



May 9, 2016

## Health Insurance Innovations, Inc. Reports Record First Quarter 2016 Financial and Operating Results

**Record Q1 2016 Revenue of \$42.5 million, up 89% YOY**  
**Q1 2016 Adjusted Earnings per Share of \$0.17**  
**Record policies in force totaled approximately 258,000, up 154% YOY**  
**Revised 2016 guidance upward**

TAMPA, Fla., May 09, 2016 (GLOBE NEWSWIRE) -- Health Insurance Innovations, Inc. (HII) (NASDAQ:HIIQ), a leading developer, distributor, and virtual administrator of affordable health plans today announced financial results for the first quarter ended March 31, 2016. The Company will host a live conference call on Tuesday, May 10, 2016 at 8:30 a.m. EDT.

### First Quarter 2016 Consolidated Financial Highlights

- Record revenue was \$42.5 million, an increase of 88.5% over \$22.5 million in the first quarter of 2015.
- Record total collections from customers, which our industry refers to as premium equivalents, of \$70.7 million, an increase of 84.8% over \$38.3 million in the first quarter of 2015.
- Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) was \$4.2 million, compared to \$0.3 million in the first quarter of 2015.
- Adjusted EPS, also referred to as Adjusted Net Income per Share, was \$0.17 in the first quarter of 2016 compared to \$0.01 in the first quarter of 2015.
- GAAP Net Income per diluted share for the first quarter of 2016 was \$0.12, compared to \$0.01 in the first quarter of 2015.
- Record policies in force as of March 31, 2016, totaled approximately 258,000, a 154% increase from 101,500 as of March 31, 2015.

See the reconciliations for premium equivalents, adjusted EBITDA, and adjusted EPS within this press release.

### Revised 2016 Full Year Guidance

For the full year 2016 we expect Revenue to grow between 30% and 40% year-over-year (\$138 million to \$144 million) and Adjusted EPS to grow between 40% and 55% (\$0.38 to \$0.42).

Previously we guided to Revenue of \$130 million to \$136 million and Adjusted EPS of \$0.34 to \$0.38.

"We executed on our plan to accelerate sales during the Affordable Care Act open enrollment period while continuing to improve scalability. We had record policies in force at the end of Q1 2016 - 258,000 policies, representing a 154% year-over-year increase. During the quarter, we also set a new record for submitted policies - 192,000, representing a 236% year-over-year increase." said Patrick McNamee, HII's Chief Executive Officer and President.

"AgileHealthInsurance.com continued to see the strongest growth of all our channels in the first quarter. During the quarter, Agile sold more than 23,000 Short Term Medical policies, maintaining its number one rank among our distributors." said McNamee.

### First Quarter Financial Discussion

First quarter revenues of \$42.5 million increased by 88.5%, as compared to the first quarter of 2015, driven primarily by an increase in policies in force and continued strong sales in the first quarter, including January which was the last month of the ACA open enrollment period.

Adjusted gross margin, which is calculated starting with revenues and then adjusted for third-party commissions, and credit card and ACH fees, decreased to 22.1% of premium equivalents for the first quarter of 2016, compared to 29.3% of premium equivalents in the same period in 2015. The decrease was largely the result of a revenue mix shift towards non-

owned call centers and away from owned call centers due to the restructuring of two of our call centers in Q4 2015 and increased incentives provided to several third-party distributors during the quarter.

Selling, general and administrative ("SG&A") expenses were \$12.0 million (28.2% of revenues) in the first quarter of 2016, compared to \$11.2 million (49.5% of revenues) in the same period in 2015. Improvements in SG&A for the quarter as percentage of revenue were realized due the restructuring of our owned call centers in Q4 2015 as well as continued focus on operational efficiencies.

EBITDA was \$3.5 million in the first quarter of 2016, compared to \$0.7 million in the same period in 2015. Adjusted EBITDA is calculated starting with EBITDA, which is then further adjusted for items that are not part of regular operating activities, including restructuring costs and other non-cash items such as stock-based compensation. Adjusted EBITDA was \$4.2 million in the first quarter of 2016, compared to \$0.3 million in the same period in 2015. A reconciliation of net income to EBITDA and adjusted EBITDA for the 3 months ending March 31, 2016 and 2015 is included within this press release.

Adjusted EPS for Q1 2016 was \$0.17 compared with \$0.01 last year.

The company makes short term loans to our distributors based on actual sales that we refer to as "advance commissions". The advance commissions assist our distributors with cost of lead acquisition and provide working capital. We recover the loans from future commissions earned on premiums collected over the period in which policies renew. The first quarter balance of \$36.6 million is an increase of \$12.1 million from the fourth quarter of 2015.

Cash and cash equivalents totaled \$6.8 million at the end of the first quarter of 2016. Cash in Q1 decreased by \$0.9 million from Q4 2015. We borrowed an additional \$7.5 million on our bank line of credit in the first quarter of 2016, primarily to fund the increase in advanced commissions.

## Conference Call and Webcast

The company will host an earnings conference call on May 10, 2016 at 8:30 a.m. Eastern time. All interested parties can join the call by dialing **(877) 407-9039**; or **(201) 689-8470**; the conference ID is **13635378**. A webcast of the call may be accessed in the Investor Relations section of Health Insurance Innovations' website at <http://investor.hiiquote.com/events.cfm>. An archive of the call will be available for 30 days through the same website.

## About Health Insurance Innovations, Inc. (HII)

HII is a market leader in developing innovative health insurance products that are affordable and meet the needs of health insurance plan shoppers. HII develops insurance products through partnerships with best-in-class insurance companies and markets them via its broad distribution network of licensed insurance agents across the nation, its call center network and its unique online capability. Additional information about HII can be found at [HiiQuote.com](http://HiiQuote.com). HII's Consumer Division includes [AgileHealthInsurance.com](http://AgileHealthInsurance.com), a website for researching, comparing and purchasing short-term health insurance products online and [HealthPocket.com](http://HealthPocket.com), a free website that compares and ranks all health insurance plans, and uses objective data to publish unbiased health insurance market analyses and other consumer advocacy research.

## Forward-Looking Statements

This press release contains "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements other than historical fact, and may include statements relating to goals, plans and projections regarding new markets, products, services, growth strategies, anticipated trends in our business and anticipated changes and developments in the United States health insurance system and laws. Forward-looking statements are based on HII's current assumptions, expectations and beliefs are generally identifiable by use of words "may," "might," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue," or similar expressions and involve significant risks and uncertainties that could cause actual results, developments and business decisions to differ materially from those contemplated by these statements. These risks and uncertainties include, among other things, our ability to maintain relationships and develop new relationships with health insurance carriers and distributors, our ability to retain our members, the demand for our products, the amount of commissions paid to us or changes in health insurance plan pricing practices, our ability to integrate our acquisitions (including our July 2014 acquisition of HealthPocket, Inc.), competition, changes and developments in the United States health insurance system and laws, and HII's ability to adapt to them, the ability to maintain and enhance our name recognition, difficulties arising from acquisitions or other strategic transactions, and our ability to build the necessary infrastructure and processes to maintain effective controls over financial reporting. These and other risk factors that could cause actual results to differ materially from those expressed or implied in our forward-looking statements are discussed in HII's Annual Report on Form 10-K for the year ended December 31, 2015 and subsequent Quarterly Report on Form 10-Q, all as filed with the Securities and Exchange Commission as well as other documents that may be filed by HII from time to time with the Securities and Exchange Commission. Any forward-looking statement made by us in this press release is

based only on information currently available to us and speaks only as of the date on which it is made. You should not rely on any forward-looking statement as representing our views in the future. We undertake no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.

## HEALTH INSURANCE INNOVATIONS, INC.

### Condensed Consolidated Balance Sheets (\$ in thousands, except share and per share data)

	<b>March 31, 2016</b>	<b>December 31, 2015</b>
	(unaudited)	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 6,845	\$ 7,695
Restricted cash	12,051	7,906
Accounts receivable, net, prepaid expenses and other current assets	1,690	1,778
Advance commissions	36,581	24,531
Income taxes receivable	96	591
Total current assets	57,263	42,501
Property and equipment, net	2,576	2,004
Goodwill	41,076	41,076
Intangible assets, net	9,504	10,061
Other assets	139	142
Total assets	\$ 110,558	\$ 95,784
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 22,531	\$ 17,847
Deferred revenue	451	384
Current portion of contingent acquisition consideration	259	532
Due to member	535	342
Other current liabilities	207	203
Total current liabilities	23,983	19,308
Revolving line of credit	15,000	7,500
Deferred tax liability	248	358
Due to member	398	406
Other liabilities	107	158
Total liabilities	39,736	27,730
Commitments and contingencies		
Stockholders' equity:		
Class A common stock (par value \$0.001 per share, 100,000,000 shares authorized; 7,910,086 and 7,910,086 shares issued, respectively; and 7,768,617 and 7,759,092 shares outstanding, respectively)	8	8
Class B common stock (par value \$0.001 per share, 20,000,000 shares authorized; 6,841,667 shares issued and outstanding, respectively)	7	7
Preferred stock (par value \$0.001 per share, 5,000,000 shares authorized; no shares issued and outstanding)	—	—
Additional paid-in capital	44,953	44,591
Treasury stock, at cost (141,468 and 150,993 shares, respectively)	(1,429)	(1,542)
Accumulated deficit	(2,188)	(3,093)
Total Health Insurance Innovations, Inc. stockholders' equity	41,351	39,971
Noncontrolling interests	29,471	28,083
Total stockholders' equity	70,822	68,054
Total liabilities and stockholders' equity	\$ 110,558	\$ 95,784

## HEALTH INSURANCE INNOVATIONS, INC.

### Condensed Consolidated Statements of Operations (unaudited) (\$ in thousands, except share and per share data)

	Three Months Ended March 31,	
	2016	2015
Revenues (premium equivalents of \$70,740 and \$38,281 for the three months ended March 31, 2016 and 2015, respectively)	\$ 42,490	\$ 22,541
Operating expenses:		
Third-party commissions	25,990	10,834
Credit card and ACH fees	883	485
Selling, general and administrative	11,970	11,164
Depreciation and amortization	735	784
Total operating expenses	<u>39,578</u>	<u>23,267</u>
Income (loss) from operations	2,912	(726)
Other (income) expense:		
Interest expense (income)	55	(7)
Fair value adjustment to contingent acquisition consideration	—	(491)
Other expense (income)	187	(148)
Net income (loss) before income taxes	<u>2,670</u>	<u>(80)</u>
Provision (benefit) for income taxes	384	(336)
Net income	<u>2,286</u>	<u>256</u>
Net income attributable to noncontrolling interests	1,381	203
Net income attributable to Health Insurance Innovations, Inc.	<u>\$ 905</u>	<u>\$ 53</u>
<b>Per share data:</b>		
<b>Net income per share attributable to Health Insurance Innovations, Inc.</b>		
Basic	<u>\$ 0.12</u>	<u>\$ 0.01</u>
Diluted	<u>\$ 0.12</u>	<u>\$ 0.01</u>
<b>Weighted average Class A common shares outstanding</b>		
Basic	7,563,555	7,515,053
Diluted	7,699,866	7,714,339

**Reconciliation of Net Income to EBITDA and Adjusted EBITDA  
(unaudited)  
(\$ in thousands)**

	Three Months Ended March 31,	
	2016	2015
Net income	\$ 2,286	\$ 256
Interest (income) expense	55	(7)
Depreciation and amortization	735	784
Provision (benefit) for income taxes	384	(336)
EBITDA	<u>3,460</u>	<u>697</u>
Non-cash stock-based compensation	486	61
Fair value adjustment to contingent consideration	—	(491)
Transaction costs	—	24
Tax receivable agreement liability adjustment	185	125
Other non-recurring charges (benefits)	119	(70)
Adjusted EBITDA	<u>\$ 4,250</u>	<u>\$ 346</u>

**Reconciliation of Adjusted EBITDA to Adjusted Net Income per Share  
(Unaudited)  
(\$ in thousands except per share data)**

	Three Months Ended March 31,	
	2016	2015

Adjusted EBITDA	\$ 4,250	\$ 346
Less depreciation	(178)	(48)
Adjusted pre-tax income	4,072	298
Less income tax expense	(1,547)	(113)
Adjusted net income	<u>\$ 2,525</u>	<u>\$ 185</u>
Total weighted average diluted share count	<u>14,542</u>	<u>14,556</u>
Adjusted net income per share	<u>\$ 0.17</u>	<u>\$ 0.01</u>

(1) EBITDA is defined as net income before interest expense, income taxes and depreciation and amortization. We have included EBITDA in this report because it is a key measure used by our management and Board of Directors to understand and evaluate our core operating performance and trends, to prepare and approve our annual budget and to develop short- and long-term operational plans. In particular, the exclusion of certain expenses in calculating EBITDA can provide a useful measure for period-to-period comparisons of our business. However, EBITDA does not represent, and should not be considered as, an alternative to net income or cash flows from operations, each as determined in accordance with generally accepted accounting principles in the United States of America ("GAAP"). Other companies may calculate EBITDA differently than we do. EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP.

(2) To calculate adjusted EBITDA, we calculate EBITDA, which is then further adjusted for items that are not part of regular operating activities, including acquisition costs, and other non-cash items such as non-cash stock-based compensation. Adjusted EBITDA does not represent, and should not be considered as, an alternative to net income or cash flows from operations, each as determined in accordance with GAAP. We have presented adjusted EBITDA because we consider it an important supplemental measure of our performance and believe that it is frequently used by analysts, investors and other interested parties in the evaluation of companies. Other companies may calculate adjusted EBITDA differently than we do. Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP.

(3) Adjusted net income is computed by subtracting depreciation (but not amortization of intangible assets) from adjusted EBITDA to determine adjusted pre-tax income, from which an assumed tax expense calculated at the 38% federal statutory rate is deducted. We have included adjusted net income in this report because it is a key measure used by our management to understand and evaluate our core operating performance and trends and because we believe it is frequently used by analysts, investors and other interested parties in the evaluation of companies. Other companies may calculate this measure differently than we do. Adjusted net income has limitations as an analytical tool, and you should not consider it in isolation or substitution for earnings per share as reported under GAAP.

(4) Adjusted net income per share is computed by dividing adjusted net income by the total number of diluted Class A and Class B shares of our common stock for each period. We have included adjusted net income per share in this report because it is a key measure used by our management to understand and evaluate our core operating performance and trends and because we believe it is frequently used by analysts, investors and other interested parties in the evaluation of companies. Other companies may calculate this measure differently than we do. Adjusted net income per share has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for earnings per share as reported under GAAP.

**Reconciliation of Premium Equivalents to Revenues & Adjusted Gross Margin  
(unaudited)  
(\$ in thousands)**

	Three months Ended March 31,	
	2016	2015
Premium equivalents	\$ 70,740	\$ 38,281
Less risk premium	26,882	14,906
Less amounts earned by third party obligors	1,368	834
Revenues	<u>42,490</u>	<u>22,541</u>
Third-party commissions	25,990	10,834
Credit card and ACH fees	883	485
Adjusted gross margin	<u>\$ 15,617</u>	<u>\$ 11,222</u>

(1) Premium equivalents is defined as the combination of premiums, fees for discount benefit plans (a non-insurance

benefit product that supplements or enhances an insurance product), fees for distributors, our enrollment fees and third-party commissions and referral fees. From premium equivalents, we remit risk premium to carriers and amounts earned by discount benefit plan providers, who we refer to as third-party obligors, such carriers and third-party obligors being the ultimate parties responsible for providing the insurance coverage or discount benefits to the member. Our revenues consist of the balance of the premium equivalents. We have included premium equivalents in this report because it is a key measure used by our management to understand and evaluate our core operating performance and trends, to prepare and approve our annual budget and to develop short- and long-term operational plans. In particular, the inclusion of premium equivalents can provide a useful measure for period-to-period comparisons of our business. This financial measurement is considered a non-GAAP financial measure and is not recognized under GAAP and should not be used as, and is not an alternative to, revenues as a measure of our operating performance.

(2) Adjusted gross margin is defined as revenues less third party commissions and credit card and ACH fees. Adjusted gross margin does not represent, and should not be considered as, an alternative to revenues, as determined in accordance with GAAP. Adjusted gross margin is a key measure used by our management to understand and evaluate our core operating performance and trends, to prepare and approve our annual budget and to develop short-term and long-term operational plans. In particular, adjusted gross margin can provide a useful measure for period-to-period comparisons of our business. Adjusted gross margin has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP.

**Summary of selected metrics  
(unaudited)  
(\$ in thousands)**

**Submitted Applications during  
Three Months Ended  
March 31,**

	2016	2015	Change (%)
IFP	95,400	30,700	210%
Supplemental products	96,800	26,400	267%
Total	<u>192,200</u>	<u>57,100</u>	236%

**Policies in Force as of  
March 31,**

	2016	2015	Change (%)
IFP	115,300	45,800	152%
Supplemental products	142,700	55,700	156%
Total	<u>258,000</u>	<u>101,500</u>	154%

**Submitted IFP Applications by Channel**

	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16
Agile	-	300	5,800	11,300	23,100
All Others	30,700	31,700	39,100	57,900	72,300
Total	<u>30,700</u>	<u>32,000</u>	<u>44,900</u>	<u>69,200</u>	<u>95,400</u>

**Core SG&A as a Percentage of Revenue**

	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16
<b>Total SG&amp;A</b>	<b>\$ 11,165</b>	<b>\$ 10,350</b>	<b>\$ 10,845</b>	<b>\$ 14,964</b>	<b>\$ 11,970</b>
Less: Stock-based compensation	61	626	313	363	486
Less: Other non-recurring charges	(69)	468	273	2,952	119
Less: Marketing and Advertising	2,659	1,809	2,305	3,046	2,820
<b>Core SG&amp;A</b>	<b>\$ 8,514</b>	<b>\$ 7,447</b>	<b>\$ 7,954</b>	<b>\$ 8,603</b>	<b>\$ 8,545</b>
% of Revenue	37.8%	32.7%	30.8%	25.6%	20.1%

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