February 7, 2018

Zacks Small-Cap Research

Sponsored – Impartial - Comprehensive

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Hooper Holmes (HPHW-OTC)

HPHW: Merging The Brand And Branding The Merger!

Based on our 10-year DCF model that uses a 12.5% discount rate and 2% terminal growth rate, the target price comes out to $2.25/share. Our assumptions and financial model will be updated based on relevant news.

Current Price (02/06/18)	$0.55
Valuation	**$2.25**

OUTLOOK

Hooper Holmes, headquartered in Olathe, KS, is an independent wellness company that provides on-site health screenings, laboratory testing, risk assessment and sample collection services. Hooper Holmes' current client base is a strong and complementary mix of Fortune 100 and 50 companies, government employers, health plans, clinical research organizations and academic institutions. The company is well positioned to take advantage of the growth in the health risk assessment sector, which is a $1.5B market.

SUMMARY DATA

52-Week High	**$0.94**
52-Week Low	**$0.40**
One-Year Return (%)	**-33.09**
Beta	**1.72**
Average Daily Volume (sh)	**7,098**
Shares Outstanding (mil)	**27**
Market Capitalization ($mil)	**$15**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**0**
Insider Ownership (%)	**52**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**-27.3**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2018 Estimate	**-1.1**
P/E using 2019 Estimate	**-2.0**
Zacks Rank	**N/A**

Risk Level	**High,**
Type of Stock	**N/A**
Industry	**Business Info**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	**Q2** (Jun)	**Q3** (Sep)	**Q4** (Dec)	**Year** (Dec)
2016	$7.2 A	$7.6 A	$9.8 A	$9.6 A	$34.3 A
2017	$7.6 A	$8.9 A	$14.0 A	$28.2 E	$58.7 E
2018					$74.5 E
2019					$87.5 E

Earnings per Share

	Q1 (Mar)	**Q2** (Jun)	**Q3** (Sep)	**Q4** (Dec)	**Year** (Dec)
2016	-$0.43 A	-$0.49 A	-$0.22 A	-$0.23 A	-$1.35 A
2017	-$0.29 A	-$0.26 A	-$0.21 A	-$0.22 E	-$0.95 E
2018					-$0.50 E
2019					-$0.27 E

WHATS NEW

HPHW: Merging The Brand And Branding The Merger!

Hooper Holmes merged with Provant Health back in May 2017. They recently announced on January 23, 2018 that the combined entity will rebrand itself as Provant Health subject to shareholder approval. Management expects to obtain their vote sometime during Q1 2018. Management's vision for the merged company is for it to reflect the combined product offering of Hooper and Provant.

The decision to change the name has been an important one for Hooper. While there is a lot of love for the Hooper brand, a company sponsored survey revealed customer preference toward the Provant name. Despite the rebranding, the company is confident that current Hooper customers will wholeheartedly embrace this name change. We also believe that Hooper is indeed analogous to an old wine in a new bottle.

Although each of the two businesses are passionate about their identity and legacy, it became clear that changing the name would help them operate in the wellness market with their new brand image. Hooper had steadily established dominance in niche markets over time with a culture focused on deep relationships. Provant has a culture defined by growth, performance and competition. The new name, however, will be central to positioning the core values of the combined entity. It will be interesting to see how the company emerges this year post-integration and rebranding.

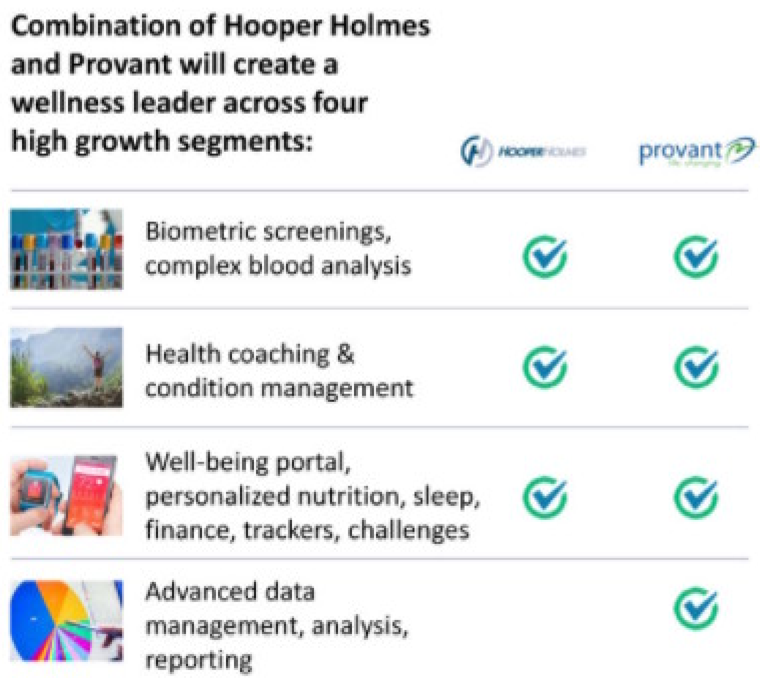
SNAPSHOT

- Hooper Holmes (OTCQX: HPHW), headquartered in Olathe, KS, is an independent wellness company that provides customized platforms and programs for its clients.
- Onsite screening services include the firm's proprietary end-to-end event planning and scheduling system and ScreeningPro™ tablet technology with online/offline paperless sign-in capabilities, participant portals and single-sign-on functionality.
- Hooper Holmes' growing customer base consists of wellness and disease management companies, insurance companies, clinical research organizations, private sector firms, government organizations and academic institutions. The company sells its products directly and through distributors to customers throughout the U.S.
- The leadership team has strong strategic, operational and financial expertise.
- In April 2015, Hooper Holmes acquired Accountable Health Systems (AHS), a provider of telephonic health coaching, wellness portals and data analytics. The acquisition was accretive to earnings in 2015.
- In May 2017, Hooper Holmes merged with Provant Health, a Rhode Island-based wellness organization. The increased size, upselling capabilities, diverse offerings and larger footprint created by the merger positions HPHW to capitalize on a high-growth wellness market segment. Pro forma for the combined companies, 2016 revenue was approximately $67 million.

BACKGROUND

Hooper Holmes, Inc. (OTCQX: HPHW), headquartered in Olathe, KS was established in 1899. In 2008 , the firm transitioned from being a player in the life insurance industry to compete in the health and wellness business segment. The April 2015 acquisition of Accountable Health Solutions, Inc. (AHS), which has expertise in telephonic health coaching and wellness portals as well as data analytics and reporting services, furthered their wellness-related capabilities.

Hooper Holmes services approximately 200 direct clients representing nearly 3,000 employers and up to one million participants. In 2016, they delivered nearly half-a-million health screenings. Provant Health, merged with Hooper in May of this year and has 4,400 active healthcare providers and coaches as well as over 13,000 healthcare professionals on their network. Provant offers wellness services similar to those provided by Hooper including biometric screenings, health assessments, preventive vaccinations, as well as tools that track, measure and reward healthy behaviors and outcomes. Provant has conducted screenings at 6,700 locations and serves 10% of Fortune 100, including three Fortune 50, companies. The combined company has 335 customers serving over 3,000 organizations and more than three million eligible participants. Hooper Holmes expects to screen close to one million participants annually. Hooper and Provant had no customer overlap prior to merging and although both companies served different similar segments within the growing wellness market. The merger combined Hooper's expertise in clinical services with Provant's proficiency in member services, personalized well-being and advanced analytics, thereby allowing both companies to benefit from operational synergies and up-selling opportunities across business verticals.



(Source: www.hooperholmes.com)

Having been in the business from 2008, Hooper Holmes boasts of extensive expertise in providing on-site health screenings, laboratory testing, risk assessment and sample collection services. Hooper Holmes provides wellness programs to corporate and government employers, health plans, healthcare management companies, wellness companies, brokers and consultants, disease management organizations, reward administrators, third party administrators, clinical research organizations and academic institutions.

Corporate wellness is a two-sided marketplace bringing individuals (employees) and businesses together to create a win-win situation. Although in the past, corporate wellness programs were often viewed as an additional golden trim to the many benefits that firms offer, these services have recently become more commonplace. This has been particularly true in the U.S. as a result of the recent focus towards more effective management of (costly and preventable) chronic health conditions. As a result, demand for corporate wellness programs has surged. Rand Corporation's 2013 Workplace Wellness Programs Study revealed that it takes an average of three to five years for a typical wellness program to become cost-neutral and generate positive return on investment. Consequently, corporate wellness programs follow a long-term investment strategy.

Many employers (private and public), concerned about the health of their employees as well as the related financial impact from higher insurance costs, absenteeism and lost productivity, now consider wellness programs a corporate responsibility as well as a strategic imperative.

RAND Corporation identified three main types of services offered within a wellness program in their study:

- screening to identify health risks
- lifestyle management to reduce health risks by adopting healthy lifestyle changes
- disease management services to support those with chronic conditions

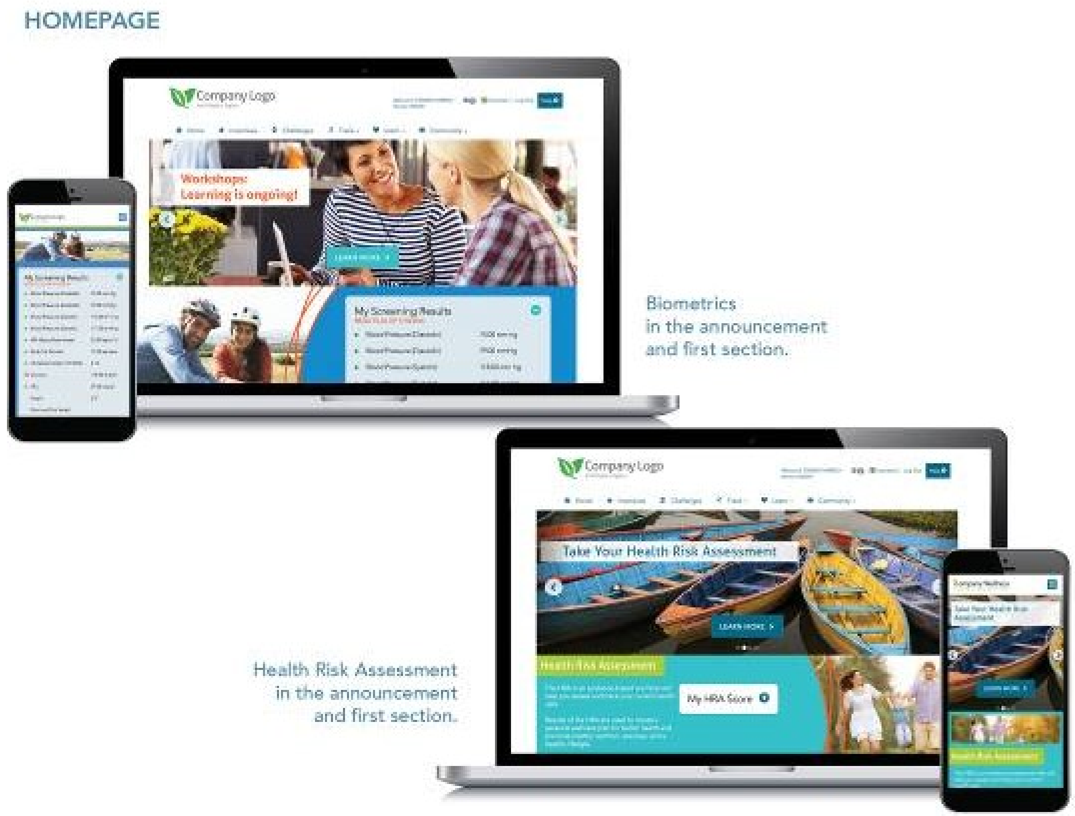
Wellness programs can be tailored to suit the client needs, which can range from a relatively narrow set of offerings to full comprehensive coverage, the latter which includes coaching and lifestyle management interventions. Hooper Holmes offers on-site screenings and flu shots, laboratory testing, risk assessment and sample collection services (finger-stick or venipuncture blood testing) to individuals as part of comprehensive health and wellness programs. Hooper Holmes offers a full spectrum of services surrounding biometric screenings including registering, scheduling and completing an appointment, obtaining biometric screening results and signing up for coaching through Hooper's online portal. Biometric screenings help identify risk factors that could signal the presence of an existing disease or the potential for developing one. Hooper Holmes' team of professionals (phlebotomists, nutritionists, nurse practitioners and physicians) follow up with relevant health education and coaching, and other appropriate preventive measures to help manage and reduce these health risks, which in-turn helps to ultimately reduce overall medical costs. Leveraging their strong data analytics and technological capabilities, Hooper Holmes offers tailored programs and services for its clients.

ON SITE SERVICES

A large percentage of employers maintain on-site health clinics staffed by nurses, physician assistants and doctors offering a varied scope of services. Of those services offered, preventative screenings, disease management and urgent care are the most common. Screenings comprise more than 70% of Hooper Holmes' services.

Screenings

- ***Health Risk Assessment (HRA):*** HRA or a health risk questionnaire (HRQ) serves as the first step in participating with a wellness program. HRA is a questionnaire that involves personal health information such as physical characteristics, smoking history, alcohol consumption, cholesterol levels, height, weight, blood pressure, family history, cancer screening, flu and other vaccinations, and more. Based on the individual's input, the program has tools that connect them with clinical services, health management programs as well as coaching/counselling.

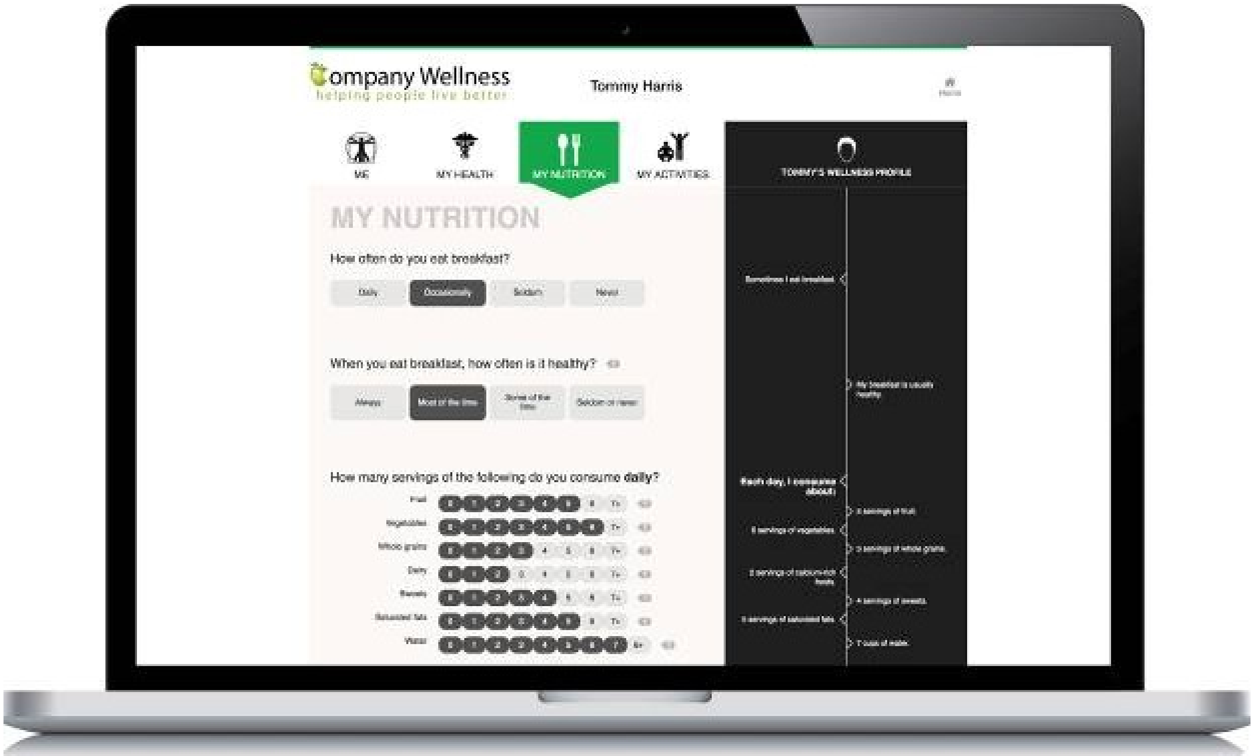


(Source: www.hooperholmes.com)

- ***Biometric Screening Options:*** Although HRAs have been the best way to screen employees in the past, they only provide basic background information whereas biometric screenings can help reveal unknown health conditions. The data gathered from biometric screenings is objective, quantifiable and can help track progression of a wellness program when repeated annually. Further, it also helps classify employees into well-defined health programs.

  Currently, biometric screenings have become one of the primary screening services in corporate wellness programs to help improve health awareness among employees. Screenings are performed either on site, in primary care clinics or in partnership with health plans through the employees' regular physicians. Clinical screenings usually measure height, weight, waist circumference, BMI, resting heart rate, blood pressure and pulse. A fingerstick screening option allows for immediate results to be reviewed with the participant on a real-time basis. A comprehensive venipuncture screening is tailored based on each participant's age, gender, health history and test results and administered via blood drawn from the vein. This test includes an assessment of complete blood count (CBC), glucose (blood sugar), uric acid, electrolytes, and other measurements that serve as key indicators to help identify 46 critical risk factors including cardiovascular disease risks (high cholesterol), diabetes, liver and kidney disease and functions, anemia, blood, bone, and muscle disease (including certain types of cancer). Hooper Holmes offers additional tests based on clinical guidelines such as Hemoglobin A1C, prostate specific antigen (PSA) and cotinine.

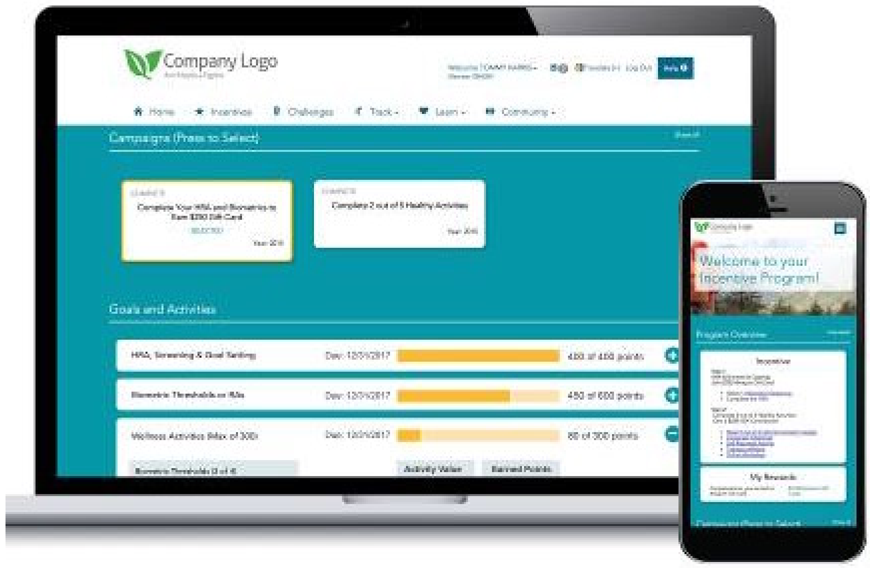
HEALTH RISK ASSESSMENT



(Source: www.hooperholmes.com)

Engagement Options:
Employers also provide programs to help workers adopt positive lifestyle changes - this includes individually tailored interventions, which target health-related behaviors such as diet, exercise, and tobacco use. Since getting employees to initiate and adhere to wellness programs remains a primary challenge, employers often incentivize their offerings. As an example, many employers offer incentives such as lowering healthcare premiums, reducing co-pays and discounted gym memberships. Besides the aforementioned financial incentives, more recently, programs targeting employee’s mental health (such as stress and anxiety relief) have been added as additional benefits to existing plans. Employers also offer rewards for outcome-based goals. Hooper Holmes also uses its wellness portals and data analytics to track an individual’s progress and their incentive and reward opportunities in the program.

INCENTIVE MANAGEMENT



CHALLENGES

(Source: www.hooperholmes.com)

Customized Reporting:
Hooper Holmes' ScreeningPro™ tablet technology is a mobile platform used to securely replace paper data collection during screening events. The online portal is able to help with;

- scheduling
- sending out reminders
- allowing for online reporting
- conducting a confidential Personal Health Assessment
- delivering biometric test results within 48 hours of screening
- providing educational tools such as online videos, articles and webinars
- tracking program participation
- tracking and administering incentives and rewards and providing other health-promoting tools

Further, the program generates (electronic) Personal Wellness and Corporate Wellness reports and can provide data to third-party vendors. It also helps with data storage and serves as an easy access for Preferred Health Professionals (PHPs) to discuss results and direct members to the right programs and/or activities.

Additionally, Wellness Support Now(SM) provides onsite health consultation services, which includes year-round education and activities, as well as individual and team challenges. This resource can be integrated into any business' benefits website and can be linked with other resources to seamlessly provide individualized referrals. In addition, telephonic health coaching for lifestyle and health risk improvement, data analytics and reporting services, communication and engagement services, and wellness program advisory services are also provided.

OFFSITE SERVICES
In addition to working with companies onsite, Hooper Holmes offers remote screening options for organizations including

- Individual screenings at home or work
- EZLink (physician fax record retrieval service)
- Walk-in local retail clinics for blood tests and biometrics
- At-home sample collection kits

Clinical Reference Laboratory, Inc. (CRL) is one of the largest privately held clinical testing laboratories in the U.S. and typically delivers test results within 48 hours of a screening event. Through a strategic relationship with CRL, Hooper Holmes is able to process venipuncture samples at their location.

In late-2016, Hooper Holmes announced an agreement with a predictive analytics company (MYnd Analytics) that owns a decision support system to help physicians reduce trial-and-error treatment in mental health. Under this agreement, Hooper's health professionals will deliver onsite or in-home electroencephalogram (EEG) tests - results of which are sent to the company's decision support tool to enable physicians to provide personalized care.

Hooper Holmes' data center is secured via an entry door employing biometrics, camera monitoring and centralized uninterrupted power supply (UPS) with generator backing. The firm also uses robust security measures including firewalls that extend into all layers of the IT environment as well as a cloud operating environment.

CLIENT BASE

Hooper Holmes' current client base is a strong and complementary mix of Fortune 100 and 50 companies, government employers, health plans, health care management companies, brokers, disease management organizations, clinical research organizations and academic institutions.

Hooper Holmes partners with private companies to identify their employees' health and wellness concerns and creates specialized wellness programs to meet their needs that maximizes employee participation. Results are delivered within 24-48 hours of a screening. The firm also offers single sign-on to a scheduling portal, call center scheduling and additional choices for screening remote employees and individuals. Hooper's online platform integrates with the incentive programs to maximize program adherence and engagement

Hooper also offers complete program management, including a national level account management team that ensures consistent delivery of services and compliance with health regulations. Their secure, proprietary technology platform seamlessly integrates logistics, fulfillment, venipuncture and finger-stick testing, and secure data reporting in multiple formats. Hooper Holmes is the only screening company that owns and manages the entire wellness process end-to-end (including screening, coaching and incentives through an online wellness portal platform) using a highly trained, national network of healthcare professionals. Further, the platform provides employees with access to flexible screening programs.

As a contractor for the U.S. government and research organizations, Hooper Holmes has met some of the most stringent criteria for security in the wellness industry. The company is uniquely equipped to support study protocols, gather statistics and handle collections that meet specific needs. Hooper Holmes collects samples for academic and government clinical research studies and has extensive expertise in communicating study requirements and disseminating information to participants. Their priority is to understand

- specific objectives of the study
- how results will be measured
- what participant tests will be conducted and at what intervals and
- what clinical data must be collected and reported.

The Population Assessment of Tobacco and Health (PATH) is a large, long-term study of tobacco use and health in the U.S. conducted by the FDA and NIH. Hooper Holmes was recruited to collect data for this study in 2014-2015.

SALES AND MARKETING STRATEGY

Roughly 45% of Hooper Holmes' revenue is generated by their channel partners (i.e. indirect, third-party administrators), which service various health plans and other providers. Indirect sales offer the advantages of reduced sales, marketing and distribution cost, effective scaling and eases the burden of expanding into new regions. The services sold to such customers include screenings, administration of flu shots and data management. In August 2016, Hooper added MinuteClinic, the walk-in medical clinics located inside select CVS Pharmacy and Target stores, to its national health-screening network. MinuteClinic has more than 1,100 locations nationwide, which helps further expand participant access to health screening tests. Some of the clients include a large insurance company, American Healthways Services, Inc., IncentiSoft Solutions, LLC and New England Health Plan.

Besides traditional marketing strategies, the unrivaled source of new business for Hooper Holmes is from their established relationships, customer referrals and strong reputation. About 45% of Hooper Holmes' revenue stems from direct sales. Most of the direct customer revenues come from Fortune 100 (including three Fortune 50) companies. These organizations have enrolled in Hooper Holmes' comprehensive well-being programs, which include screenings, coaching, technology and data access. Contracts are typically for a duration of between one and three years, after which they are renewable on an annual basis. Some of the major direct customers include an international beverage company, Federation of Statewide Municipalities, two hospital chains, a Big 4 accounting firm and a large family-owned food store.

The rest of their clients (~10% of revenue stream) are those in government and clinical research organizations. These services are limited to screenings as well as sample and data collection. Contracts are typically long-term in nature. Customers include those from the University of Michigan, UNC longitudinal health study, NIH PATH, as well as several others.

An article published by Centers for Disease Control (CDC) states that approximately 11% of total healthcare costs in the U.S. are directly related to inadequate physical activity[1]. Illness-related loss of productivity adds to healthcare costs. Consequently, health and wellness programs are becoming more common at the workplace. Some of the primary factors driving increased demand for such programs into the U.S. workplace are

- Longer working hours
- Rising average life-span
- Delaying retirement (which could be exacerbated in the event of Social Security reforms)
- Lifestyle changes leading to increasing incidence of chronic conditions
- Escalating healthcare costs
- Increasing investment in corporate wellness

Since 2005, the average life expectancy of both men and women has increased by almost two years. The number of people living over the age of 65 in the U.S. is expected to double by 2060 as per Population Reference Bureau. An expanding base of aging baby boomers (coupled with more people delaying retirement) is emerging as the largest consumer category and expected to influence demand for health and wellness products. More and more Americans are now working beyond the traditional retirement age of 60-65 years old.

Many other countries are also extending the retirement age to reduce pension and healthcare expenses. Globalization and free trade has helped spread wealth beyond just the borders of developed economies. While this has meant an improved standard of living, the increase in disposable income has also lead to unhealthy outcomes in more parts of the world as a result of an increase in consumption of processed foods and more sedentary lifestyles (the latter, driven in part from technological advances).

We believe the above-mentioned reasons coupled with government initiatives encouraging the implementation of wellness programs for employees will boost the market for such services. Many corporate entities have realized that in order to remain competitive, they need to offer wellness programs. The 2017 Health and Well-being Touchstone Survey conducted by PWC in 37 different industries across the U.S. from 780 participating employers revealed that 79% of employers do offer wellness programs. Despite all the positives arising from incorporating wellness initiatives into employee benefits, including putting downward pressure on healthcare costs, there is a 5-10% attrition rate. The reasons are manifold and not all wellness programs are created equally.

1. Not all offered programs are comprehensive in nature. An employer survey conducted by RAND in 2012[2], revealed 50% of employer-sponsored wellness programs are limited in the extent and nature of services offered. While 20% of programs focus primarily on health screening (other programs are limited), 34% offer limited screening, lifestyle and disease management services and only 13% of programs were comprehensive (i.e. they offered extensive screening, lifestyle and disease management services[3]). Generally, more basic programs that are poorly designed tend to have higher attrition rates. This creates an opportunity for companies offering flexible and well-designed programs, such as Hooper, with full spectrum of services.

2. In some cases, wellness programs are not seamlessly integrated into the corporate culture, making it inconvenient/difficult to access and decreasing the likelihood of program adherence. As such, if management priorities are not focused on achieving this goal, there is a tendency for wellness programs to fail.

[1] Carlson SA et al, Inadequate Physical Activity and Health Care Expenditures in the United States, Progress In Cardiovascular Diseases 2015. 57 (315 – 323)
[2] RAND Employer Survey 2012, in S. Mattke, et al., Workplace Wellness Programs Study
[3] Workplace Wellness Programs Characteristics and Requirements 2015, KFF.org

3. If corporates are not successful in marketing their wellness program internally with their employees, participants could have limited awareness about benefits/availability of biometric measurements leading to low enrollment rates.

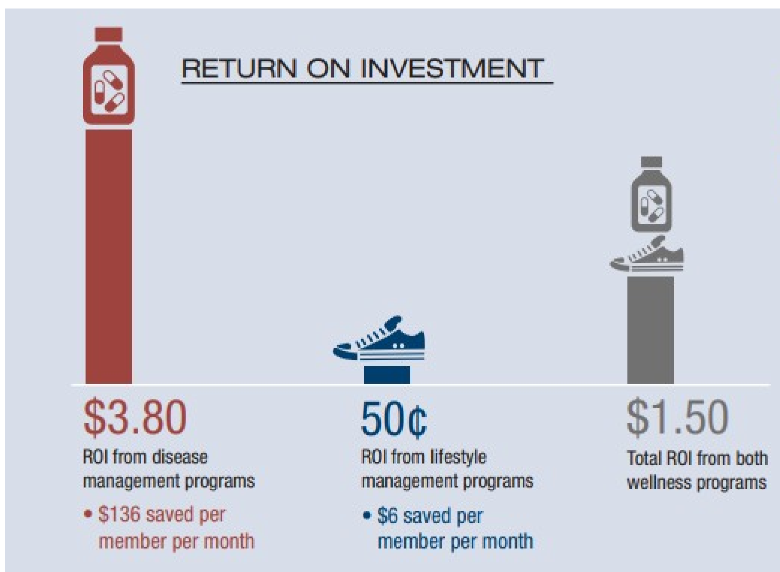
4. If the wellness provider has limited technology integrated into their programs, they may lack the ability to provide a complete/meaningful experience to the end user. Technology can help with easy access to scheduling and tracking of health goals as well as provide support groups and targeted health advice for the end user. Programs with inadequate technology support tend to have higher attrition rates.

5. Participants are cautious in sharing their personal health data due to privacy concerns. Well-designed programs that protect participant's privacy are more likely to succeed.

6. Some participants cite lack-of-time and/or unsupportive management as a reason for not availing such services. In such cases, it is incumbent on the wellness provider to work with the employers to encourage participant engagement.

Hooper Holmes offers programs that are well designed and tailored based on client needs. The programs are implemented in accordance with regulatory standards and set up on a platform that brings a meaningful experience to their clients. Hooper also offers personalized clinical services and unparalleled wellness education which helps to drive long-term sustained engagement from participants (as evidenced by the fact that some of their clients have been under contract for over eight years). Further, Hooper has a client retention rate of more than 90%, which is indicative of a well-designed and implemented program.

The Wellness Program Study[4] conducted by the RAND Corporation (a nonprofit research institute) on approximately 600,000 employees with seven employers revealed that lifestyle management could help in reducing health risks such as lack of physical activity, smoking and obesity. It also revealed that for every dollar invested in wellness, companies average a return of $1.50. The study showed that the ROI was $3.80 for disease management but only $0.50 for lifestyle management. An important point to consider is that since it is challenging to assess the productivity benefits derived from wellness programs, it potentially obscures the true ROI numbers.



(Source: www.rand.org/content/dam/rand/pubs/research_briefs/RB9700/RB9744/RAND_RB9744.pdf)

In 2014, an online survey was conducted from December 2014 through January 2015 among National Business Group on Health (NBGH) members and clients of Fidelity Investments to identify key trends and - issues facing employers in their efforts to improve the health of their employees. The study found that employers have deepened their commitment to wellness programs and regard them as an essential part of their benefits strategy. Approximately 95% of employers planned to continue to invest and/or expand investment in health improvement programs, spending on average ~$595-$717 per worker (depending on

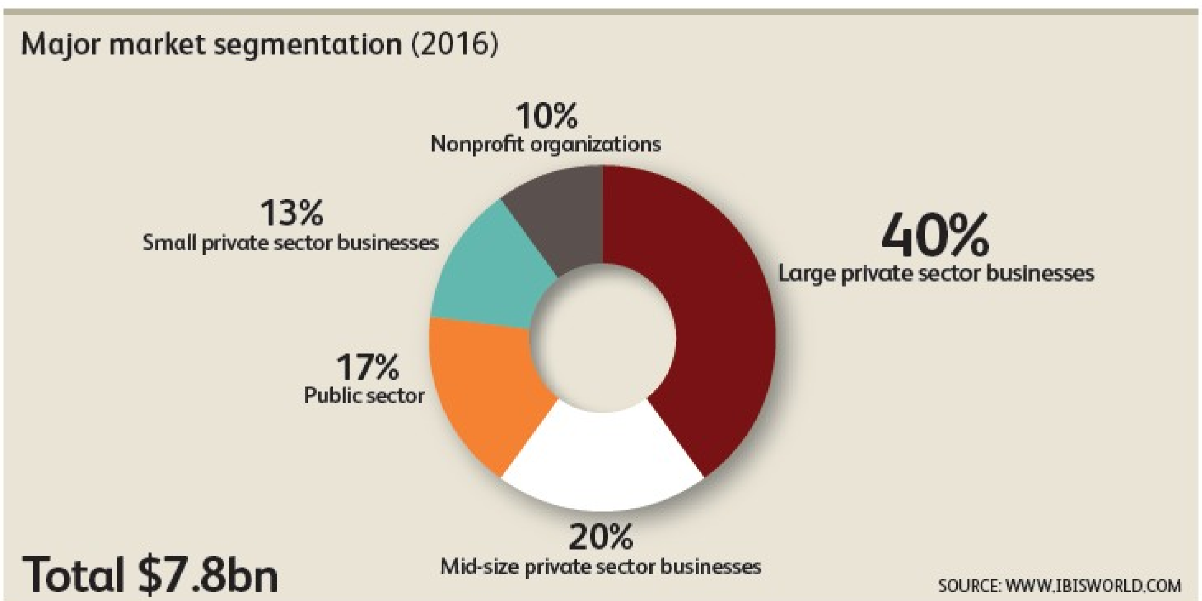
[4] https://www.rand.org/content/dam/rand/pubs/research_briefs/RB9700/RB9744/RAND_RB9744.pdf

the size of the company). The most common features of wellness programs: 72% of the surveyed employers offer incentives for biometric screenings, 70% offer incentives for health risk assessments and 54% offer incentives for physical activity programs[5].

As many firms expand the scope of their wellness programs, industry revenue is forecast to expand at a CAGR of 7.8% ($11.3 billion) through 2021. The RAND employer survey indicated that only 49% of organizations that offer wellness programs have biometric screenings – indicating that the biometric screening segment remains fairly untapped and offers significant potential for growth. Therefore, there is considerable interest to enter and expand in this segment in the wellness industry. Several players, new and established, have made a beeline to enter and get a share of this pie. Despite having competitors in the market, we believe Hooper Holmes can expand in this segment based on their end-to-end experience and flexible program offerings for members that have achieved over 99% satisfaction from participants.

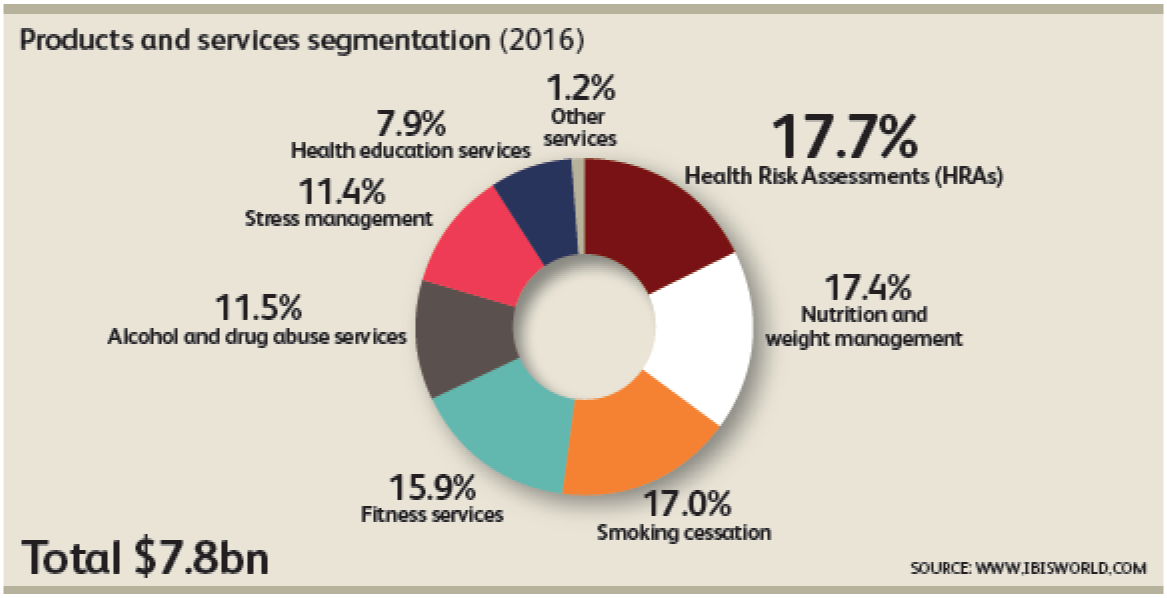
Technavio analysts forecast that the global corporate wellness industry will experience a CAGR of ~6% during 2017-2021 timeframe. As discussed earlier, the U.S. demand for wellness programs is forecasted to grow more than 9% over the next several years driven by rising healthcare costs, increasing incidence of chronic conditions and greater investment in corporate wellness. Favorable regulatory changes and market dynamics are also fueling the growth in this segment.

Company size plays a big role in determining the scope of the wellness programs offered. Larger employers typically offer more complex and comprehensive corporate wellness programs. A survey conducted by Kaiser Family Foundation (KFF) and Health Research and Annual Trust (HRET) revealed that 98% of large companies offered wellness programs versus 73% of smaller ones. Programs at large enterprises often have incentives to initiate participation from employees as they have the infrastructure to house a complex program or partner with an independent wellness company. Since these programs are resource-intensive from a financial and infrastructure standpoint, smaller enterprises are slower to adopt this commitment. The chart below indicates that while 40% of the wellness market revenue is from large private sector businesses, public and nonprofit sectors account for only 17% and 10%, of the overall market respectively.



(Source: IBIS 2016 Corporate Wellness Services Industry Report)

[5] https://www.businessgrouphealth.org/pub/?id=29d50202-782b-cb6e-2763-a29a9426f589

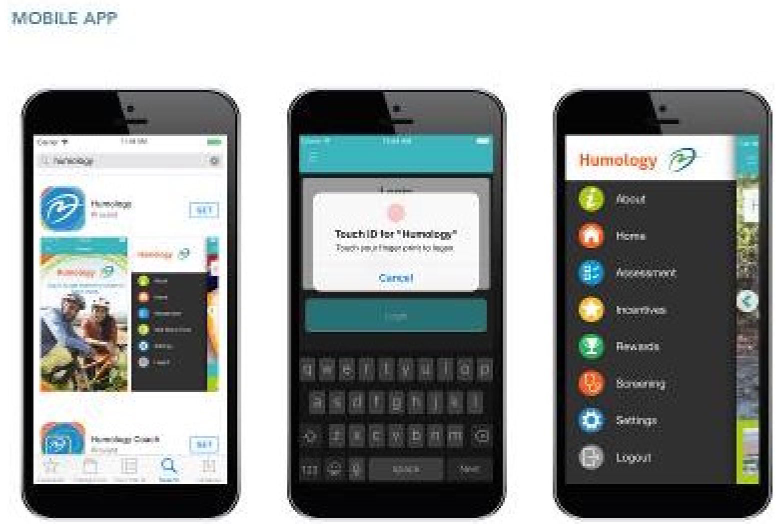


(Source: IBIS 2016 Corporate Wellness Services Industry Report)

As per IBIS Corporate Wellness Services Industry Report, health screenings accounted for close to 18% of industry revenue in 2016. Preventive health is gaining traction as it allows employees to be aware of their health status, motivates them to adopt a healthy lifestyle, obtain health-coaching (for those at high-risk), enroll in health-promoting programs and track results.

The HRA segment alone equates to a $1.5 billion (17.7% of $7.8B) market opportunity. Further, this market segment is in a high-growth phase as more organizations come on board with wellness programs. With more than 70% of Hooper Holmes' services focused on the HRA segment, the company is well positioned to take advantage of the growth in this space. Despite the fact that there are many players in this segment and a low barrier to entry, Hooper Holmes has successfully competed by consolidating its position, increasing size and scale, and broadening its footprint and service offerings (via mergers/ acquisitions). Hooper Holmes differentiates itself from other cookie-cutter wellness offerings in the following ways:

- Being a pure-play wellness company managing the end-to-end logistics of screening
- Offering flexibility in tailoring wellness programs and tracking individual progress
- Offering their services using "internet-of-things" (IoT) technology.



(Source: www.hooperholmes.com)

There is a paradigm shift in the health industry as the focus is moving from disease management to disease prevention via wellness programs. Today's biggest health and wellness challenges compete to offer programs that wholly embrace employee well-being. An individual's participation and adherence are key factors for the program to succeed. Programs that benefit both employers as well as employees will lead to higher enrollment rates and customer retention, ensuring deeper market penetration.

Technology is a key driver of innovation in this space. Several companies have online health and wellness portals to increase client engagement and adherence to wellness programs. IoT allows clients to manage a substantial portion of the program online. IoT is gaining mileage and wellness companies provide innovative solutions to excite their existing clients and add value for their businesses. Devices allow event-triggered communications as well as customized content. However, IoT comes with the risk of increasing vulnerability to cybersecurity and challenges to privacy.

COMPETITIVE LANDSCAPE

The corporate wellness landscape is diverse, competitive, crowded and highly fragmented. Some wellness firms provide screenings in certain geographies in the U.S. while several others service customers nationally. The entities in this space include established wellness and care management providers, startup companies and health plans that offer their own proprietary solutions. Many players like Virgin Pulse, Sonic Boom, Ceridian LifeWorks, Corporate Fitness Works, Limeade, Keas, The Vitality Group and several smaller startups are crowding the field. While some companies are capable of servicing a niche market with customizable and targeted programs, other larger players are able to scale operations to serve more expansive territories.

A crowded landscape results in consolidation. Hooper Holmes is not trying to diversify their product mix, but rather provide a complete end-to-end service within their existing business line, thereby capturing more market share via a larger client base.

Hooper Homes acquired Accountable Health Systems (AHS) in 2015 and Provant in 2017. Prior to the merger, Hooper Holmes and Provant were offering similar services with no overlap of customers.

Provant was serving over 3,000 employers in America before merging with Hooper Holmes. Although the merger closed earlier this year, the integration is expected to be completed by the end of 2017. As the combined entity offers a wide range of services under one roof, the merger is expected to expand the client base extensively. This will enable Hooper to cater to both small/mid-size firms by offering them smaller customizable packages as well as to large enterprises by offering them comprehensive health plans.

Leading players within the wellness market offer

- modernized, cutting-edge technology in their medical processes,
- customer-centric approach and
- monitor and track program outcomes.

We believe the combination of Hooper Holmes and Provant's infrastructure, screening capabilities, nationwide network of experienced health professionals, scalable technology and engagement platform, health coaches and analytical tools positions the company to become a leader in the growing health and wellness market. Management is of the opinion that the transaction with Provant is a game changer in the wellness industry since this is a merger involving two companies, which provide very similar services and offers up-selling opportunities. The key business strengths of the merger include the following:

- A stronger presence in the corporate wellness market
- Hooper's screening platform, which is tailored to suit client's needs, is scalable.
- Provant's portal and coaching services could help improve the merged entity's financial performance as they are scalable, high-margin products.
- The merged company is expected to have business equally distributed among direct customers, channel partners, clinical research organizations and insurance providers.
- The merger expands national network of health professionals, enables the delivery of more complex blood panels and vaccinations and strengthens on-site health coaching services for the channel partners.
- The merger offers enhanced technology, coaching capabilities, engagement expertise and advanced data management services for the direct customers.
- Both companies have strong recurring revenue streams from the online portal and coaching segments.

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FINANCIAL CONDITION

The bulk of Hooper's revenue is generated from screenings and wellness services. In addition, Hooper Holmes generates ancillary revenue through the assembly of medical kits for sale to third parties. Hooper Holmes experiences a significant uptick in revenue in the third and fourth quarters every year. The increase in demand for screenings from mid-August through November is during the period when corporate annual health benefits are renewed. Therefore, the screening services are subject to some variability in sales due to this seasonality. Consequently, gross profit is higher during this time period. The health and wellness service operations also experience variability due to the timing of the health coaching programs, which are billed per-participant and typically start shortly after the conclusion of onsite screening events. In a September press release, Hooper indicated that they signed contracts worth nearly $14 million. They expect to realize a portion of those contracts as revenue in 2017 and the remainder in 2018.

Management has identified over $7 million in (annualized) expected cost savings through operational efficiencies. Of this amount, they expect to achieve about $3 million in savings for 2017.

Debt: Balance of a credit agreement with SWK Funding LLC, as of September 30, 2017, was $8.5 million. The loan has a term of four years and expires on May 11, 2021. It accrues interest at an adjustable annual rate of LIBOR+12.5%. Principal repayments will be made from February 2019. Additionally, in order to meet higher seasonal cash needs, SWK has also provided the firm with up to $4 million in 2017 and $2 million in 2018 that can be used between the months of June and November. As the company experiences seasonality in revenue, such an arrangement helps the firm fund working capital.

Additionally, as of September 30, 2017 the firm owed $2.1 million to Century Focused Fund III, LP. The firm had $12.1 million of outstanding borrowings and $1.7 million of unused borrowing capacity with SCM Specialty Finance Opportunities Fund, L.P. as of November 10, 2017.

Cash: The company used net cash of $11.5 million in operating activities for the first nine months in 2017. The firm had cash and cash equivalents of $1.6 million as of September 30, 2017.

Additional liquidity is available through a $10 million stock purchase agreement, which Hooper entered into in September with Lincoln Park Capital Fund LLC (LPC), a Chicago-based institutional investor. Hooper has the flexibility to access this source of funding anytime at its discretion, which has put the company in a stronger financial position.

LEADERSHIP TEAM

Henry E. Dubois
Chief Executive Officer
Henry E. Dubois was appointed President and Chief Executive Officer of Hooper Holmes as of April 2013. Mr. Dubois has been a partner at Tatum, LLC, a firm offering consulting services to accelerate business performance and create value. In previous roles, he served as Executive Vice President and Chief Financial Officer of GeoEye, Inc., a global supplier of high resolution satellite and aerial imagery; President, Chief Operating Officer and Chief Financial Officer of DigitalGlobe, Inc., an owner/operator of high resolution imaging satellites; Chief Executive Officer and Chief Financial Officer of an Asia Pacific Telecommunication company; and Senior Vice President of an Asia Pacific conglomerate in Jakarta, Indonesia. He also served as a consultant with Booz, Allen & Hamilton and began his career as an internal auditor and finance supervisor for Exxon Corporation. He earned his Bachelor of Arts degree in mathematics from the College of the Holy Cross and his Master of Management degree from the J.L. Kellogg Graduate School of Management at Northwestern University.

Mark Clermont
President
Mark Clermont brings more than two and a half decades of proven leadership experience with expertise in global growth, operational efficiency, integration and transformation. Mark most recently served as CFO of UpToDate, Inc. a division of Wolters Kluwer, where he provided strategic and transformative leadership that enabled the company to become the global leader in point-of-care clinical decision support, helping clinicians in 150+ countries improve the practice of medicine. Previously, Mark held multiple leadership roles at Mercer Global Investments, a division of Marsh & McLennan Companies, PFPC, Inc. (now BNY Mellon), and First Data Corporation. Mark holds a Bachelor of Science in Business Administration degree from the D’Amore-McKim School of Business at Northeastern University in Boston, MA.

Kevin Johnson
Chief Financial Officer
Mr. Johnson joined the company in September 2017. Mr. Johnson served as the CFO of MobileAware, a privately held technology company, from 2016 to 2017, and as Vice President, Corporate Controller, and Head of Operations at Imprivata, Inc., a provider of information technology security and identity solutions to the healthcare industry, from 2012 to 2016. Imprivata was listed on the NYSE during Mr. Johnson’s tenure but was acquired and became privately held in September 2016.

Thomas Basiliere
Chief Information Officer
Tom Basiliere has responsibility for all technology-related functions, information security, and Product Management, including development of new capabilities that improve the impact of clients’ workplace well-being programs. Prior to joining, Tom spent seven years as vice president and Chief Information Officer of Wolters Kluwers Clinical Decision Support division. In that role he was responsible for technology strategy for UpToDate, a tool that helps doctors make evidence-based decisions at the point of care, and was instrumental in developing the company’s mobile application strategy and team that brought UpToDate to the iPhone. Prior to that, Tom gained IT and business development experience and expertise at Deluxe Corporation, Fidelity Investments, Mellon Bank/The Boston Company and New England Business Services. Tom earned a Bachelor of Science degree in business management from the University of New Hampshire.

Barbara Anketell
Chief Operations Officer
Barbara Anketell has more than 25 years of experience in the healthcare industry, with a specialty in process re-engineering and operations redesign. She spent the early part of her career working with large third-party healthcare administrators and marketing companies. In a prior role, Barb was Director of Healthcare Operations for Blue Cross Blue Shield of Massachusetts, one of the largest healthcare insurers

in New England. Now, her teams are responsible for the successful launch of innovative new programs and client implementation. Her teams include Human Resources, Implementation, Client Management, Coaching and Service Delivery including Call Center Operations and Data. Barbara is a cum laude graduate of Suffolk University in Boston, with Bachelor of Science degrees in Marketing Communications and Public Relations. She worked extensively under the tutelage of Deloitte Consulting in process reengineering and change management as well as Camden Associates in creating high performing teams.

John Bond
Vice President of Provider Relations
John Bond, Vice President of Provider Relations, joined Hooper in 2012. John has eighteen years of experience developing health provider networks and maximizing network quality and efficiency. Prior to joining the Hooper Holmes team, John held multiple positions focused on developing provider networks for Tufts Health Plan, Blue Cross and Blue Shield of Vermont and Harvard Pilgrim Health Care. He earned his Bachelor of Arts from Colby College and his Master of Science in Health Care Management from Champlain College.

Alex B. Thompson
Vice President of Operations
Alex B. Thompson, Vice President of Operations, joined Hooper Holmes in January of 2012 as the Vice President of Operations & Analysis. Alex served as the Vice President of Operation for Portamedic from June of 2012 until the September of 2013 and was an integral part of the Portamedic transformation during that time. Prior to joining Hooper Holmes, Alex held numerous leadership positions focused on strategic planning, finance and operational turnarounds. Most recently, he spent four years as the Director of Strategy and Planning on the management team responsible for taking a small privately held US production company out of bankruptcy and growing them into a multi-national leader within their industry. Alex's background also includes strategic analyst roles for Cerner Corporation, a healthcare IT company, and prior involvement in several healthcare based non-profits in Kansas City such as the HAIC Wellness Outreach Program, Comedy Care Inc., and the Autism Asperger Resource Center at the University of Kansas Medical Center. Alex graduated from the University of Missouri Kansas City with both bachelors and masters degrees focused in business, finance and public health.

Dr. David Ashley, MD MBA
Medical Director
Dr. Dave Ashley leads the clinical teams with medical oversight on health strategy and all clinical practices. He oversees all custom wellness programs and services developed for employers and their employees nationwide.

His 20 years of diverse medical practice includes primary care, military medicine, and emergency medicine. In addition to his role as Chief Medical Officer, Dr. Ashley is a practicing primary care physician who actively shares his expertise with the medical community through his responsibilities as President of the Rhode Island Academy of Family Physicians, Medical Director of the Department of Family Medicine Residency Program at Memorial Hospital of Rhode Island, Chief Flight Surgeon for the Rhode Island National Guard, and Clinical Assistant Professor of Medicine at Brown University's Warren Alpert Medical School.

He is a fervent advocate of integrating true medical home models with current medical practices, as well as adoption and utilization of electronic medical records for better patient care. These strengths contribute to Dr. Ashley's success in the consumer-driven health care arena, including preventive medicine in the corporate sector. Prior to joining, Dr. Ashley served as medical director of multi-physician practices. He holds certifications in ATLS, ACLS, and BLS. He is a graduate of Brown University's School of Medical and earned a Master of Business Administration from the University of Rhode Island. Dr. Ashley is fluent in Spanish.

VALUATION

Currently, Hooper Holmes services clients throughout the U.S. They have two main sources of revenue.

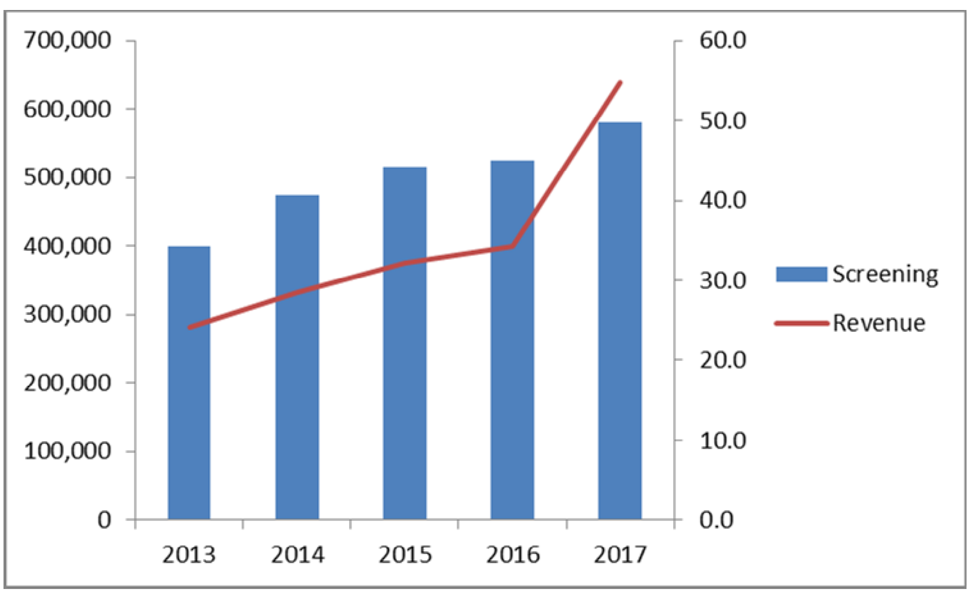
1. Recurring monthly revenue from their online wellness portal and employee coaching. This is billed on a per-employee basis.

2. Seasonal revenue from health screening that typically occurs in the 3rd quarter of each year. In 2016, the firm had more than 500,000 screenings.

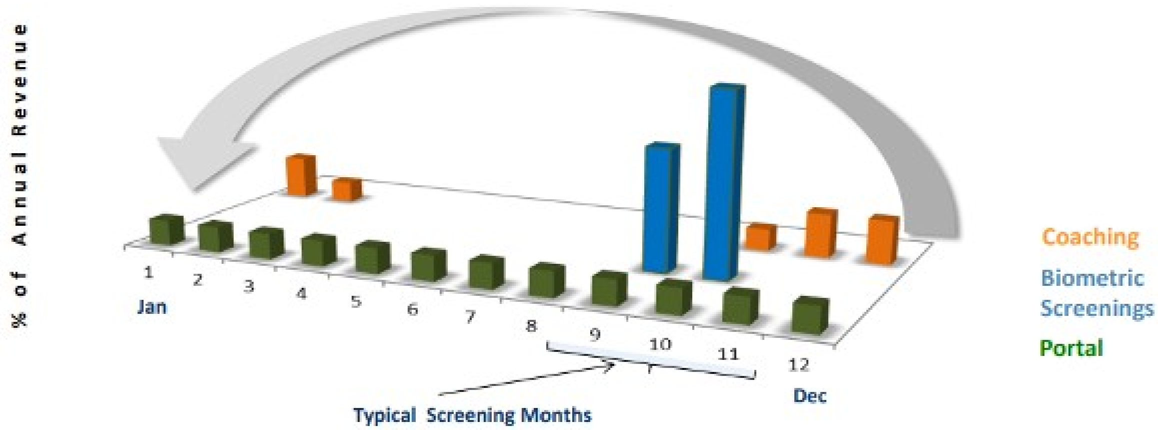
Hooper acquired AHS in April 2015. Pro forma for the combined companies, 2014 revenue, SG&A and gross margin were $44.0 million, $24.6 million and 30.6%, respectively. The acquisition diversified their business which was apparent when the percentage of annual revenues represented by three of their largest clients fell from 58% in 2014 to only 33% in 2015. The much more positive result, however, was synergies created by the merger which meant that SG&A expenses fell by more than $10 million (to $14 million). The net result was operating loss improving from $11.2 million (pro forma for the combined companies) in 2014 to $8.5 million in 2015. Following consummation of the merger, the firm experienced a few challenges including a slightly slower-than-expected ramp in new revenues, loss of a long-term contract and the decision by one large customer to not screen in 2015. The result was revenue falling to just $32 million and gross margin contracting to 20.3% in 2015 – gross margins were impacted by expenses related to process improvements, oversight and staff training.

Hooper's revenues increased by at least 30% to $42 million as anticipated. Revenues from their top 10 channel partners and clinical research customers grew 25%. In addition, revenue from the top 10 direct customers grew 17% from Q3 2015 to Q3 2016. However, there were continued delays in establishing new contracts. This was primarily due to in-depth due diligence conducted by large customers related to data security. Unlike the typical three to nine months' time, it took closer to 10 to 15 months to sign the contract. This resulted in sales getting pushed out longer than originally anticipated by Hooper. However, customer concentration decreased further with their two largest clients representing just over 30% of 2016 annual revenues.

Hooper has taken measures to overcome come of the aforementioned hurdles such as broadening their service offerings and streamlining their contracts to suit evolving client needs and demographics. This has helped the company in strengthening client loyalty and maintaining relatively high retention rates.



We think that the merger with Provant, could help create a hockey stick like growth curve for Hooper Holmes in the near term. Provant and AHS expanded Hooper's offerings as they were servicing a different pool of clients and as a result, this merger expanded Hooper's reach within this segment. The merger created a strong value proposition for both consumers and wellness companies, positioning Hooper as a better solution as compared to its competitors in this 2-sided marketplace. The company expects the integration to be completed by year-end.



(Source: www.hooperholmes.com)

Hooper Holmes' annual net revenue is weighted more heavily toward the second half of the fiscal year, reflecting the historical strength in sales during annual benefit renewal cycles. The firm experiences a higher percentage of third quarter revenues from their channel partners and clinical customers. Provant's revenues are heavily concentrated in the fourth quarter. Pro forma revenue for the combined companies for the year 2016 was $71 million. With a solid customer base, robust revenue growth, increased operating capabilities, leverageable cost structure and recent growth trends, we model revenue of approximately $59 million in 2017 and $75 million in 2018. We model an initial relatively high rate of revenue growth and for this to drop to a stable rate of 9%, commensurate with the growth in the wellness market.

Hooper's biggest strength comes from their extensive national network of healthcare professionals, affording nationwide coverage and allowing them to offer screening services even for small sites. The cost of sales has an undisclosed percentage of fixed costs related to customer servicing, which is required even during periods of relatively low screening volume. As the firm continues to expand their client base and exploit economies of scale from their recent merger, we expect widening of gross margins (from the 23% in 2016) to 30% from upselling opportunities and high-margin services. This should also help offset certain fixed costs which are also captured in cost of sales.

Thus far, the firm's financial reserves have been primarily used for business development. Management has been successful in controlling expenditures in the past. The transition (integration) costs associated with the merger with AHS comprised of

- unifying the management that oversees biometric screenings
- local support services and coaching
- optimizing technology platforms and IT infrastructure
- downsizing (employee severance) and
- eliminating duplicative SG&A

Since Hooper and Provant have complementary strengths in services, operations and technology, this merger is expected to create significant near-term value through meaningful and substantial cost synergies, especially from infrastructure consolidation (combining platforms and eliminating redundant tools). Although mergers seem to offer strategic as well as financial benefit, we think the firm will continue to incur transition costs associated with the merger until integration is complete, probably, through to year-end.

Operating loss through 1H 2017 was $7.4 million (includes contribution from Provant beginning May 11th). The variable cost component in the SG&A spend includes expenses related to seasonal staffing and laboratory supplies (diabetic and biometric screening supplies). Variable operating expenses are also correlated to the number of enrolled participants. However, there is also a fixed-cost component in SG&A, which (by definition) remains more constant even during seasonally-slow times or when revenue-generating activity may otherwise decline such as due to the unexpected loss of a major contract. Management expects about $3 million in savings during 2017 from the consolidation of IT operating systems around a single platform and the elimination of underused office space. We expect to see a decrease in SG&A spend as a percentage of revenues from 2018 onwards when integration will be complete. Management expects to turn cash flow positive and enter a period of higher growth in the near term. As per guidance, we think this inflection point could occur when revenues are closer to $100 million and when SG&A as a percent of revenues drops below 30%.

Given the merger/integration risk associated with Hooper Holmes, we use a discount rate of 12.5% in our DCF model and assume a terminal growth rate of 2% which results in a fair value calculation of $2.25/share. We are initiating coverage of Hooper Holmes with a price target of $2.25/share.

RISKS

Merger/Integration Risk: Hooper may face integration challenges including those associated with

- blending both companies' cultures
- elimination/decreasing redundancies
- integration of technology infrastructure
- retention of clients

If this were to happen, Hooper may not be able to realize anticipated growth in revenues and OpEx savings from synergies.

Crowded marketplace: The firm is operating in a crowded marketplace. If they fail to differentiate themselves by offering complementary/additional services, differentiated approach to wellness or expand their business into potential new markets, there is a possibility of being out run by competitors.

Regulatory risks: The federal and state governments have varied requirements for corporate wellness programs. The requirements can vary from specificity to the practice such as having mandated personnel on site, Health Insurance Portability and Accountability Act (HIPAA) patient privacy rules and lack of/limited reimbursements for such services.

Security Risks: Corporate wellness programs often have online patient portals that make it imperative to have data protection. HIPAA regulations do not allow retail establishments to have access to personal health information. There is always a threat of security breach when Electronic Health Records (EHRs) are accessed online. Further, integrating these online portals with payors as well as companies increases the propensity for security threats.

Model-based assumptions are prone to large variations: Our projected revenue growth from the current year and beyond is largely based on best-guesses related to expected growth of the overall corporate wellness market. Revenue could underperform relative to our model if there are wide variations in screening volume, if the customer base does not grow at our assumed forecast or is less correlated to revenue growth than what we are assuming. For instance, while we anticipate screening levels to increase, the loss of long-term contracts or decision by one or more large customers to not screen, or postpone screening, in a given year (as happened in 2015), could have an adverse impact on Hooper Holmes' revenue and overall financial results. Achieving our price objective includes competitive and financial risks.

PROJECTED INCOME STATEMENT

Hooper Holmes HPHW	2016A	2017E Q1A	Q2A	Q3A	Q4E	2017E	2018E	2019E	2020E
Revenues	**34.3**	**7.6**	**8.9**	**14.0**	**28.2**	**58.7**	**74.5**	**87.5**	**99.8**
Y-o-Y growth	*7%*	*5%*	*16%*	*44%*	*193%*	*71%*	*27%*	*17%*	*14%*
Cost of operations	26.4	5.9	7.2	10.9	21.2	45.2	55.9	63.0	69.9
Gross profit	**7.9**	**1.7**	**1.7**	**3.1**	**7.1**	**13.5**	**18.6**	**24.5**	**29.9**
Gross Margin	*23%*	*22%*	*19%*	*22%*	*25%*	*23%*	*25%*	*28%*	*30%*
SG&A	14.5	3.5	5.2	7.3	11.8	27.8	30.5	31.5	32.9
% SG&A	*42%*	*46%*	*58%*	*52%*	*42%*	*47%*	*41%*	*36%*	*33%*
Transaction costs	0.6	0.7	1.5	0.4	0.4	3.0	0.0	0.0	0.0
(Gain) on sale of real estate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Impairment and restructuring	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating Income (Loss)	**(7.2)**	**(2.5)**	**(5.0)**	**(4.7)**	**(5.2)**	**(17.3)**	**(11.9)**	**(7.0)**	**(3.0)**
Operating Margin	-	-	-	-	-	-	-	-	-
Interest expense, net	3.6	0.8	0.7	0.7	0.8	3.0	3.0	3.1	3.1
Other expense, net	-0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PreTax Income (Loss)	**(11.7)**	**(3.2)**	**(5.7)**	**(5.4)**	**(6.0)**	**(20.3)**	**(14.9)**	**(10.1)**	**(6.1)**
Tax Rate	*35%*	*35%*	*35%*	*35%*	*35%*	*35%*	*35%*	*35%*	*35%*
Income tax expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loss from continuing operations	**(11.7)**	**(3.2)**	**(5.7)**	**(5.4)**	**(6.0)**	**(20.3)**	**(15.0)**	**(10.1)**	**(6.1)**
Loss from discontinued operations, net of tax	(0.4)	0.1	0.0	0.0	0.0	**0**	**0**	**0**	**0**
Net Income (Loss)	**(12.1)**	**(3.1)**	**(5.6)**	**(5.4)**	**(6.0)**	**(20.3)**	**(15.0)**	**(10.1)**	**(6.1)**
Net Margin	-	-	-	-	-	-	-	-	-
EPS	**(1.35)**	**(0.29)**	**(0.26)**	**(0.21)**	**(0.22)**	**(0.95)**	**(0.50)**	**(0.27)**	**(0.14)**
Share O/S	9.0	10.8	21.3	26.2	27.0	21.3	30	38	45

Source: Zacks Investment Research *Anita Dushyanth, PhD*

HISTORICAL STOCK PRICE

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