

## CORPORATE PARTICIPANTS

**Michael DeVries**, *Senior Vice President of Finance*

**Gavin Southwell**, *Chief Executive Officer and President*

## PRESENTATION

### **Operator:**

Greetings and welcome to the Health Insurance Innovations Business Update Call. At this time all participants are in a listen-only mode. If anyone should require Operator assistance during the conference, please press star, zero on your telephone keypad. As a reminder, this conference is being recorded.

I would now like to turn the conference over to your host, Mr. Michal DeVries, Senior Vice President of Finance for Health Insurance Innovations. Thank you. You may begin.

### **Michael DeVries:**

Thank you, Melissa, and good morning, everyone. On the call with me, we have Gavin Southwell, HIIQ CEO and President.

We will be making forward statements on this call. All statements, other than statements of historical facts are forward-looking statements. Such statements may describe future plans, objectives, or goals. Forward-looking statements are subject to future risks and uncertainties, including the risks outlined in the Company's Form-10K. These risks and uncertainties include, among other things, the challenges associated with integrating acquired businesses as well as the Company's ability to maintain relationships and develop new relationships with Health Insurance carriers and distributors. Its ability to retain its members, the amount of commissions paid to the Company, or changes in Health Insurance Plan practices. State regulatory compliance and changes in the United States Health Insurance system and laws.

Actual results could differ materially from those projected or expected to these forward-looking statements. Listeners are urged to review and consider all various disclosures made by the Company in this conference call and the risk factors associated with the Company's Annual Report on Form-10-K as well as other reports we have filed with the Securities and Exchange Commission.

Copies of the Company's SEC reports are available on our website, [hiiq.com](http://hiiq.com) and on the SEC's website. The Company disclaims any obligation to update any forward-looking statements after this conference call.

With that, I'll turn the call over to our CEO, President, Gavin Southwell.

### **Gavin Southwell:**

Hello and good morning, everyone. Thank you for joining us.

This morning we announced that HIIQ has re-entered the over 65 insurance market and further diversified our business and product offering with the acquisition of Together Health, a leading direct to consumer platform focused on consumer acquisition and engagement in the over 65 market.

This is an inflection point for our Company and the start of a new and exciting era where we have significantly expanded our total addressable market; we have diversified and broadened out our offering, and we have executed successfully on a significant milestone for the business.

Since I joined the HIIQ business in 2016, we have long planned to broaden out our offering and more aggressively leverage our powerful Proprietary Technology platform. We spent prior years strengthening our carrier partnerships and our consumer experience and recently launched our next generation platform, MyBenefitsKeeper. All important building blocks and all leading us to here.

This strategic acquisition builds on years of hard work and creates substantial opportunity to drive incremental economic benefits from HIIQ's prominent position in the insurance distribution value chain (phon), and we are just getting started.

Our market and competitor analysis provides great insight into the health and life insurance markets. We have incredible access to data, and we provide that data to everybody from the White House and HHS to most news organizations. We also use this data internally to drive value for our insurer and distribution partner.

Due to the fact that we work with a lot of the big players in the over 65 market already, while working in the under 65 health insurance market, and we have had great success in the under 65 market and will continue to have great success in that market. What it means, is that we have existing relationships and insight that can easily be leveraged beyond the lines we have traditionally focused on, and that's very important.

The level of understanding we have is unique and far greater than other stakeholders who are not market participants. Simply put, we believe that we know where the value is in the over 65 market and how to invest our capital for substantial growth and return. This is our initial splash in this space, and you can expect us to continue to pursue strategic build decisions as we expand our reach.

Taking a step back, let me provide some color around our decision to re-enter the over 65 market. As we look at the insurance landscape to see many areas where our Technology Platform could add value, over 65 checks all the right boxes today. As you all know, the over 65 market is a massive opportunity. We've over 57 million people currently enrolled in Medicare, 56% or 37 million of which have either Medicare Advantage or a Medicare supplemental plan. We've over 10,000 people projected to turn 65 over the next 11 years. It's the fastest growing segment of the market.

Third of all, an increasing percentage of these seniors are choosing the benefits offered by Medicare Advantage Plans.

The over 65 market has been on HIIQ's strategic road map for a while, and this strategic acquisition significantly enhances HIIQ's presence in the over 65 market and does so immediately. Further, today's announcement puts us in a stronger position with insurance carriers and other strategic partners, and this provides a foundation for us to generate material growth in Medicare enrollments in the fourth quarter of 2019.

As I have mentioned previously, product diversification and broadening out our offering is a key priority for HIIQ, and this transformative acquisition offers immediate scale for us in the large and growing over 65 insurance markets. Together helps broaden our product offering, expands our market opportunity, and

further diversifies our business while significantly enhancing our consumer acquisition and engagement capability.

The Together Health business is a leading direct-to-consumer platform focused on consumer acquisition and engagement in the over 65 market, their customer acquisition is media driven, with the primary focus on the 65 spend (phon), and they control approximately over 1 million customer acquisitions per year. They have a scalable highly profitable model which we plan to grow, and they also operate a Medicare agency utilizing a BPO partner which leverages their considerable consumer acquisition capability to generate sales and commission.

While we are tremendously excited about the over 65 market, we would note that Together Health acquisition could serve as a template, it illustrates how we can leverage our industry leading technology platform and customer centric strategy to build upon our core mission, expanding consumer access to appropriate health insurance coverage that meets our individual demands and need.

The acquisition is comprised of cash, stock, and contingent consideration and is expected to be immediately accretive to (inaudible). The purchase consideration subject to certain adjustments, includes upfront payments of \$50 million of cash and \$630,000 shares of HIIQ Class A Common Stock, and a 5-year earnout provision based on the future performance of the acquired business.

Based on the significant opportunities we see ahead, we intend to invest prudently in the Together Health platform and operations while synteegrating (phon) the business. Together Health management will continue to manage Together Health's business and report directly to me, and be supported by the full capabilities of our extensive group resources. We are confident HIIQ will hit the ground running in the over 65 market during the fourth quarter of 2019's open enrollment period.

As stated earlier, we believe that the acquisition will contribute at least \$10 million of Adjusted EBITDA during the remainder of Fiscal Year 2019. The vast majority of which will be in the fourth quarter, which is standard for this type of business. Further, if the business outperforms the \$10 million contribution expectations we have laid out on this call, we would anticipate having the flexibility to either reinvest the profit upside back into our growth initiatives, or to flow it through earnings.

I am pleased to share the Company is raising its previously announced 2019 outlook to account for Together Health expected contribution. We now project revenues in the range of \$450 million to \$460 million, up from \$430 million to \$440 million. Adjusted EBITDA guidance in the range of \$82 million to \$87 million, up from \$72 million to \$77 million. Adjusted net income per share guidance in the range of \$3.80 to \$4.05, up from \$3.50 to \$3.75.

It is important to note that the successful diversification of our business product mix, which now includes a large footprint of the over 65 market means we would not expect any single product line on our technology platform to represent more than 33% of our business in 2019.

In conjunction with this acquisition, we have entered into a new \$215 million credit agreement with a syndicate of banks; Bank of America as administrative agent and B of A Securities Inc., and SunTrust Robinson Humphrey Inc. as joint leader (inaudible) and joint book-runner (phon). When combined of our expectations and meaningful cash flow from operations, HIIQ will maintain significant financial flexibility to invest in organic and acquisition driven products and platform diversification strategies, while also continuing to execute on the Company's previously authorized common stock repurchases.

To date, under the \$200 million share repurchase authorization, the Company has repurchased \$106 million or approximately 18% of the Company shares of common stock since the onset of the program, and we continue to assess all options regarding the optimal capital allocation strategy.

Overall, this transaction is another step towards executing on our strategy of diversifying our product offering and significantly increasing our total addressable market, and I'm really excited for the future of HIIQ. Let's be clear. There is much low hanging fruit in the over 65 space that we will be able to capture with our existing third party distribution partners and our existing insurance carrier partners, and we expect significant growth utilizing these existing assets organically, but to complement that with investments that are immediately accretive is the optimal approach, and we look forward to providing further updates in the near term as we continue to build out our offering.

Our new enhanced relationships allows us the support, financial strength, and complementary in-depth market knowledge of an unrivaled partner in our spend. We are grateful of our newly enhanced banking relationship and see this as the first step on an exciting journey for our business.

Finally, we will also continue to execute on our other product initiatives. We have successfully relaunched ACA plans on our platform and expect this to become a more important part of our business. We successfully launched our new direct-to-consumer Life Channel via E-commerce, and we continue to build out our Spanish initiatives, which will deliver a full end-to-end Spanish language health insurance solution to the vastly underserved Spanish speaking consumer.

These initiatives mean that as we continue to grow out our over 65 offering, and we continue to diversify our business, we believe that no single product line will represent more than 33% of our business in 2019. As always, our top priority is continuing to improve and enhance an outstanding consumer experience to the over 1 million insured who utilize our Technology Platform. Our entire Company, our insurance carrier partners, and our distributors are all aligned on this non-negotiable top priority.

Thank you for your time today and your interest in our Company. I look forward to discussing more with you during our second quarter earnings call in early August.

Operator?

**Operator:**

Thank you. Ladies and gentleman, this concludes our call today. Thank you for your participation. You may now disconnect your line.