

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) **March 1, 2022**

BENEFITFOCUS, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation)

001-36061
(Commission File Number)

46-2346314
(IRS Employer Identification No.)

100 Benefitfocus Way, Charleston, South Carolina 29492
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code **(843) 849-7476**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.001 Par Value	BNFT	Nasdaq Global Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this Chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this Chapter).

Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition.

On March 1, 2022, Benefitfocus, Inc. (the “Company”) issued a press release announcing its operating results for the quarter ended December 31, 2021. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated herein in its entirety by reference.

The information in this Item 2.02 (including Exhibit 99.1) shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”) or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 (the “Securities Act”) or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 7.01 Regulation FD Disclosure.

In connection with its earnings call to be held on March 1, 2022, the Company has prepared a presentation, a copy of which is attached hereto as Exhibit 99.2 and is incorporated herein in its entirety by reference.

The information in this Item 7.01 (including Exhibit 99.2) shall not be deemed “filed” for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press release dated March 1, 2022
99.2	Earnings presentation dated March 1, 2022
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

BENEFITFOCUS, INC.

Date: March 1, 2022

/s/ Alpana Wegner

Alpana Wegner

Chief Financial Officer

(Principal financial and accounting officer)

Benefitfocus, Inc.
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Investor Relations:
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Benefitfocus Announces Fourth Quarter and Full Year 2021 Financial Results

*Exceeded high end of the Revenue guidance range
Delivered Record Adjusted EBITDA for the full year 2021
Completed Strongest Ever Open Enrollment Season with Record Customer Satisfaction Rating
Announces Investor Day on May 10, 2022*

Charleston, S.C. – March 1, 2022 – [Benefitfocus, Inc.](https://www.benefitfocus.com) (NASDAQ: BNFT), an industry-leading cloud-based benefits administration technology company that simplifies benefits administration for employers, health plans and brokers, today announces its fourth quarter and full year 2021 financial results:

Financial Highlights for the Fourth Quarter and Full Year 2021:

- Fourth quarter 2021 revenue of \$75.1 million was above the high end of the guidance range of \$66 to \$72 million.
- GAAP net income available to common stockholders was \$1.2 million, compared to \$1.3 million in the fourth quarter of 2020. Adjusted EBITDA of \$18.0 million during the fourth quarter was above the mid point of our guidance range of \$13 to \$19 million. Adjusted EBITDA for the full year was \$49.0 million, a record for Benefitfocus, compared to \$44.0 million for the full year 2020.
- GAAP diluted earnings per share was \$0.04 in the fourth quarter of 2021 and non-GAAP diluted earnings per share was \$0.24, above the high end of the guidance range of \$0.15 per share.
- Cash flow from operations of \$6.2 and free cash flow of \$2.1 million during the fourth quarter of 2021. Cash flow from operations and free cash flow for the full year 2021 was \$33.5 and \$23.8 million, respectively.

Operational Highlights for the Fourth Quarter:

- Delivered the strongest open enrollment season in the company's history, as evidenced by customer satisfaction score increasing to 95% this year, demonstrating the company's commitment to service excellence.
- Closed the acquisition of Tango Health, expanding Benefitfocus's Affordable Care Act (ACA) compliance and reporting capabilities for employers, which provides a path to revenue growth opportunities in the long term with both new and existing customers with a broader, best-in-class product offering.
- Added COVID-19 Vaccination Tracking Features to Help Employers Comply with Government Mandates and Refine Return-to-Work Policies

“ We successfully completed the strongest open enrollment season in company history, providing another example of our ability to execute against our commitments,” said Matt Levin, president and chief executive officer. “I am confident the work underway to *strengthen our core, grow with intent and increase our operational efficiency* is driving results. We are encouraged by the multiple green shoots we are seeing across our delivery and go-to-market activities and are confident that the transformation we have undertaken will put us on the path to sustainable growth.”

“We had another strong quarter generating financial results at or better than our guidance ranges for this quarter,” said Alpana Wegner, chief financial officer. “We have been able to expand our annual EBITDA margin year over year across our business, as we continue to work on improving our topline. Importantly, we generated approximately \$24 million of free cash flow for the full year 2021, representing an increase of 20% year-over-year and ending the year with approximately \$68 million in cash and marketable securities.”

Fourth Quarter 2021 Financial Highlights

Revenue

- Total revenue was \$75.1 million, down approximately 1% compared to the fourth quarter of 2020.
- Software services was \$63.8 million, up 2% compared to the fourth quarter of 2020. Software services is comprised of subscription and platform revenue.
 - Subscription revenue was \$44.0 million, down 2% compared to the fourth quarter of 2020.
 - Platform revenue was \$19.8 million, up 14% compared to the fourth quarter of 2020.
- Professional services revenue was \$11.3 million, down 19% compared to the fourth quarter of 2020.

Net Income

- GAAP net income available to common stockholders was \$1.2 million, compared to \$1.3 million in the fourth quarter of 2020. GAAP net income per share was \$0.04, based on 33.4 million basic and 34.0 million diluted weighted average common shares outstanding, compared to \$0.04 for the fourth quarter of 2020, based on 32.3 million basic and 33.5 million diluted weighted average common shares outstanding.

Non-GAAP Net Income, Adjusted EBITDA and Free Cash Flow

- Non-GAAP net income available to common stockholders was \$8.3 million compared to \$6.1 million in the fourth quarter of 2020. Non-GAAP net income per share was \$0.25 based on 33.4 million basic and \$0.24 based on 34.6 million diluted weighted average common shares outstanding, compared to \$0.19 in the fourth quarter of 2020, based on 32.3 million basic and \$0.18 based on 34.6 million diluted weighted average common shares outstanding.
- Adjusted EBITDA was \$18.0 million, compared to \$20.2 million in the fourth quarter of 2020.
- Free cash flow was \$2.1 million, compared to \$13.4 million in the fourth quarter of 2020.

See important disclosures about non-GAAP measures, and a reconciliation of them to GAAP, below.

Full Year 2021 Financial Highlights

Revenue

Total revenue was \$263.1 million, down 2% compared to the full year 2020.

Software services was \$218.3 million, 2% higher compared to the full year 2020. Software services is comprised of subscription and platform revenue.

Subscription revenue was \$178.8 million, a decrease of 1% compared to the full year 2020.

Platform revenue was \$39.6 million, an increase of 13% compared to the full year 2020.

Professional services revenue was \$44.8 million, down 16% compared to the full year 2020.

Net Loss

GAAP net loss was (\$32.2) million, compared to GAAP net loss of (\$24.3) million in the full year 2020. GAAP net loss per share was (\$1.17), based on (\$38.6) million net loss available to common stockholders and 33.1 million basic and diluted weighted average common shares outstanding, compared to (\$0.87) for the full year 2020, based on (\$28.0) million net loss available to common stockholders and 32.3 million basic and diluted weighted average common shares outstanding.

Non-GAAP Income (Net Loss), Adjusted EBITDA and Free Cash Flow

Non-GAAP net income was \$4.2 million, compared to non-GAAP net loss of (\$6.8) million in the full year 2020. Non-GAAP net loss per share was (\$0.07), based on (\$2.2) million non-GAAP net loss available to common stockholders and 33.1 million basic and diluted weighted average common shares outstanding, compared to (\$0.32) for the full year 2020, based on (\$10.5) million net loss available to common stockholders and 32.3 million basic and diluted weighted average common shares outstanding.

Adjusted EBITDA was \$49.0 million, compared to \$44.0 million for the full year 2020.

Free cash flow was \$23.8 million, compared to \$19.9 million for the full year 2020.

See important disclosures about non-GAAP measures, and a reconciliation of them to GAAP, below.

Balance Sheet

Cash and cash equivalents and marketable securities at December 31, 2021 totaled \$68.1 million, compared to \$94.5 million at the end of the third quarter of 2021, primarily reflecting the Tango Health acquisition, which closed within the quarter. As of December 31, 2021, our debt to Adjusted EBITDA ratio improved to 4.2x from 7.0x as of December 31, 2020, as a result of the company's de-levering efforts.

The full \$50.0 million line of credit remains available to the company.

Business Outlook

"As we progress through the current year, we anticipate a return to revenue growth near the end of 2022," said Alpana Wegner, chief financial officer. "We look forward to providing you with further details on our full mid and long-term financial projections during our Investor Day on May 10, 2022."

Benefitfocus is providing guidance for the first quarter and full year 2022 as indicated below.

First Quarter 2022

- Total revenue is expected to be in the range of \$59 million to \$61 million.
- Adjusted EBITDA is expected to be in the range of \$7 million to \$9 million.
- Non-GAAP net loss available to common stockholders is expected to be between (\$5.0) million and (\$3.0) million, or between (\$0.15) and (\$0.09) per share based on 33.5 million basic and diluted weighted average shares outstanding.

Full Year 2022

- Total revenue is expected to be in the range of \$252 million to \$258 million.
- Adjusted EBITDA is expected to be in the range of \$44 million to \$50 million.
- Free cash flow is expected to be in the range of \$18 million to \$24 million.

Adjusted EBITDA and free cash flow guidance excludes the impact of restructuring and impairment charges.

Management has not reconciled forward-looking non-GAAP net loss, 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 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 below for additional important disclosures regarding our non-GAAP financial measures.

Conference Call Details:

In conjunction with this announcement, Benefitfocus will host a conference call to discuss the company's financial results and business outlook on Tuesday, March 1, 2022, at 5:00 p.m. ET. To access this call, dial (877) 407-9208 (domestic) or +1 (201) 493-6784 (international). A live webcast of the conference call will be available on the Investor Relations page of the company's website at <http://investor.benefitfocus.com/>. After the conference call, a replay will be available until March 8, 2022 at 11:59 p.m. ET and can be accessed by dialing (844) 512-2921 (domestic) or +1 (412) 317-6671 (international) with passcode 13726841.

About Benefitfocus

Benefitfocus (NASDAQ: BNFT) is a cloud-based benefits administration technology company committed to helping our customers, and the people they serve, get the most out of their health care and benefit programs. Through exceptional service and innovative SaaS solutions, we aim to be the safest set of hands for our customers helping to simplify the complexity of benefits administration while delivering an experience that engages people and unlocks the potential for better health and improved outcomes. Our mission is simple: to improve lives with benefits.

Non-GAAP Financial Measures

The company uses certain non-GAAP financial measures in this release, 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, expense related to the impairment of goodwill, intangible assets and long-lived assets, transaction and acquisition-related costs expensed, restructuring costs, gain or loss on extinguishment of debt, costs not core to our business and, now, loss on settlement of lawsuits. 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 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 release, including in the accompanying tables.

Safe Harbor Statement

Except for historical information, all of the statements, expectations, and assumptions contained in this press release 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 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; 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 tensions 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 <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.

Source: Benefitfocus, Inc.

Benefitfocus, Inc.
Consolidated Balance Sheets
(in thousands, except share and per share data)

	As of December 31,	
	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 31,001	\$ 90,706
Marketable securities	37,049	95,085
Accounts receivable, net	16,491	22,240
Contract, prepaid and other current assets	27,615	21,354
Total current assets	112,156	229,385
Property and equipment, net	27,202	29,701
Financing lease right-of-use assets	56,474	68,670
Operating lease right-of-use assets	774	1,107
Intangible assets, net	21,134	10,393
Goodwill	34,237	12,857
Deferred contract costs and other non-current assets	8,864	10,259
Total assets	<u>\$ 260,841</u>	<u>\$ 362,372</u>
Liabilities, redeemable preferred stock and stockholders' deficit		
Current liabilities:		
Accounts payable	\$ 10,565	\$ 2,160
Accrued expenses	9,451	6,262
Accrued compensation and benefits	16,411	19,129
Deferred revenue, current portion	27,756	27,782
Lease liabilities and financing obligations, current portion	7,378	5,959
Contingent consideration	675	-
Total current liabilities	72,236	61,292
Deferred revenue, net of current portion	2,377	4,422
Convertible senior notes	107,281	184,308
Lease liabilities and financing obligations, net of current portion	75,758	79,282
Other non-current liabilities	313	2,470
Total liabilities	257,965	331,774
Commitments and contingencies		
Redeemable preferred stock:		
Series A preferred stock, par value \$0.001, 5,000,000 shares authorized, 1,777,778 and 1,777,778 shares issued and outstanding at December 31, 2021 and 2020, respectively, liquidation preference \$45 per share as of December 31, 2021 and 2020, respectively	79,193	79,193
Stockholders' deficit:		
Common stock, par value \$0.001, 95,000,000 and 50,000,000 shares authorized, 33,460,545 and 32,327,439 shares issued and outstanding at December 31, 2021 and 2020, respectively	33	32
Additional paid-in capital	431,874	427,431
Accumulated deficit	(508,224)	(476,058)
Total stockholders' deficit	(76,317)	(48,595)
Total liabilities, redeemable preferred stock and stockholders' deficit	<u>\$ 260,841</u>	<u>\$ 362,372</u>

Benefitfocus, Inc.
Consolidated Statements of Operations and Comprehensive Loss
(in thousands, except share and per share data)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2021	2020	2021	2020
Revenue	\$ 75,104	\$ 76,230	\$ 263,097	\$ 268,141
Cost of revenue (1)(2)	34,843	34,966	122,713	129,388
Gross profit	40,261	41,264	140,384	138,753
Operating expenses:(1)(2)(3)				
Sales and marketing	11,904	12,347	46,385	52,210
Research and development	11,699	11,923	44,696	46,175
General and administrative	11,294	8,400	50,886	37,720
Restructuring costs	-	-	4,127	5,616
Total operating expenses	34,897	32,670	146,094	141,721
Income (loss) from operations	5,364	8,594	(5,710)	(2,968)
Other income (expense):				
Interest income	33	69	196	632
Interest expense	(3,997)	(5,547)	(20,754)	(23,071)
(Loss) gain on repurchase of convertible senior notes	-	-	(7,520)	1,138
Other expense	(1,480)	(14)	(1,338)	(6)
Total other expense, net	(5,444)	(5,492)	(29,416)	(21,307)
(Loss) income before income taxes	(80)	3,102	(35,126)	(24,275)
Income tax (benefit) expense	(3,085)	5	(2,960)	22
Net income (loss)	3,005	3,097	(32,166)	(24,297)
Preferred dividends	(1,600)	(1,600)	(6,400)	(3,662)
Undistributed earnings allocated to preferred stockholders	(193)	(212)	-	-
Net income (loss) available to common stockholders	\$ 1,212	\$ 1,285	\$ (38,566)	\$ (27,959)
Comprehensive income (loss)	\$ 3,005	\$ 3,097	\$ (32,166)	\$ (24,297)
Net (loss) income per common share:				
Basic	\$ 0.04	\$ 0.04	\$ (1.17)	\$ (0.87)
Diluted	\$ 0.04	\$ 0.04	\$ (1.17)	\$ (0.87)
Weighted-average common shares outstanding:				
Basic	33,432,666	32,312,246	33,092,896	32,318,201
Diluted	33,953,682	33,512,904	33,092,896	32,318,201
(1) Stock-based compensation included in above line items:				
Cost of revenue	\$ 606	\$ 1,099	\$ 2,081	\$ 3,703
Sales and marketing	406	841	2,876	3,081
Research and development	434	838	1,644	2,555
General and administrative	1,965	900	7,304	5,198
(2) Amortization of acquired intangible assets included in above line items:				
Cost of revenue	\$ 471	\$ 330	\$ 1,476	\$ 1,291
Sales and marketing	105	75	336	331
Research and development	159	118	495	460
General and administrative	69	46	202	192
(3) Transaction and acquisition-related costs expensed included in above line items:				
General and administrative	\$ 437	\$ 25	\$ 677	\$ 450

Benefitfocus, Inc.
Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31,		
	2021	2020	2019
Cash flows from operating activities			
Net loss	\$ (32,166)	\$ (24,297)	\$ (45,515)
Adjustments to reconcile net loss to net cash and cash equivalents used in operating activities:			
Depreciation and amortization	25,581	25,014	22,351
Stock-based compensation expense	13,905	14,537	19,572
Deferred income tax benefit	(3,067)	-	-
Accretion of interest on convertible senior notes	10,234	11,656	11,256
Interest accrual on finance lease liabilities	3,292	97	33
Rent expense less than payments	(63)	(32)	(16)
Non-cash accretion income from investments	930	143	-
Impairment or loss on disposal of right-of-use assets and property and equipment	4,171	918	9
Loss (gain) on extinguishment of debt	7,520	(1,138)	-
Provision for doubtful accounts	-	43	111
Changes in operating assets and liabilities:			
Accounts receivable, net	8,615	11,412	(11,875)
Accrued interest on investments	59	(102)	-
Contract, prepaid and other current assets	(5,106)	169	(3,642)
Deferred costs and other non-current assets	1,466	743	2,893
Accounts payable and accrued expenses	11,226	(11,468)	426
Accrued compensation and benefits	(2,788)	3,884	161
Deferred revenue	(7,920)	(6,304)	(14,047)
Other non-current liabilities	(2,387)	2,376	(92)
Net cash and cash equivalents provided by (used in) operating activities	<u>33,502</u>	<u>27,651</u>	<u>(18,375)</u>
Cash flows from investing activities			
Purchases of investments held-to-maturity	(91,361)	(104,125)	-
Maturities of investments held-to-maturity	103,410	9,000	-
Sales of investments held-to-maturity	44,997	-	-
Business combination, net of cash acquired	(28,175)	-	(20,914)
Purchases of property and equipment	(11,776)	(13,085)	(13,248)
Net cash and cash equivalents provided by (used in) investing activities	<u>17,095</u>	<u>(108,210)</u>	<u>(34,162)</u>
Cash flows from financing activities			
Draws on revolving line of credit	-	10,000	-
Payments on revolving line of credit	-	(10,000)	-
Repurchase of convertible senior notes	(98,678)	(14,619)	-
Payments of debt issuance costs	-	(154)	(357)
Cancellation of convertible senior notes capped call hedge	98	26	-
Proceeds from issuance of preferred stock, net of issuance costs	-	79,192	-
Payment of preferred dividends	(6,400)	(3,662)	-
Repurchase of common stock	-	(9,667)	-
Proceeds from exercises of stock options and ESPP	407	585	453
Payments on financing obligations	(604)	(1,212)	(1,627)
Payments of principal on finance lease liabilities	(5,125)	(10,200)	(5,884)
Net cash and cash equivalents (used in) provided by financing activities	<u>(110,302)</u>	<u>40,289</u>	<u>(7,415)</u>
Net decrease in cash and cash equivalents	<u>(59,705)</u>	<u>(40,270)</u>	<u>(59,952)</u>
Cash and cash equivalents, beginning of year	90,706	130,976	190,928
Cash and cash equivalents, end of year	<u>\$ 31,001</u>	<u>\$ 90,706</u>	<u>\$ 130,976</u>
Supplemental disclosure of non-cash investing and financing activities			
Property and equipment purchases in accounts payable and accrued expenses	\$ 63	\$ 142	\$ 154
Post contract support purchased with financing obligations	\$ -	\$ -	\$ 1,287
Supplemental disclosure of cash flow information			
Income taxes paid	\$ 62	\$ 22	\$ 28
Interest paid	<u>\$ 10,580</u>	<u>\$ 11,408</u>	<u>\$ 12,374</u>

Benefitfocus, Inc.
Reconciliation of GAAP to Non-GAAP Measures
(unaudited, dollars in thousands except share and per share data)

	Three Months Ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
Reconciliation from Gross Profit to Non-GAAP Gross Profit:				
Gross profit	\$ 40,261	\$ 41,264	\$ 140,384	\$ 138,753
Amortization of acquired intangible assets	471	330	1,476	1,291
Stock-based compensation expense	606	1,099	2,081	3,703
Impairment of long-lived assets	56	468	56	468
Total net adjustments	<u>1,133</u>	<u>1,897</u>	<u>3,613</u>	<u>5,462</u>
Non-GAAP gross profit	<u>\$ 41,394</u>	<u>\$ 43,161</u>	<u>\$ 143,997</u>	<u>\$ 144,215</u>
Reconciliation from Operating Income (Loss) to Non-GAAP Operating Income:				
Operating income (loss)	\$ 5,364	\$ 8,594	\$ (5,710)	\$ (2,968)
Amortization of acquired intangible assets	804	569	2,509	2,274
Stock-based compensation expense	3,411	3,678	13,905	14,537
Transaction and acquisition-related costs expensed	437	25	677	450
Impairment of long-lived assets	97	916	4,100	916
Costs not core to our business	1,757	457	5,897	457
Total net adjustments	<u>6,506</u>	<u>5,645</u>	<u>27,088</u>	<u>18,634</u>
Non-GAAP operating income	<u>\$ 11,870</u>	<u>\$ 14,239</u>	<u>\$ 21,378</u>	<u>\$ 15,666</u>
Reconciliation from Net Income (Loss) to Adjusted EBITDA:				
Net income (loss)	\$ 3,005	\$ 3,097	\$ (32,166)	\$ (24,297)
Depreciation	3,273	3,789	13,955	15,285
Amortization of software development costs	2,528	2,177	9,117	7,455
Amortization of acquired intangible assets	804	569	2,509	2,274
Interest income	(33)	(69)	(196)	(632)
Interest expense	3,997	5,547	20,754	23,071
Income tax (benefit) expense	(3,085)	5	(2,960)	22
Stock-based compensation expense	3,411	3,678	13,905	14,537
Transaction and acquisition-related costs expensed	437	25	677	450
Restructuring costs	—	—	4,127	5,616
Impairment of long-lived assets	97	916	4,100	916
Loss (gain) on repurchase of convertible senior notes	—	—	7,520	(1,138)
Loss on settlement of lawsuit	1,760	—	1,760	—
Costs not core to our business	1,757	457	5,897	457
Total net adjustments	<u>14,946</u>	<u>17,094</u>	<u>81,165</u>	<u>68,313</u>
Adjusted EBITDA	<u>\$ 17,951</u>	<u>\$ 20,191</u>	<u>\$ 48,999</u>	<u>\$ 44,016</u>
Reconciliation from Net Income (Loss) to Non-GAAP Net Income (Loss):				
Net income (loss)	\$ 3,005	\$ 3,097	\$ (32,166)	\$ (24,297)
Amortization of acquired intangible assets	804	569	2,509	2,274
Stock-based compensation expense	3,411	3,678	13,905	14,537
Transaction and acquisition-related costs expensed	437	25	677	450
Impairment of long-lived assets	97	916	4,100	916
Loss (gain) on repurchase of convertible senior notes	—	—	7,520	(1,138)
Loss on settlement of lawsuit	1,760	—	1,760	—
Costs not core to our business	1,757	457	5,897	457
Total net adjustments	<u>8,266</u>	<u>5,645</u>	<u>36,368</u>	<u>17,496</u>
Non-GAAP net income (loss)	<u>\$ 11,271</u>	<u>\$ 8,742</u>	<u>\$ 4,202</u>	<u>\$ (6,801)</u>
Calculation of Non-GAAP Earnings Per Share:				
Non-GAAP net income (loss)	\$ 11,271	\$ 8,742	\$ 4,202	\$ (6,801)
Preferred dividends	(1,600)	(1,600)	(6,400)	(3,662)
Undistributed earnings allocated to preferred stockholders	<u>(1,330)</u>	<u>(1,012)</u>	<u>—</u>	<u>—</u>

Non-GAAP net income (loss) available to common stockholders	<u>\$ 8,341</u>	<u>\$ 6,130</u>	<u>\$ (2,198)</u>	<u>\$ (10,463)</u>
Weighted average shares outstanding - basic	33,432,666	32,312,246	33,092,896	32,318,201
Weighted average shares outstanding - diluted	34,614,578	34,556,833	33,092,896	32,318,201
Shares used in computing non-GAAP net income (loss) per share - basic	33,432,666	32,312,246	33,092,896	32,318,201
Shares used in computing non-GAAP net income (loss) per share - diluted	<u>34,614,578</u>	<u>34,556,833</u>	<u>33,092,896</u>	<u>32,318,201</u>
Non-GAAP net income (loss) per common share - basic	<u>\$ 0.25</u>	<u>\$ 0.19</u>	<u>\$ (0.07)</u>	<u>\$ (0.32)</u>
Non-GAAP net income (loss) per common share - diluted	<u>\$ 0.24</u>	<u>\$ 0.18</u>	<u>\$ (0.07)</u>	<u>\$ (0.32)</u>

Reconciliation of Cash Flows from Operations to Free Cash Flow:

Net cash and cash equivalents provided by operating activities	\$ 6,206	\$ 16,577	\$ 33,502	\$ 27,651
Purchases of property and equipment	(4,322)	(3,346)	(11,776)	(13,085)
Cash paid for restructuring costs	224	141	2,110	5,342
Total net adjustments	<u>(4,098)</u>	<u>(3,205)</u>	<u>(9,666)</u>	<u>(7,743)</u>
Free Cash Flow	<u>\$ 2,108</u>	<u>\$ 13,372</u>	<u>\$ 23,836</u>	<u>\$ 19,908</u>

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Q4 Earnings Presentation

March 1, 2022

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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 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; 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 tensions 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/income 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 costs, gain or loss on extinguishment of debt, costs not core to our business and, now, loss on settlement of lawsuits. 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.

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Matt Levin

Chief Executive Officer

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Delivered a Strong 2021 While Investing in Our Future



We are on track to return to long-term sustainable growth



We are making great progress towards improving our service excellence



We are delivering on our commitments, strengthening our business and are on track to return to growth

Note: See important disclosures on non-GAAP financial measures and GAAP to non-GAAP reconciliation on slides 3, 18 and 19.



Recent Accomplishments

- Delivered strongest open enrollment season in company history
- Completed acquisition of Tango Health



Key Financial Highlights

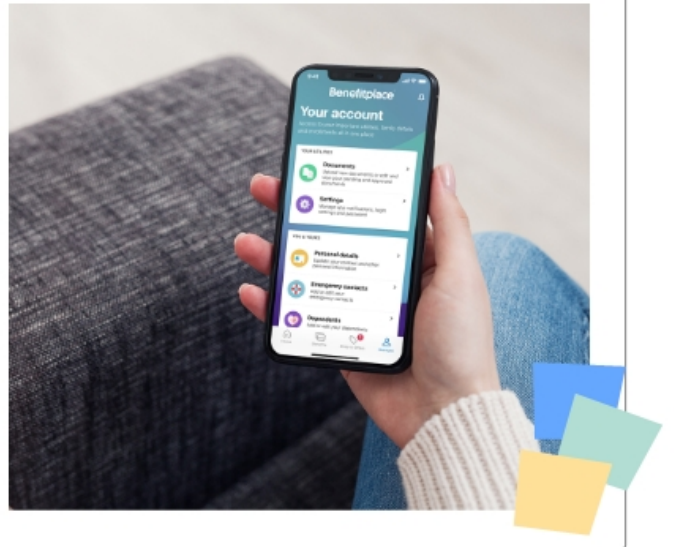
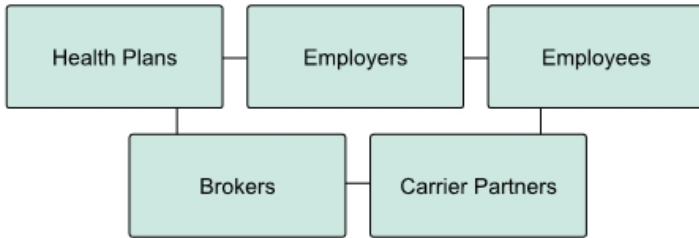
- Q4 2021 revenue exceeded guidance range
- GAAP Diluted EPS was \$0.04 and non-GAAP Diluted EPS was \$0.24 for Q4 2021
- FY 2021 Adjusted EBITDA margin of 19%; up more than 200 basis points YoY

A Unique Business Model in an Attractive Industry

Competitive Advantages



Key Players



Strengthening the Core to Activate Growth Flywheel



Investing in Service Excellence



Innovating on a Strong Technology Platform



Executing with the Best Team in the Industry



Growing with Intent to Accelerate Revenue Generation



Enhancing Core Capabilities

- Strategically deploying capital to expand product offering
- Leveraging platform and technology, deepening relationships with customers
- Moving into adjacent markets



Leveraging Data Assets

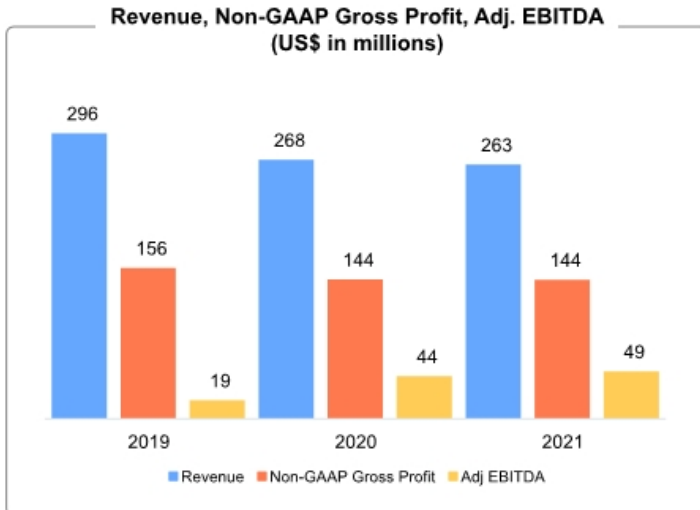
- Delivering industry-leading tech-enabled services and insights
- Driving differentiated post-enrollment, engagement and utilization capabilities
- Gaining market traction by launching offerings leveraging data insights



Moving Up Market

- Targeting larger, higher-value customers
- Better positioned than competitors to deliver efficiently
- Expanding addressable market

Increasing Operational Efficiency to Create Value



Note: See important disclosures on non-GAAP financial measures and GAAP to non-GAAP reconciliation on slides 3, 18 and 19.

Accomplishments

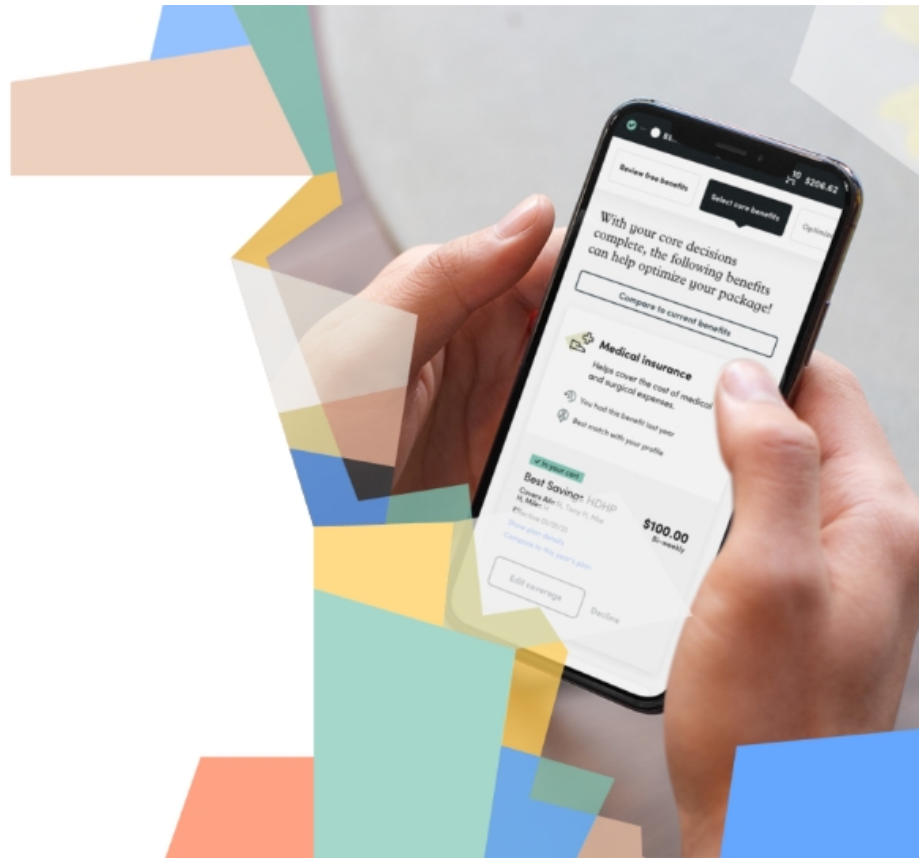
- Automating processes driving stronger software gross margins
- Optimizing sales and marketing organization resulting in increased EBITDA
- Sustaining margins while executing revenue growth strategy

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Alpana Wegner

Chief Financial Officer

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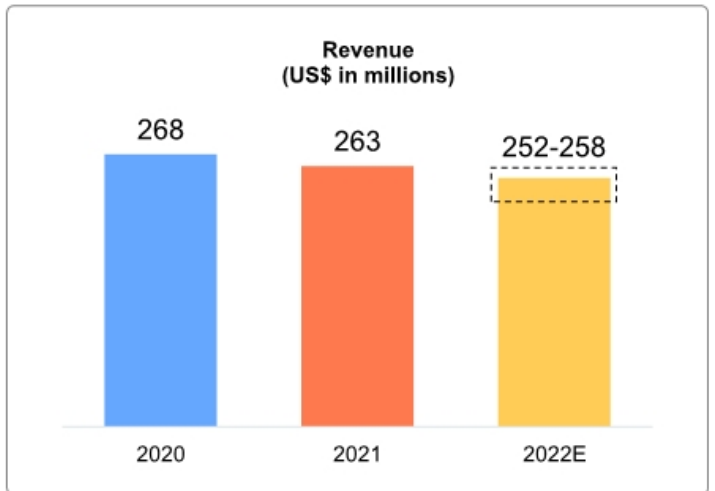


Managing Near-Term Revenue while Planning for a Strong Close to 2022

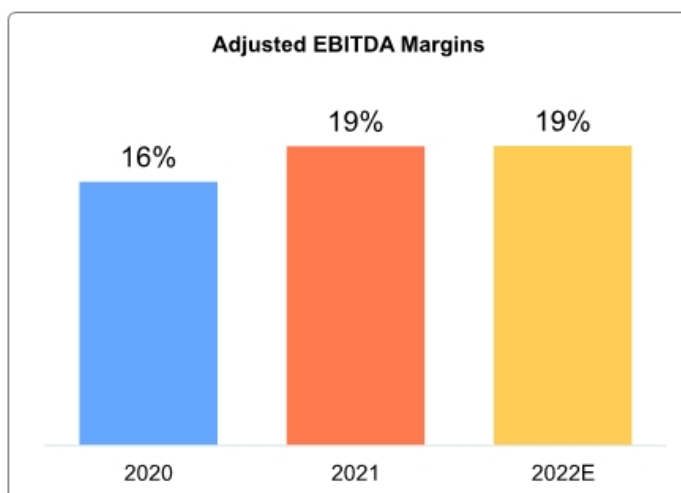
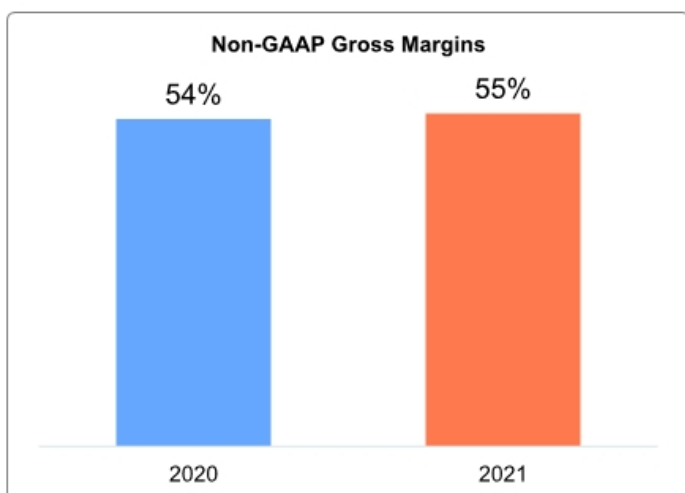
Key Developments in Q4 2021

- Revenue exceeded guidance
- Software services up 2% YoY
 - Subscription revenue down 2% YoY, better than expected
 - Platform revenue up 14% YoY, better than expected
- Net Benefit Eligible Lives were in line with our expectations. Total NBELs were 15.6 million in Q4, down sequentially 3% and down year-over-year 15% ⁽¹⁾.

(1) As we previously shared, the decline in NBELs was driven by the expected fewer renewals from certain health plans and in the first quarter of 2021, we made a strategic decision to terminate the unprofitable relationship with SHIPT and the associated "gig" lives.



Protecting our Margins while Investing in Service Excellence



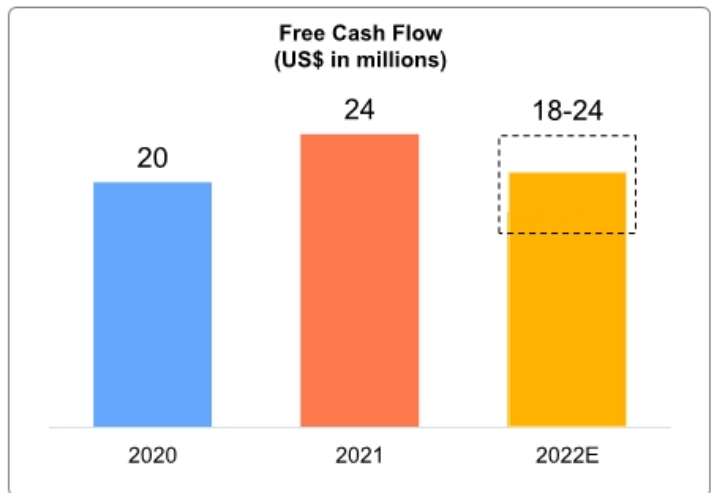
Note: 2022E Adjusted EBITDA Margin based on the midpoint of guidance

Note: See important disclosures on non-GAAP financial measures and GAAP to non-GAAP reconciliation on slides 3, 18 and 19.

Cash Generation Allows us to Invest in our Growth

Key Developments in Q4 2021

- \$68M of cash and investments at year end 2021
- 2021 free cash flow of \$24M, above the mid point of guidance range
- Well-positioned to pursue tuck-in M&A opportunities to accelerate growth



Note: See important disclosures on non-GAAP financial measures and GAAP to non-GAAP reconciliation on slides 3, 18 and 19.

Guidance Overview

<i>(amounts in millions except per share information)</i>	Q1 2022	2022
Revenue	\$59 to \$61	\$252 to \$258
Adjusted EBITDA	\$7 to \$9	\$44 to \$50
Free Cash Flow	<i>Not Provided</i>	\$18 to \$24
Loss per Diluted Share	(\$0.15) to (\$0.09)	<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 or free cash flow to their most directly comparable GAAP measure of GAAP net loss 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, 18 and 19.

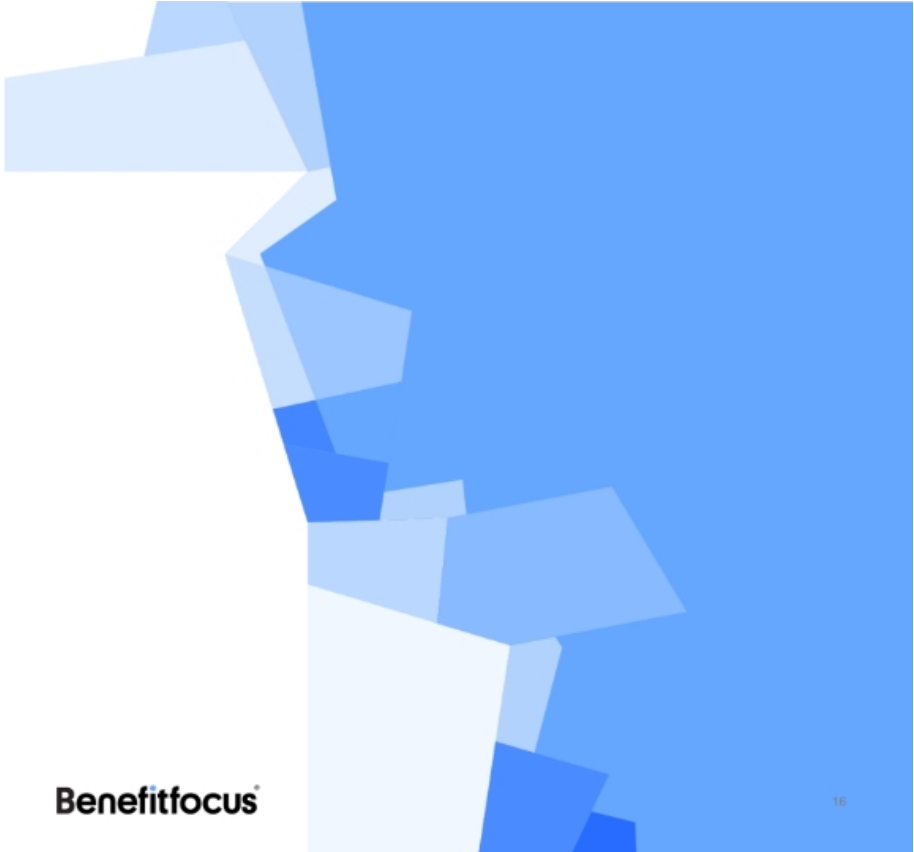
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Questions?

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Appendix



Q4 and Full Year 2021 Summary

<i>(amounts in millions except per share information)</i>	Q4 2021	Q4 2020	YoY%	2021	2020	YoY%
Revenue	75.1	76.2	(1%)	263.1	268.1	(2%)
Gross Profit (Non-GAAP)	41.4	43.2	(4%)	144.0	144.2	0%
Operating Income/(Loss) (GAAP)	5.4	8.6	(38%)	(5.7)	(3.0)	92%
Operating Income (Non-GAAP)	11.9	14.2	(17%)	21.4	15.7	36%
Adjusted EBITDA	18.0	20.2	(11%)	49.0	44.0	11%
Earnings/(Loss) per Diluted Share (GAAP)	0.04	0.04	0%	(1.17)	(0.87)	(34%)
Earnings/(Loss) per Diluted Share (Non-GAAP)	0.24	0.18	33%	(0.07)	(0.32)	78%

Note: See important disclosures on non-GAAP financial measures and GAAP to non-GAAP reconciliation on slides 3, 18 and 19.

Reconciliation of GAAP to Non-GAAP Measures

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

	Three Months Ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
Reconciliation from Gross Profit to Non-GAAP Gross Profit:				
Gross profit	\$ 40,261	\$ 41,264	\$ 140,384	\$ 138,753
Amortization of acquired intangible assets	471	300	1,476	1,291
Stock-based compensation expense	506	1,099	2,081	3,703
Impairment of long-lived assets	56	468	56	488
Total net adjustments	1,133	1,967	3,619	5,492
Non-GAAP gross profit	\$ 41,394	\$ 43,161	\$ 143,997	\$ 144,215
Reconciliation from Operating (Loss) Income to Non-GAAP Operating Income:				
Operating income (loss)	\$ 5,364	\$ 8,594	\$ (5,710)	\$ (2,909)
Amortization of acquired intangible assets	804	599	2,506	2,274
Stock-based compensation expense	3,411	3,678	13,906	14,537
Transaction and acquisition-related costs expensed	437	25	677	450
Impairment of long-lived assets	97	916	4,100	916
Costs not costs to our business	1,797	407	5,897	407
Total net adjustments	6,506	5,645	27,086	18,634
Non-GAAP operating income	\$ 11,870	\$ 14,239	\$ 21,378	\$ 15,695
Reconciliation from Net Income (Loss) to Adjusted EBITDA:				
Net income (loss)	\$ 3,005	\$ 3,097	\$ (32,166)	\$ (24,297)
Depreciation	3,273	3,789	13,956	15,295
Amortization of software development costs	2,520	2,177	9,117	7,405
Amortization of acquired intangible assets	804	599	2,506	2,274
Interest income	(23)	(99)	(196)	(632)
Interest expense	3,997	6,547	20,754	23,071
Income tax (benefit) expense	(3,085)	5	(2,980)	22
Stock-based compensation expense	3,411	3,678	13,906	14,537
Transaction and acquisition-related costs expensed	437	25	677	450
Restructuring costs	—	—	4,127	5,616
Impairment of long-lived assets	97	916	4,100	916
Loss (gain) on repurchase of convertible senior notes	—	—	7,520	(1,135)
Loss on retirement of lease	1,750	—	1,750	—
Costs not costs to our business	1,797	407	5,897	407
Total net adjustments	14,949	17,094	81,105	68,313
Adjusted EBITDA	\$ 17,954	\$ 20,191	\$ 48,999	\$ 44,016

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

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

	Three Months Ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
Reconciliation from Net Income (Loss) to Non-GAAP Net Income (Loss):				
Net income (loss)	\$ 3,005	\$ 3,087	\$ (32,166)	\$ (24,297)
Amortization of acquired intangible assets	804	569	2,509	2,274
Stock-based compensation expense	3,411	3,678	13,905	14,537
Transaction and acquisition-related costs expensed	437	25	677	450
Impairment of long-lived assets	97	916	4,100	916
Loss (gain) on repurchase of convertible senior notes	-	-	7,520	(1,138)
Loss on settlement of lawsuit	1,760	-	1,760	-
Costs not core to our business	1,757	457	5,897	457
Total net adjustments	8,266	5,645	36,368	17,496
Non-GAAP net income (loss)	\$ 11,271	\$ 8,742	\$ 4,202	\$ (6,801)
Calculation of Non-GAAP Earnings Per Share:				
Non-GAAP net income (loss)	\$ 11,271	\$ 8,742	\$ 4,202	\$ (6,801)
Preferred dividends	(1,600)	(1,600)	(6,400)	(3,662)
Undistributed earnings allocated to preferred stockholders	(1,330)	(1,012)	-	-
Non-GAAP net loss available to common stockholders	\$ 8,341	\$ 6,130	\$ (2,198)	\$ (10,463)
Weighted average shares outstanding - basic	33,432,696	32,312,246	33,092,896	32,318,201
Weighted average shares outstanding - diluted	34,614,578	34,556,633	33,092,896	32,318,201
Shares used in computing non-GAAP net loss per share - basic	33,432,696	32,312,246	33,092,896	32,318,201
Shares used in computing non-GAAP net loss per share - diluted	34,614,578	34,556,633	33,092,896	32,318,201
Non-GAAP net loss per common share - basic	\$ 0.25	\$ 0.19	\$ (0.07)	\$ (0.32)
Non-GAAP net loss per common share - diluted	\$ 0.24	\$ 0.18	\$ (0.07)	\$ (0.32)
Reconciliation of Cash Flows from Operations to Free Cash Flow:				
Net cash and cash equivalents provided by operating activities	\$ 6,206	\$ 16,577	\$ 33,502	\$ 27,651
Purchases of property and equipment	(4,322)	(3,345)	(11,776)	(13,085)
Cash paid for restructuring costs	234	141	2,110	5,342
Total net adjustments	(4,088)	(3,204)	(9,666)	(7,743)
Free Cash Flow	\$ 2,108	\$ 13,372	\$ 23,836	\$ 19,908



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Q4 Earnings Presentation

March 1, 2022

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