August 8, 2016

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

Record Q2 2016 Revenue of $44.5 million, up 96% YOY
Q2 2016 Earnings per Share of $0.24
Q2 2016 Adjusted Earnings per Share of $0.27
Record policies in force totaled approximately 258,400, up 128% YOY
Revised 2016 guidance upward

TAMPA, Fla., Aug. 08, 2016 (GLOBE NEWSWIRE) -- Health Insurance Innovations, Inc. (HII) (NASDAQ:HIIQ), a leading developer, distributor, and virtual administrator of affordable health plans announced financial results for the second quarter ended June 30, 2016. The Company will host a live conference call on Tuesday, August 9, 2016 at 8:30 A.M. EST.

Second Quarter 2016 Consolidated Financial Highlights

- Record revenue was $44.5 million, an increase of 95.6% over $22.7 million in the second quarter of 2015.
- Record total collections from customers, which our industry refers to as premium equivalents, of $77.0 million, an increase of 99.8% over $38.5 million in the second quarter of 2015.
- Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) was $6.5 million, compared to $1.8 million in the second quarter of 2015.
- GAAP Net Income per diluted share for the second quarter of 2016 was $0.24, compared to negative $0.04 in the second quarter of 2015.
- Adjusted EPS, also referred to as Adjusted Net Income per Share, was $0.27 in the second quarter of 2016 compared to $0.08 in the second quarter of 2015.
- Record policies in force as of June 30, 2016, totaled approximately 258,400, a 128% increase from 113,200 as of June 30, 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 48% and 58% year-over-year ($155 million to $165 million) and Adjusted EPS to grow between 104% and 141% ($0.55 to $0.65).

Previously we guided to Revenue of $138 million to $144 million and Adjusted EPS of $0.38 to $0.42.

"Our second quarter performance demonstrated continued strong demand for our products with exceptional execution" said Patrick McNamee, HII's Chief Executive Officer.

"AgileHealthInsurance.com, powered by the team at HealthPocket, delivered the strongest revenue growth of all channels. During the quarter, Agile sold approximately 16,000 STM policies and a record 2,500 supplemental dental and vision policies. Agile continues to be our largest distributor and will add new products this year to assure future growth" said McNamee.

Regulatory Update

As mentioned in our June 9th 2016 press release, the Department of Health and Human Services (HHS) proposed a rule that would limit the duration of short-term, limited-duration health insurance. As expected, there has been significant consumer and industry push back. "We believe that HHS was well intentioned in their proposed rule, however, it appears they have not fully appreciated the negative impact their rule would have on consumers. The proposed rule sets the stage for considerable consumer harm if implemented without modification" said McNamee.

In Q2 the industry has seen increased regulatory scrutiny from many states where we sell our products. In response to this we have added additional resources to ensure continued responsiveness to requests regarding our compliance processes. "We have always viewed compliance as a critical pillar of our organization; integrity and consumer satisfaction will always be a key element of our strategy" said McNamee.

Second Quarter Financial Discussion

Second quarter revenues of $44.5 million increased by 95.6%, as compared to the second quarter of 2015, driven primarily by an increase in policies in force and continued strong sales in the second quarter.

Adjusted gross margin in the second quarter, which is defined as revenue less third-party commissions and credit card or ACH fees, was up both year-over-year and sequentially to $17.7 million. Adjusted gross margin as a percentage of premium equivalents in Q2 was 22.9%, down year-over-year but favorable sequentially. The reduced gross margin percentage was driven by a revenue mix shift in the quarter towards non-owned call centers and away from owned call centers due to the restructuring of two of our owned call centers in late 2015.

Total selling, general and administrative ("SG&A") expenses were $11.7 million (26.3% of revenues) in the second quarter of 2016, compared to $10.4 million (45.5% of revenues) in the same period in 2015. Our core SGA for the quarter - total SGA less marketing leads and advertising, stock compensation and non-reoccurring costs - as a percentage of revenue was 19.5% in Q2 2016 compared to 32.7% in Q2 2015. Improvements in SG&A for the quarter as percentage of revenue were realized due to our continued focus on operational efficiencies.

EBITDA was $5.7 million in the second quarter of 2016, compared to $0.6 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 $6.5 million in the second quarter of 2016, compared to $1.8 million in the same period in 2015. Adjusted EBITDA as a percentage of revenue was 14.7% in the second quarter of 2016, compared to 7.9% in the same period in 2015. A reconciliation of net income to EBITDA and adjusted EBITDA for the 3 and 6 months ending June 30, 2016 and 2015 is included within this press release.

Adjusted EPS for Q2 2016 was $0.27 compared with $0.08 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 second quarter balance of $32.8 million is a decrease of $3.8 million from the first quarter of 2016.

Cash and cash equivalents totaled $9.3 million at the end of the second quarter of 2016. Cash in Q2 increased by $2.4 million from Q1 2016 which includes paying down $1.0 million of our bank line of credit.

Conference Call and Webcast

The company will host an earnings conference call on August 9, 2016 at 8:30 A.M. Eastern time. All interested parties can join the call by dialing **(877) 407-9712; or (201) 689-8323; the conference ID is 13640965**. 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. HII's Consumer Division includes AgileHealthInsurance.com, a website for researching, comparing and purchasing short-term health insurance products online and 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 most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC) as well as other documents that may be filed by HII from time to time with the Securities and Exchange Commission, which are available at www.sec.gov. 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)

	June 30, 2016	December 31, 2015
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 9,269	$ 7,695
Restricted cash	15,682	7,906
Accounts receivable, net, prepaid expenses and other current assets	1,478	1,778
Advanced commissions, net	32,803	24,531
Income taxes receivable	—	591
Total current assets	59,232	42,501
Property and equipment, net	3,205	2,004
Goodwill	41,076	41,076
Intangible assets, net	8,946	10,061
Other assets	264	142
Total assets	$ 112,723	$ 95,784
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 21,096	$ 17,847
Deferred revenue	160	384
Current portion of contingent acquisition consideration	—	532
Income taxes payable	296	—
Due to member	790	342
Other current liabilities	211	203
Total current liabilities	22,553	19,308
Revolving line of credit	14,000	7,500
Deferred tax liability	109	358
Due to member	387	406
Other liabilities	186	158
Total liabilities	37,235	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 7,791,225 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	45,185	44,591
Treasury stock, at cost (118,860 and 150,993 shares, respectively)	(1,190)	(1,542)
Accumulated deficit	(331)	(3,093)
Total Health Insurance Innovations, Inc. stockholders' equity	43,679	39,971
Noncontrolling interests	31,809	28,083
Total stockholders' equity	75,488	68,054
Total liabilities and stockholders' equity	$ 112,723	$ 95,784

HEALTH INSURANCE INNOVATIONS, INC.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	**2015**	**2016**	**2015**
Revenues (premium equivalents of $76,977 and $38,531 for the three months ended June 30, 2016 and 2015, respectively and $147,717 and $76,812 for the six months ended June 30, 2016 and 2015, respectively)	$ 44,494	$ 22,747	$ 86,984	$ 45,288
Operating expenses:				
Third-party commissions	25,859	11,260	51,849	22,094
Credit card and ACH fees	974	527	1,857	1,012
Selling, general and administrative	11,697	10,351	23,667	21,515
Depreciation and amortization	797	784	1,532	1,568
Total operating expenses	39,327	22,922	78,905	46,189
Income (loss) from operations	5,167	(175)	8,079	(901)
Other (income) expense:				
Interest expense (income)	100	(10)	155	(17)
Fair value adjustment to contingent acquisition consideration	15	105	15	(386)
Other expense (income)	245	(105)	432	(253)
Net income (loss) before income taxes	4,807	(165)	7,477	(245)
Provision for income taxes	537	373	921	37
Net income (loss)	4,270	(538)	6,556	(282)
Net income (loss) attributable to noncontrolling interests	2,413	(212)	3,794	(9)
Net income (loss) attributable to Health Insurance Innovations, Inc.	$ 1,857	$ (326)	$ 2,762	$ (273)
Per share data:				
Net income (loss) per share attributable to Health Insurance Innovations, Inc.				
Basic	$ 0.24	$ (0.04)	$ 0.36	$ (0.04)
Diluted	$ 0.24	$ (0.04)	$ 0.36	$ (0.04)
Weighted average Class A common shares outstanding				
Basic	7,592,972	7,516,308	7,578,264	7,515,684
Diluted	7,732,664	7,516,308	7,716,202	7,515,684

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	**2015**	**2016**	**2015**
Net income (loss)	$ 4,270	$ (538)	$ 6,556	$ (282)
Interest expense (income)	100	(10)	155	(17)

Depreciation and amortization	797	784	1,532	1,568
Provision for income taxes	537	373	921	37
EBITDA	5,704	609	9,164	1,306
Non-cash stock-based compensation	482	626	969	687
Fair value adjustment to contingent consideration	15	105	15	(386)
Transaction costs	—	—	—	24
Tax receivable agreement liability adjustment	244	(19)	429	106
Other non-recurring charges	103	468	222	398
Adjusted EBITDA	$ 6,548	$ 1,789	$ 10,799	$ 2,135

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net income (loss)	$ 4,270	$ (538)	$ 6,556	$ (282)
Interest expense (income)	100	(10)	155	(17)
Amortization	557	784	1,115	1,472
Provision for income taxes	537	373	921	37
Non-cash stock-based compensation	482	626	969	687
Fair value adjustment to contingent consideration	15	105	15	(386)
Transaction costs	—	—	—	24
Tax receivable agreement liability adjustment	244	(19)	429	106
Other non-recurring charges	103	468	222	398
Adjusted pre-tax income	6,308	1,789	10,382	2,039
Pro forma income taxes	(2,397)	(680)	(3,945)	(775)
Adjusted net income	$ 3,911	$ 1,109	$ 6,437	$ 1,264
Total weighted average diluted share count	14,575	14,358	14,558	14,358
Adjusted net income per share	$ 0.27	$ 0.08	$ 0.44	$ 0.09

(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) To calculate adjusted net income, we calculate net income then add back amortization (but not depreciation), interest, tax expense and other items that are not part of regular operating activities, including acquisition costs, restructuring costs, contract termination costs, tax receivable agreement liability adjustments, and other non-cash items such as non-cash stock-based compensation and fair value adjustment to contingent consideration. From adjusted pre-tax net income we apply a pro forma tax expense calculated at an assumed rate of 38%. We believe that when measuring Company and executive performance against the adjusted net income measure, applying a pro forma tax rate better reflects the performance of the Company without regard to the Company's organizational tax structure. We have included adjusted net income in this report because it is a key performance 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 their evaluation of our company. 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 June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Premium equivalents	$ 76,977	$ 38,531	$ 147,717	$ 76,812
Less risk premium	30,942	14,962	57,824	29,868
Less amounts earned by third party obligors	1,541	822	2,909	1,656
Revenues	44,494	22,747	86,984	45,288
Third-party commissions	25,859	11,260	51,849	22,094
Credit card and ACH fees	974	527	1,857	1,012
Adjusted gross margin	$ 17,661	$ 10,960	$ 33,278	$ 22,182

(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 June 30,		
	2016	2015	Change (%)
IFP	65,000	32,000	103%
Supplemental products	62,600	31,700	97%
Total	127,600	63,700	100%

Policies in Force as of June 30,		
2016	2015	Change (%)

IFP	120,900	50,700	139%
Supplemental products	137,500	62,500	120%
Total	258,400	113,200	128%

Submitted IFP Applications by Channel

	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16
Agile	300	5,800	11,300	23,100	16,000
All Others	31,700	39,100	57,900	72,300	49,000
Total	32,000	44,900	69,200	95,400	65,000

Core SG&A as a Percentage of Revenue

	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16
Total SG&A	**$ 10,350**	**$ 10,845**	**$ 14,964**	**$ 11,970**	**$ 11,697**
Less: Stock-based compensation	626	313	363	486	482
Less: Other non-recurring charges	468	273	2,952	119	103
Less: Marketing and Advertising	1,809	2,305	3,046	2,820	2,449
Core SG&A	**$ 7,447**	**$ 7,954**	**$ 8,603**	**$ 8,545**	**$ 8,663**
% of Revenue	32.7%	30.8%	25.6%	20.1%	19.5%

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