



Q2 2022 Earnings Presentation

August 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, change in fair value of contingently returnable consideration 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; loss on settlement of lawsuits; and, now, changes in fair value of contingently returnable consideration. The revision to our definition of adjusted EBITDA had no impact on our reported adjusted EBITDA in prior periods. 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.

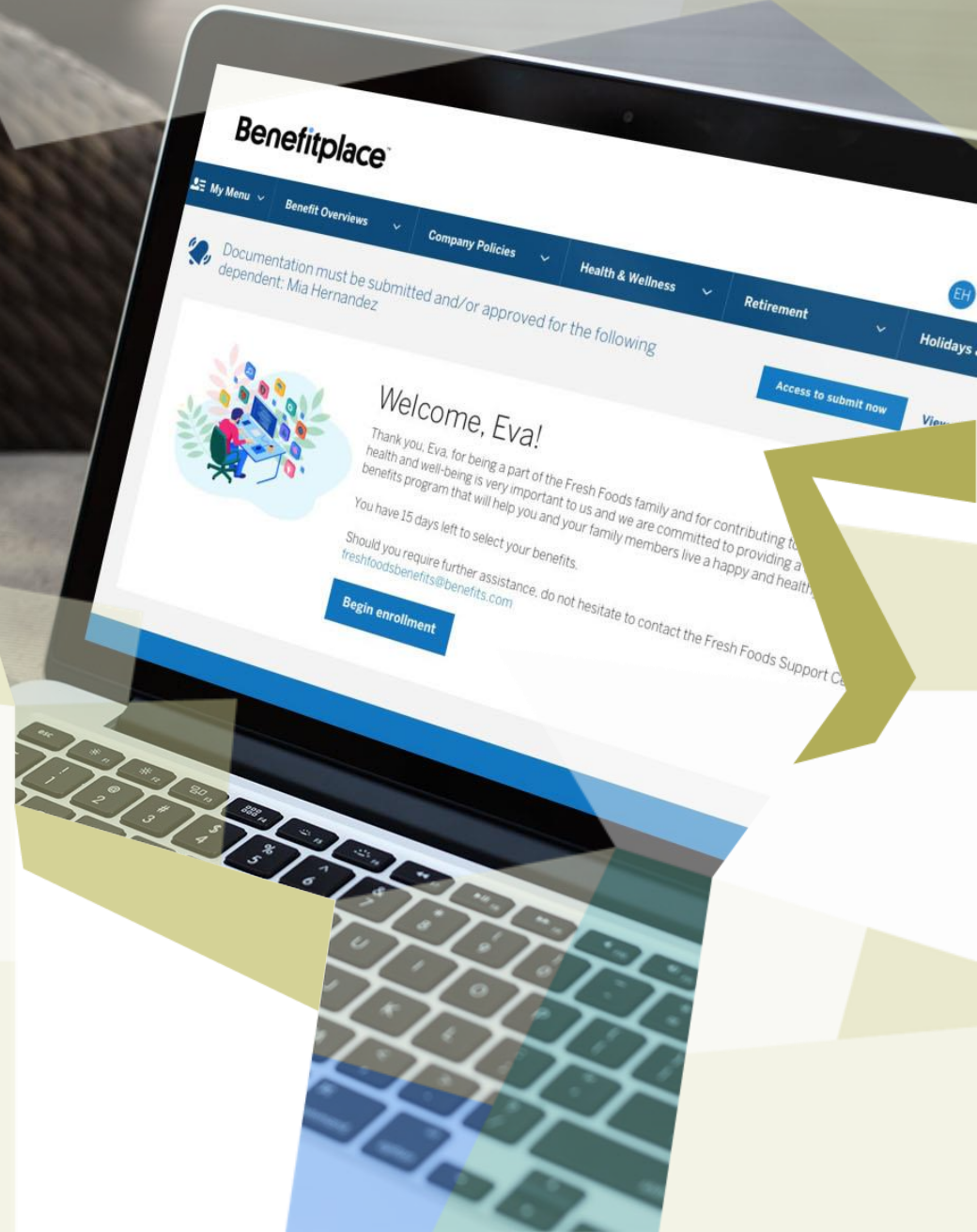
Management presents these non-GAAP financial measures in this presentation because it considers them to be important supplemental measures of performance. Management uses these non-GAAP financial measures for planning purposes, including analysis of the company's performance against prior periods, the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



Matt Levin

Chief Executive Officer



High Say:Do Ratio while Executing Transformational Plan



Leading sales indicators are positive and continue to expect inflection in revenue trends towards end of 2022



Service excellence and technology investments providing strong setup for open enrollment season



Continuing to strengthen leadership team with appointment of new Chief Technology Officer

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



Recent Accomplishments

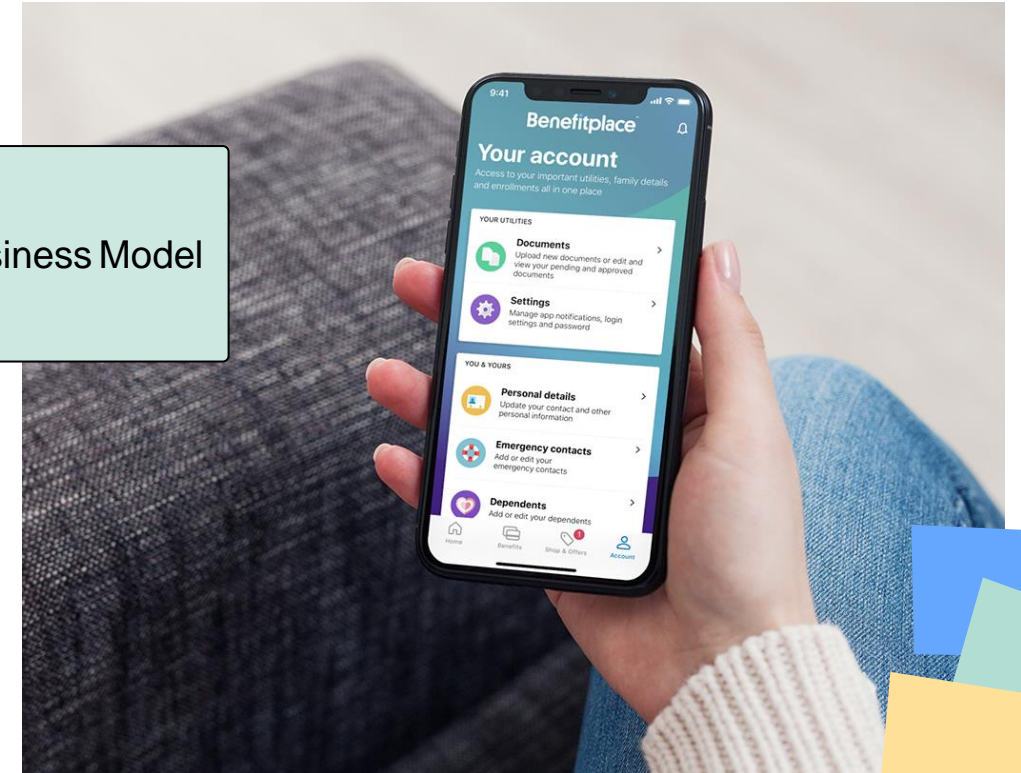
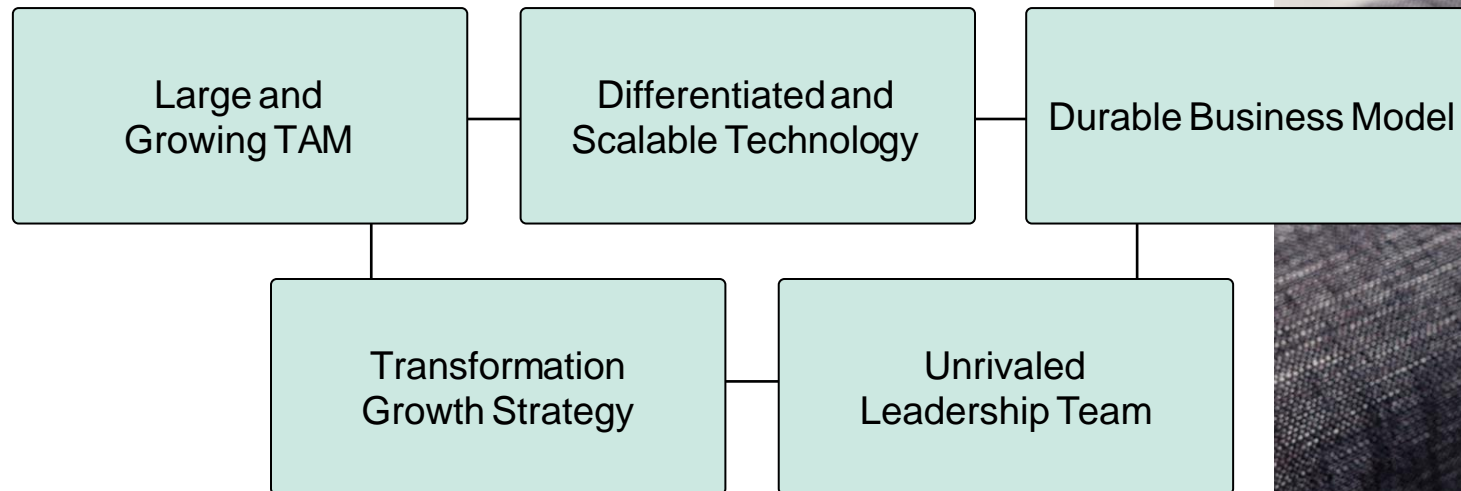
- Broker channel sales activity up 60% YoY driving sales conversions
- Recently-signed new strategic partnership with Lockton expected to accelerate sales penetration and increase pipeline
- Launched an innovative, new data offering called Claims Audit & Recovery Services



Key Financial Highlights

- Delivered Q2 revenue near high end of guidance range
- GAAP EPS was (\$0.40) and non-GAAP EPS was (\$0.10) for Q2 2022 which exceeded the high end of our guidance
- Q2 2022 Adjusted EBITDA of \$6.2M which exceeded the high end of our guidance range

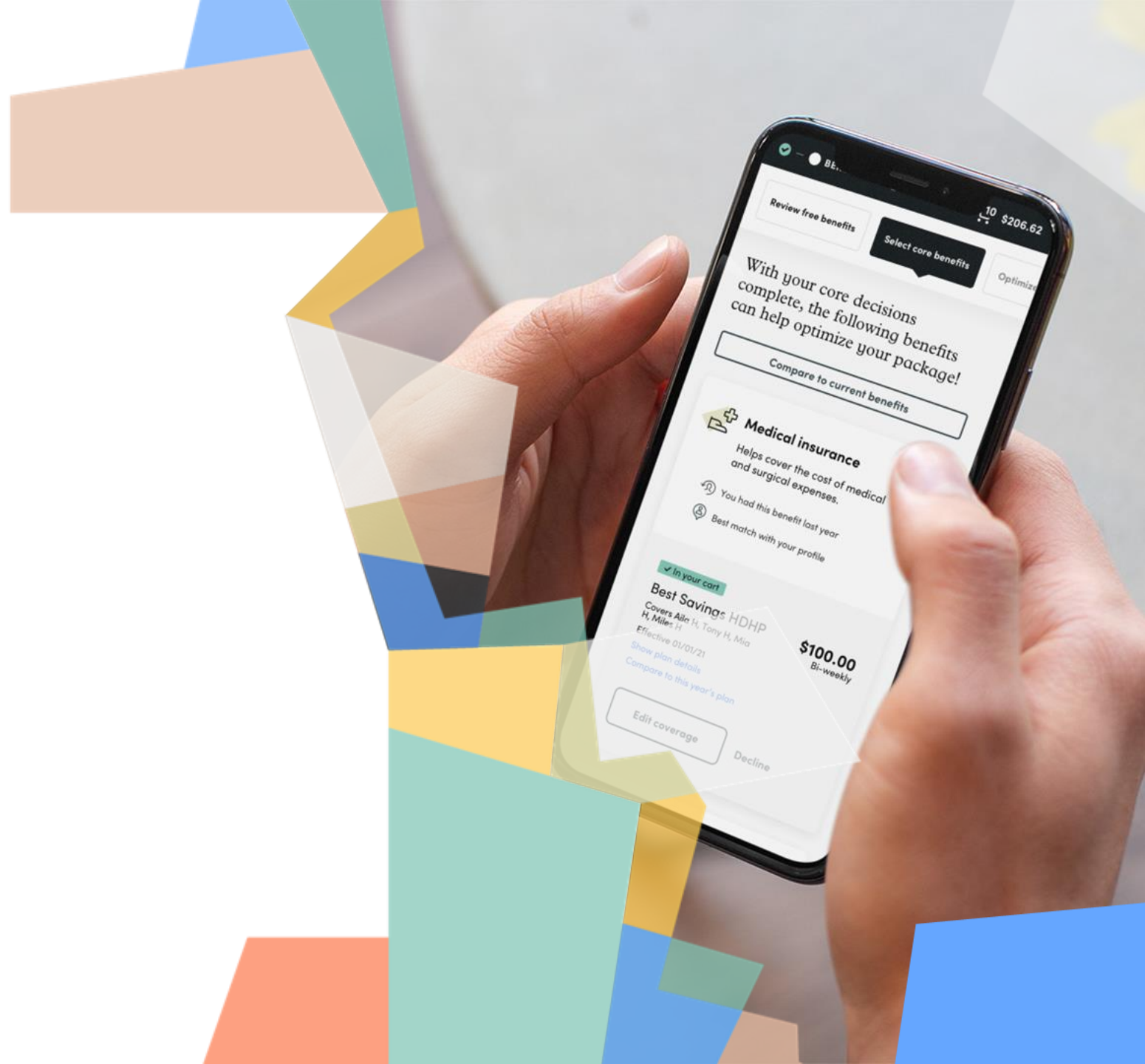
We have a Compelling Value Proposition for our Customers and our Shareholders





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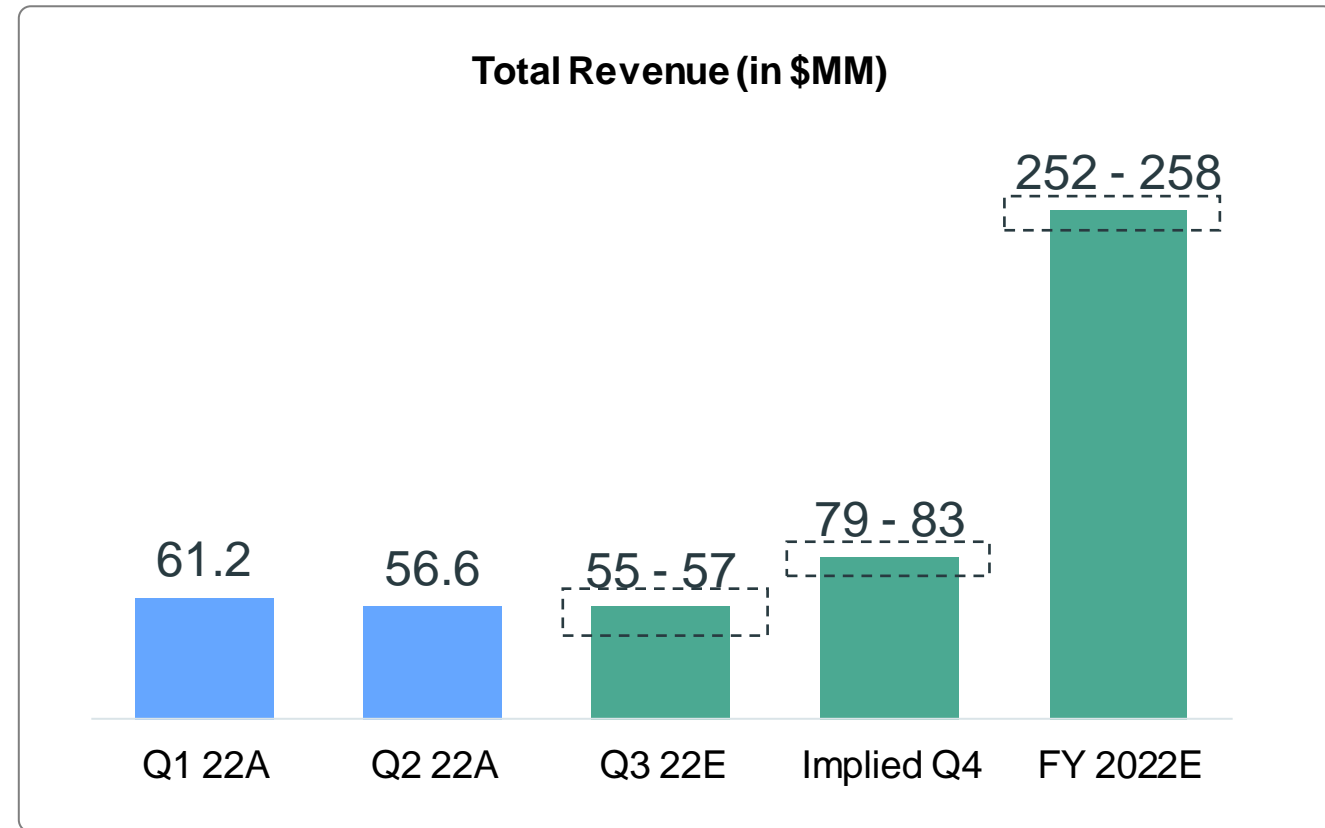
Chief Financial Officer



Tracking to Full Year Revenue Guidance Driven by Sales Leading Indicators and Improved Deal Pipeline

Key Developments

- Delivered Q2 revenue at high end of guidance range
- Sequential progression through Q4 driven by implementations of new customers later in the year and seasonality of platform revenue

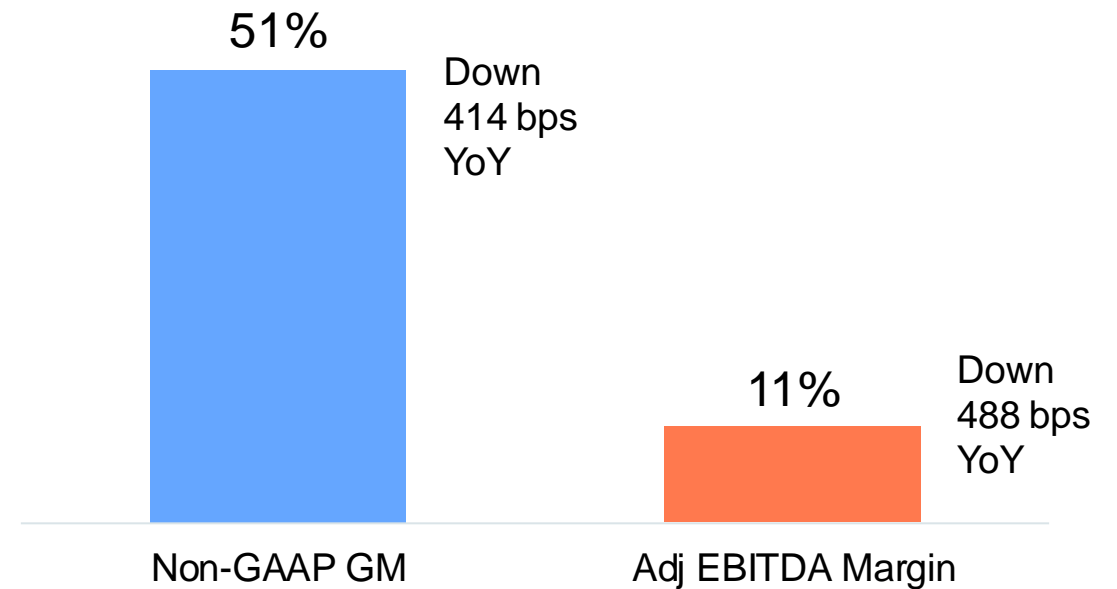


Margin Progression Driven by Expected Revenue Trends and Investments to Generate Operating Efficiencies

Key Developments in Q2 2022

- Gross margins impacted by ongoing investments in automation and process improvements designed to generate sustainable efficiencies beginning with upcoming open enrollment season
- Continue to expect to preserve gross margins on a full-year basis while executing transformational plan

Q2 2022 Gross Margin (“GM”) and Adjusted EBITDA Margin

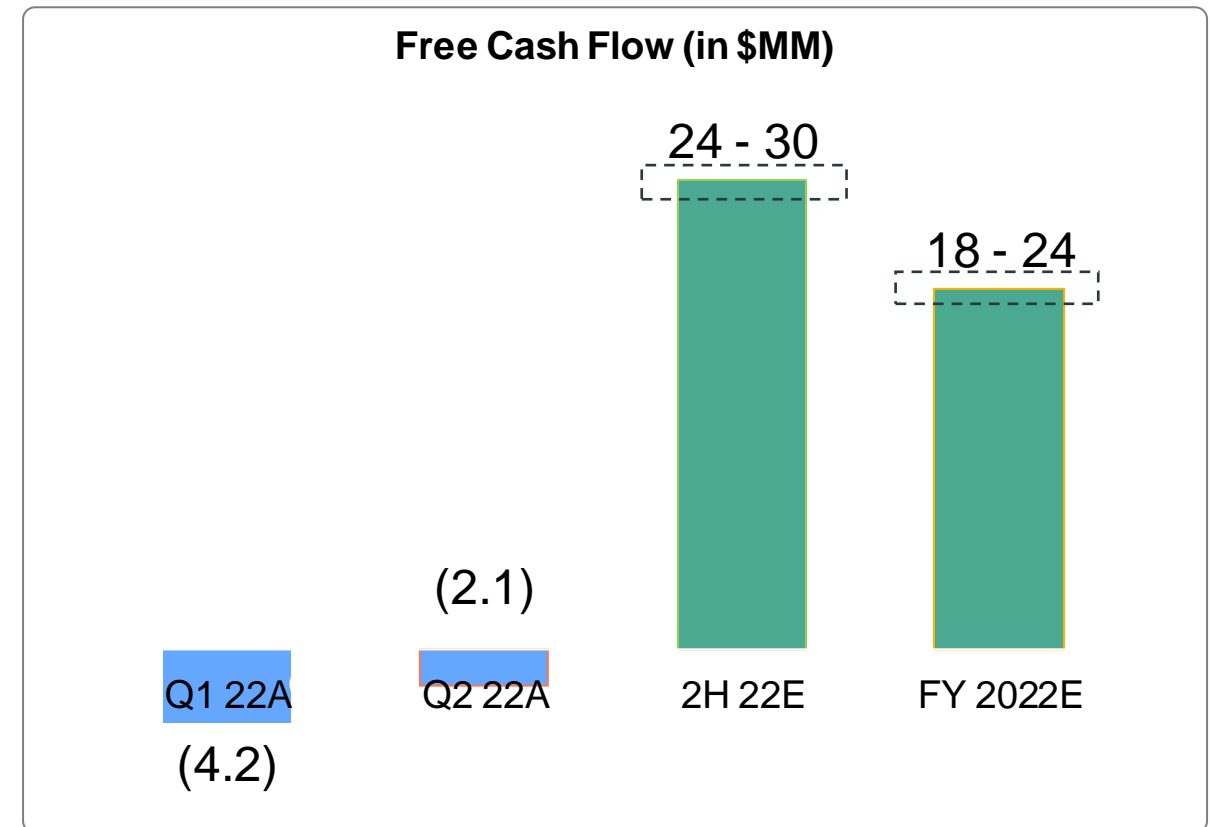


Note: See important disclosures on non-GAAP financial measures and GAAP to non-GAAP reconciliation on slides 3, 15, 16.

Maintaining a Strong Balance Sheet while Investing in our Future

Key Developments in Q2 2022

- \$51 million in cash and cash equivalents as of June 30, 2022
- Debt to Adjusted EBITDA of 4.8x at quarter close ⁽¹⁾
- \$50M line of credit fully available
- Re-investing cash from operations to support growth plan
- Q2 Free Cash Flow of (\$2.1) million driven by timing of customer collections and vendor payments
- Seasonality of business results in free cash flow fluctuations on a quarterly basis



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

(1) Debt to Adjusted EBITDA calculation based on trailing twelve month Adjusted EBITDA as there is seasonality in our quarterly Adjusted EBITDA.

Guidance Overview

<i>(amounts in millions except per share information)</i>	Q3 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	(\$0.18) to (\$0.12)	<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, free cash flow or non-GAAP loss per share to their most directly comparable GAAP measure of GAAP loss per share 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 certain impairment charges, acquisition transactions and integration, costs not core to our business, 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

Q2 2022 Summary

<i>(amounts in million except per share information)</i>	Q2 2022	Q2 2021
Revenue	\$56.6	\$60.9
Gross Profit (Non-GAAP)	\$29.1	\$33.8
Operating Loss (GAAP)	(\$10.0)	(\$9.5)
Operating Income (Non-GAAP)	\$0.3	\$1.2
Adjusted EBITDA	\$6.2	\$9.6
Loss per Basic and Diluted Share (GAAP)	(\$0.40)	(\$0.50)
Loss per Basic and Diluted Share (Non-GAAP)	(\$0.10)	(\$0.18)

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 June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Reconciliation from Gross Profit to Non-GAAP				
Gross Profit:				
Gross profit	\$ 27,492	\$ 32,874	\$ 58,831	\$ 69,344
Amortization of acquired intangible assets	610	336	1,232	673
Stock-based compensation expense	1,008	638	1,204	964
Total net adjustments	1,618	974	2,436	1,637
Non-GAAP gross profit	\$ 29,110	\$ 33,848	\$ 61,267	\$ 70,981
Reconciliation from Operating Loss to Non-GAAP				
Operating Income:				
Operating loss	\$ (9,967)	\$ (9,451)	\$ (10,004)	\$ (5,966)
Amortization of acquired intangible assets	1,073	569	2,146	1,137
Stock-based compensation expense	5,315	4,376	6,504	5,899
Transaction and acquisition-related costs expensed	13	6	96	160
Impairment of lease right-of-use assets	1,769	4,003	1,769	4,003
Change in fair value of contingently returnable consideration	(719)	—	(719)	—
Costs not core to our business	2,800	1,717	4,755	3,598
Total net adjustments	10,251	10,671	14,551	14,797
Non-GAAP operating income	\$ 284	\$ 1,220	\$ 4,547	\$ 8,831
Reconciliation from Net Loss to Adjusted EBITDA:				
Net loss	\$ (12,164)	\$ (15,020)	\$ (14,441)	\$ (17,117)
Depreciation	3,264	3,444	6,498	7,067
Amortization of software development costs	2,388	2,159	4,818	4,321
Amortization of acquired intangible assets	1,073	569	2,146	1,137
Interest income	(72)	(54)	(84)	(111)
Interest expense	2,476	5,646	4,958	11,201
Income tax expense	29	41	45	83
Stock-based compensation expense	5,315	4,376	6,504	5,899
Transaction and acquisition-related costs expensed	13	6	96	160
Impairment of lease right-of-use assets	1,769	4,003	1,769	4,003
Change in fair value of contingently returnable consideration	(719)	—	(719)	—
Restructuring costs	—	2,727	1,006	4,127
Costs not core to our business	2,800	1,717	4,755	3,598
Total net adjustments	18,336	24,634	31,792	41,485
Adjusted EBITDA	\$ 6,172	\$ 9,614	\$ 17,351	\$ 24,368

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Reconciliation from Net Loss to Non-GAAP				
Net Income:				
Net loss	\$ (12,164)	\$ (15,020)	\$ (14,441)	\$ (17,117)
Amortization of acquired intangible assets	1,073	569	2,146	1,137
Stock-based compensation expense	5,315	4,376	6,504	5,899
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Change in fair value of contingently returnable consideration	(719)	—	(719)	—
Costs not core to our business	2,800	1,717	4,755	3,598
Total net adjustments	10,251	10,671	14,551	14,797
Non-GAAP net (loss) income	<u>\$ (1,913)</u>	<u>\$ (4,349)</u>	<u>\$ 110</u>	<u>\$ (2,320)</u>
Calculation of Non-GAAP Earnings Per Share:				
Non-GAAP net (loss) income	\$ (1,913)	\$ (4,349)	\$ 110	\$ (2,320)
Preferred dividends	(1,600)	(1,600)	(3,200)	(3,200)
Non-GAAP net loss available to common stockholders	<u>\$ (3,513)</u>	<u>\$ (5,949)</u>	<u>\$ (3,090)</u>	<u>\$ (5,520)</u>
Weighted average shares outstanding - basic and diluted	34,028,422	33,080,257	33,764,103	32,787,162
Shares used in computing non-GAAP net loss per share - basic and diluted	<u>34,028,422</u>	<u>33,080,257</u>	<u>33,764,103</u>	<u>32,787,162</u>
Non-GAAP net loss per common share - basic and diluted	<u>\$ (0.10)</u>	<u>\$ (0.18)</u>	<u>\$ (0.09)</u>	<u>\$ (0.17)</u>
Reconciliation of Cash Flows from Operations to Free Cash Flow:				
Net cash and cash equivalents (used in) provided by operating activities	\$ (699)	\$ 9,163	\$ (3,699)	\$ 17,927
Purchases of property and equipment	(1,901)	(2,590)	(3,911)	(4,483)
Cash paid for restructuring costs	518	5	1,304	1,384
Total net adjustments	(1,383)	(2,585)	(2,607)	(3,099)
Free Cash Flow	<u>\$ (2,082)</u>	<u>\$ 6,578</u>	<u>\$ (6,306)</u>	<u>\$ 14,828</u>



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