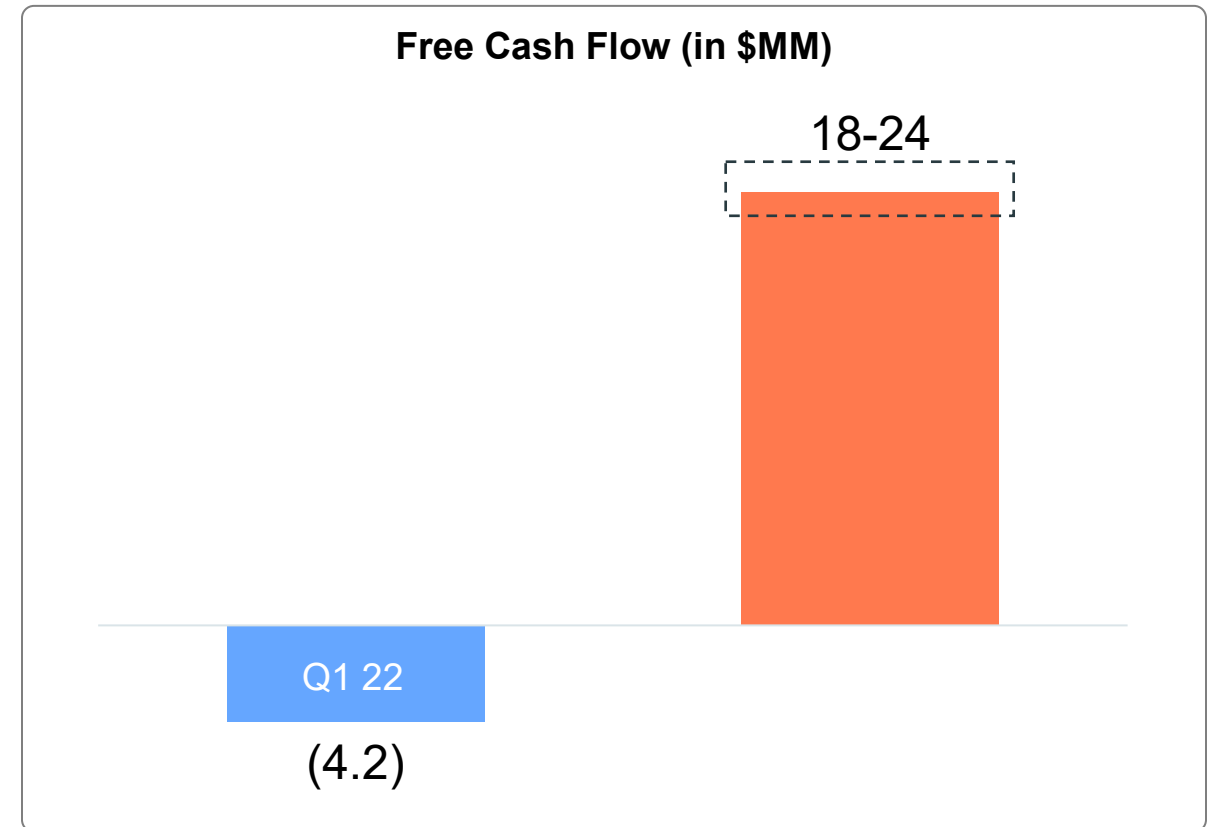


Note: See important disclosures on non-GAAP financial measures and GAAP to non-GAAP reconciliation on slides 3, 15, 16.

Maintaining a Strong Balance Sheet while Investing in our Future

Key Developments in Q1 2022

- \$59 million in cash and cash equivalents, inclusive of restricted cash, as of March 31, 2022
- Debt to Adjusted EBITDA of 4.4x at quarter close
- \$50M line of credit fully available
- Re-investing cash from operations to support growth plan



Note: See important disclosures on non-GAAP financial measures and GAAP to non-GAAP reconciliation on slides 3, 15, 16.

Guidance Overview

<i>(amounts in millions except per share information)</i>	Q2 2022	2022
Revenue	\$55 to 57	\$252 to \$258
Adjusted EBITDA	\$4 to \$6	\$44 to \$50
Free Cash Flow	<i>Not Provided</i>	\$18 to \$24
Non-GAAP Loss per Share	(\$0.17) to (\$0.11)	<i>Not Provided</i>

Note: Our revenue outlook for 2022 is shaped by lower-than-expected bookings during the 2021 selling season and two health plan renewals that renewed at lower levels in 2021. We continue to expect a revenue growth-inflection point to occur near the end of 2022.

Note: Management has not reconciled forward-looking adjusted EBITDA, EPS or free cash flow to their most directly comparable GAAP measure of GAAP net loss, GAAP EPS or GAAP operating cash flows. This is because we 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 future directly comparable GAAP measures, which may differ significantly from their non-GAAP counterparts. See important disclosures on non-GAAP financial measures on slides 3, 15, 16.



Questions?



Appendix

Q1 2022 Summary

<i>(amounts in millions except per share information)</i>	Q1 2022	Q1 2021
Revenue	\$61.2	\$65.1
Gross Profit (Non-GAAP)	\$32.2	\$37.1
Operating Income (GAAP)	(\$0.0)	\$3.5
Operating Income (Non-GAAP)	\$4.3	\$7.6
Adjusted EBITDA	\$11.2	\$14.8
Loss per Basic and Diluted Share (GAAP)	(\$0.12)	(\$0.11)
Earnings per Diluted Share (Non-GAAP)	\$0.01	\$0.01

Note: See important disclosures on non-GAAP financial measures and GAAP to non-GAAP reconciliation on slides 3,15, 16.

Reconciliation of GAAP to Non-GAAP Measures

(unaudited, in thousands except share and per share data)

	Three Months Ended March 31,	
	2022	2021
Reconciliation from Gross Profit to Non-GAAP Gross Profit:		
Gross profit	\$ 31,339	\$ 36,470
Amortization of acquired intangible assets	622	337
Stock-based compensation expense	196	326
Total net adjustments	818	663
Non-GAAP gross profit	<u>\$ 32,157</u>	<u>\$ 37,133</u>
Reconciliation from Operating (Loss) Income to Non-GAAP Operating Income:		
Operating (loss) income	\$ (37)	\$ 3,485
Amortization of acquired intangible assets	1,073	568
Stock-based compensation expense	1,189	1,523
Transaction and acquisition-related costs expensed	83	154
Costs not core to our business	1,955	1,881
Total net adjustments	4,300	4,126
Non-GAAP operating income	<u>\$ 4,263</u>	<u>\$ 7,611</u>
Reconciliation from Net Loss to Adjusted EBITDA:		
Net loss	\$ (2,277)	\$ (2,097)
Depreciation	3,234	3,623
Amortization of software development costs	2,430	2,162
Amortization of acquired intangible assets	1,073	568
Interest income	(12)	(57)
Interest expense	2,482	5,555
Income tax expense	16	42
Stock-based compensation expense	1,189	1,523
Transaction and acquisition-related costs expensed	83	154
Restructuring costs	1,006	1,400
Costs not core to our business	1,955	1,881
Total net adjustments	13,456	16,851
Adjusted EBITDA	<u>\$ 11,179</u>	<u>\$ 14,754</u>

Reconciliation of GAAP to Non-GAAP Measures (cont.)

	Three Months Ended March 31,	
	2022	2021
Reconciliation from Net Loss to Non-GAAP Net Income:		
Net loss	\$ (2,277)	\$ (2,097)
Amortization of acquired intangible assets	1,073	568
Stock-based compensation expense	1,189	1,523
Transaction and acquisition-related costs expensed	83	154
Costs not core to our business	1,955	1,881
Total net adjustments	4,300	4,126
Non-GAAP net income	<u>\$ 2,023</u>	<u>\$ 2,029</u>
Calculation of Non-GAAP Earnings Per Share:		
Non-GAAP net income	\$ 2,023	\$ 2,029
Preferred dividends	(1,600)	(1,600)
Undistributed earnings allocated to preferred stockholders	(58)	(61)
Non-GAAP net income available to common stockholders	<u>\$ 365</u>	<u>\$ 368</u>
Weighted average shares outstanding - basic	33,496,846	32,490,811
Weighted average shares outstanding - diluted	35,159,370	34,352,380
Shares used in computing non-GAAP net income per share - basic	33,496,846	32,490,811
Shares used in computing non-GAAP net income per share - diluted	35,159,370	34,352,380
Non-GAAP net income per common share - basic	\$ 0.01	\$ 0.01
Non-GAAP net income per common share - diluted	\$ 0.01	\$ 0.01
Reconciliation of Cash Flows from Operations to Free Cash Flow:		
Net cash and cash equivalents (used in) provided by operating activities	\$ (3,000)	\$ 8,764
Purchases of property and equipment	(2,010)	(1,893)
Cash paid for restructuring costs	786	1,379
Total net adjustments	(1,224)	(514)
Free Cash Flow	<u>\$ (4,224)</u>	<u>\$ 8,250</u>



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