Castlight Health

Q4 2017 Financial & Business Update
February 21, 2018

Safe Harbor Statement

This presentation contains forward-looking statements regarding our trends, our strategies and the anticipated performance of our business, including our guidance for the full year of 2018 and timing of cash flow and non-GAAP operating break-even. These statements were made as of February 21, 2018, and reflect management's views and expectations at that time, and are subject to various risks, uncertainties and assumptions. If this presentation is viewed after February 21, 2018, the information in the presentation may no longer be current or accurate. We disclaim any obligation to update or revise any forward-looking statements.

We provide guidance in this presentation, but we will not provide any further guidance or updates on our performance during the quarter unless we do so in a public forum. Please refer to the Company's February 21, 2018 press release and the risk factors included in the company's filings with the Securities and Exchange Commission for discussion of important factors that may cause actual events or results to differ materially from those contained in our forward-looking statements. This presentation also includes certain non-GAAP metrics, such as non-GAAP gross profit margin, operating expenses, and operating loss, that we believe aid in the understanding of our financial results. A reconciliation to comparable GAAP metrics, on a historical basis, can be found in the appendix section of this presentation.

Please note the close date of the Jiff acquisition was April 3, 2017. Accordingly, the deferred revenue fair value adjustment discussed in this presentation is a preliminary estimate and is subject to change upon the completion of purchase price accounting.

Additionally, note that the historical financial results in this presentation are in accordance with ASC 605. The Company is adopting ASC 606 as of the start of our new fiscal year beginning January 1, 2018.

John Doyle
CEO

2017: A Transformative Year

Castlight
2017 Summary

- Completed the acquisition of Jiff Q2 2017; drove forward ability to deliver an end-to-end experience
- Launched Anthem Engage, our first single app experience combining wellbeing and care guidance
- Strengthened our financial profile and strategic positioning
- Scaled business, further validated the business model, drove to sustainability

2017 Highlights

GROWTH & HEALTH

- $163M in ARR, up 17% on a pro forma basis
- NDR: 104%, driven by Jiff cross-sells
- Platform business is ~80% of ARR

INNOVATION

- Wellbeing platform resonating in market
- 50+ joint clients; 10x increase in '17
- Ecosystem growth: 70 in '17 v. 20 in '16

ANTHEM

- Delivered Anthem Engage On-Time
- 1st care guidance & wellbeing offering
- 20+ clients launching in Q1

SUSTAINABILITY

- On track for break even in Q4'18
- $93M in cash on hand at year end

Please see Appendix for definition of Non-GAAP financial measures

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2018 Strategic Goals

GROWTH & HEALTH

Continue to scale platform ARR through direct channel & Anthem

INNOVATION

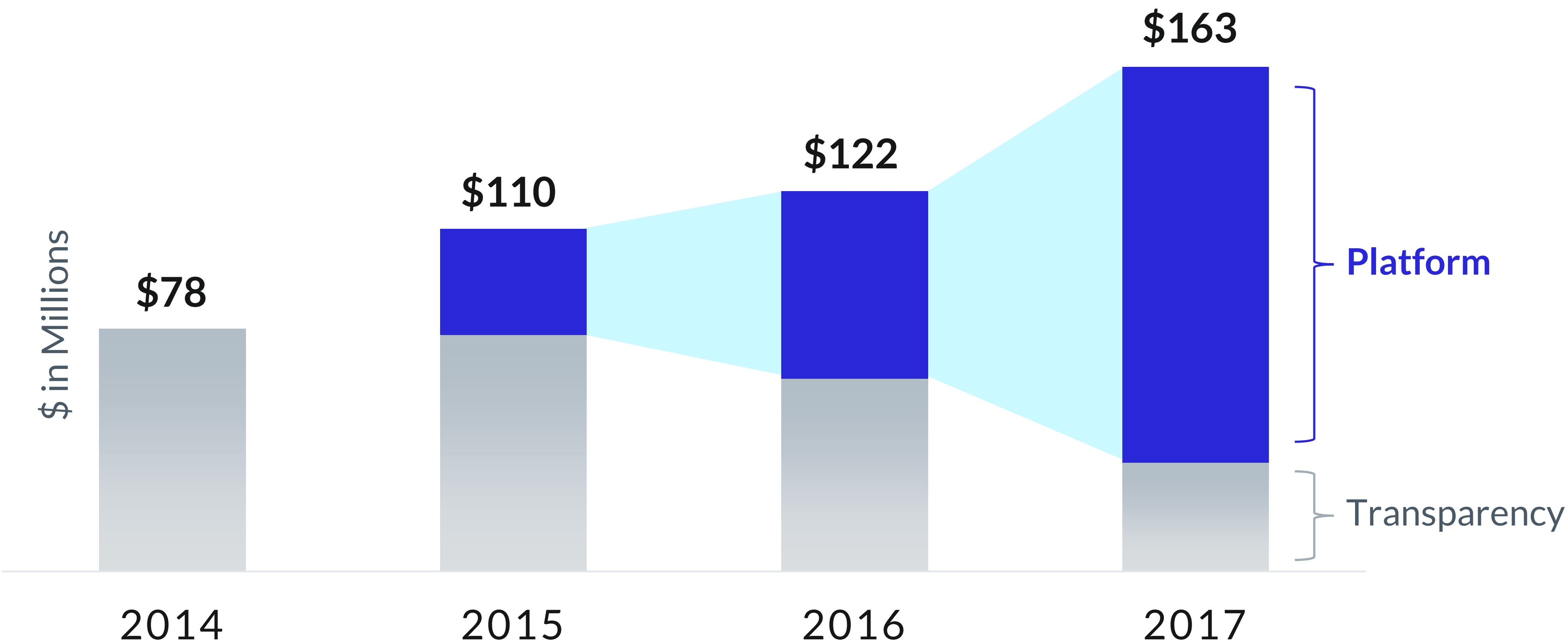
Complete the integrated platform to capitalize on the market opportunity

SUSTAINABILITY

Cash flow & non-GAAP operating income break even in Q4 '18

Siobhan Nolan Mangini
CFO

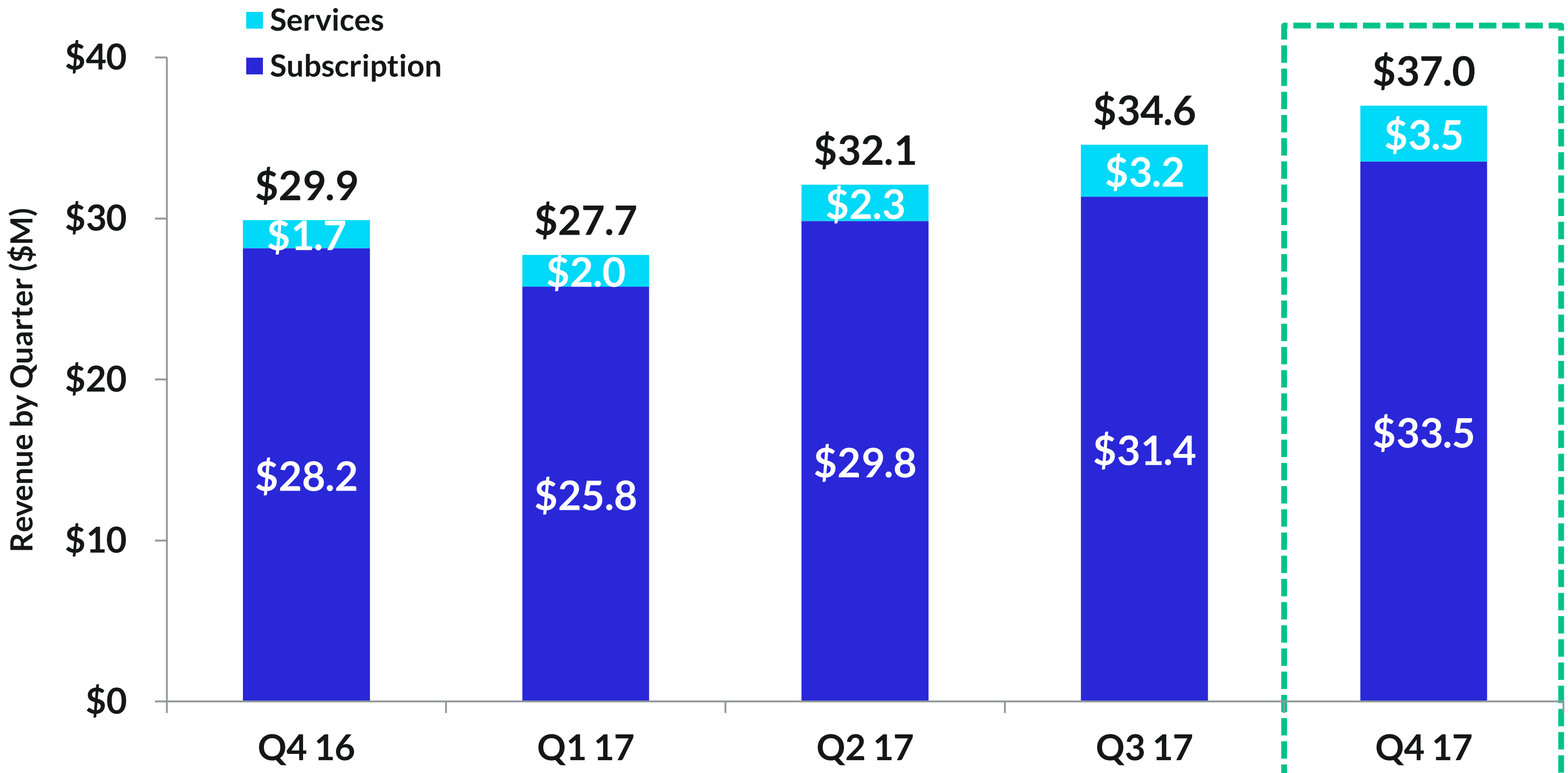
Strong Platform ARR Traction



Go-to-market strategy focused on platform sales to new customers and **converting legacy transparency** customers to the platform

Includes Jiff's ARR beginning April 3, 2017

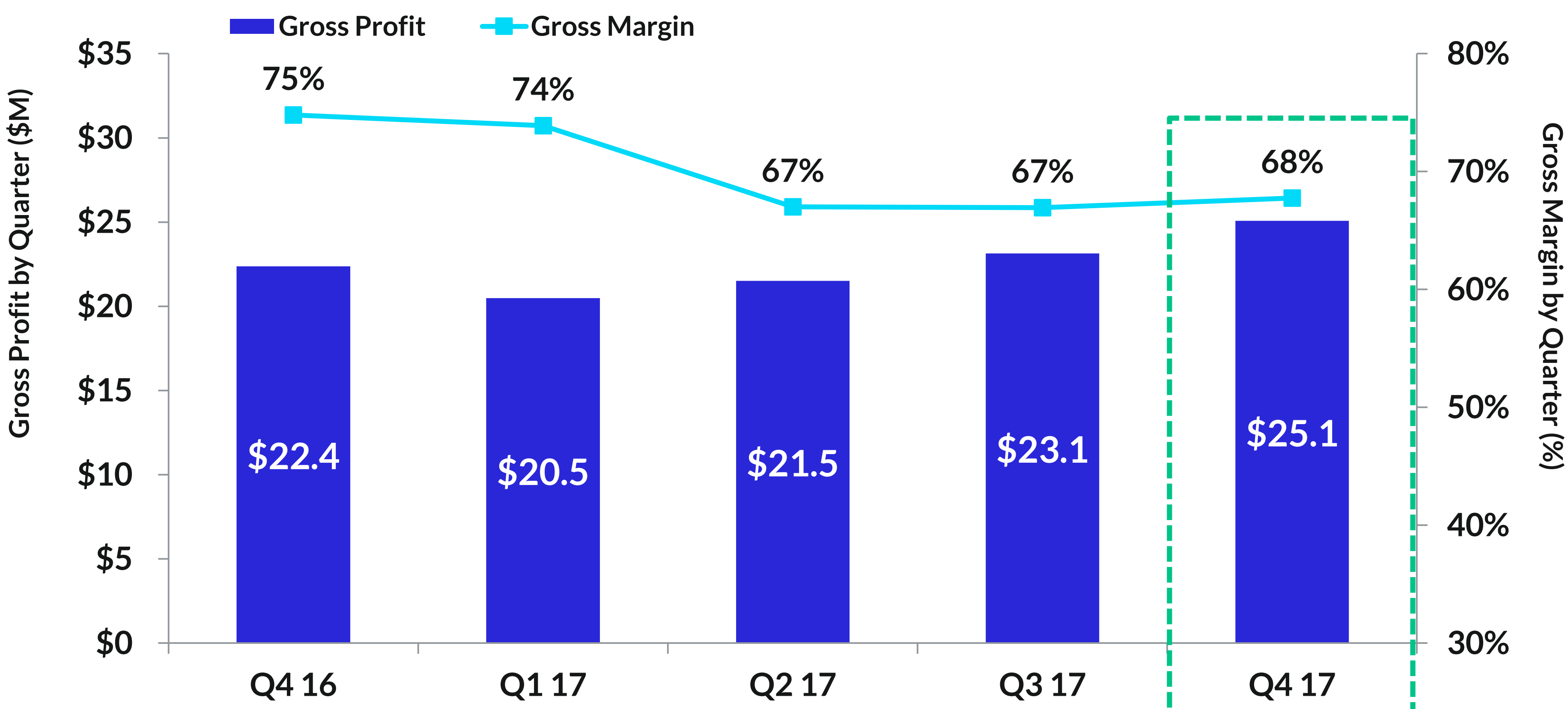
GAAP Revenue



	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17
Q/Q Growth	*17%*	*(7%)*	*16%*	*8%*	*7%*
Y/Y Growth	*40%*	*22%*	*36%*	*36%*	*24%*

Note: Under ASC 605 accounting standard. Includes Jiff financial results starting Q2 2017. Columns may not sum due to rounding.

Non-GAAP Gross Profit & Margin

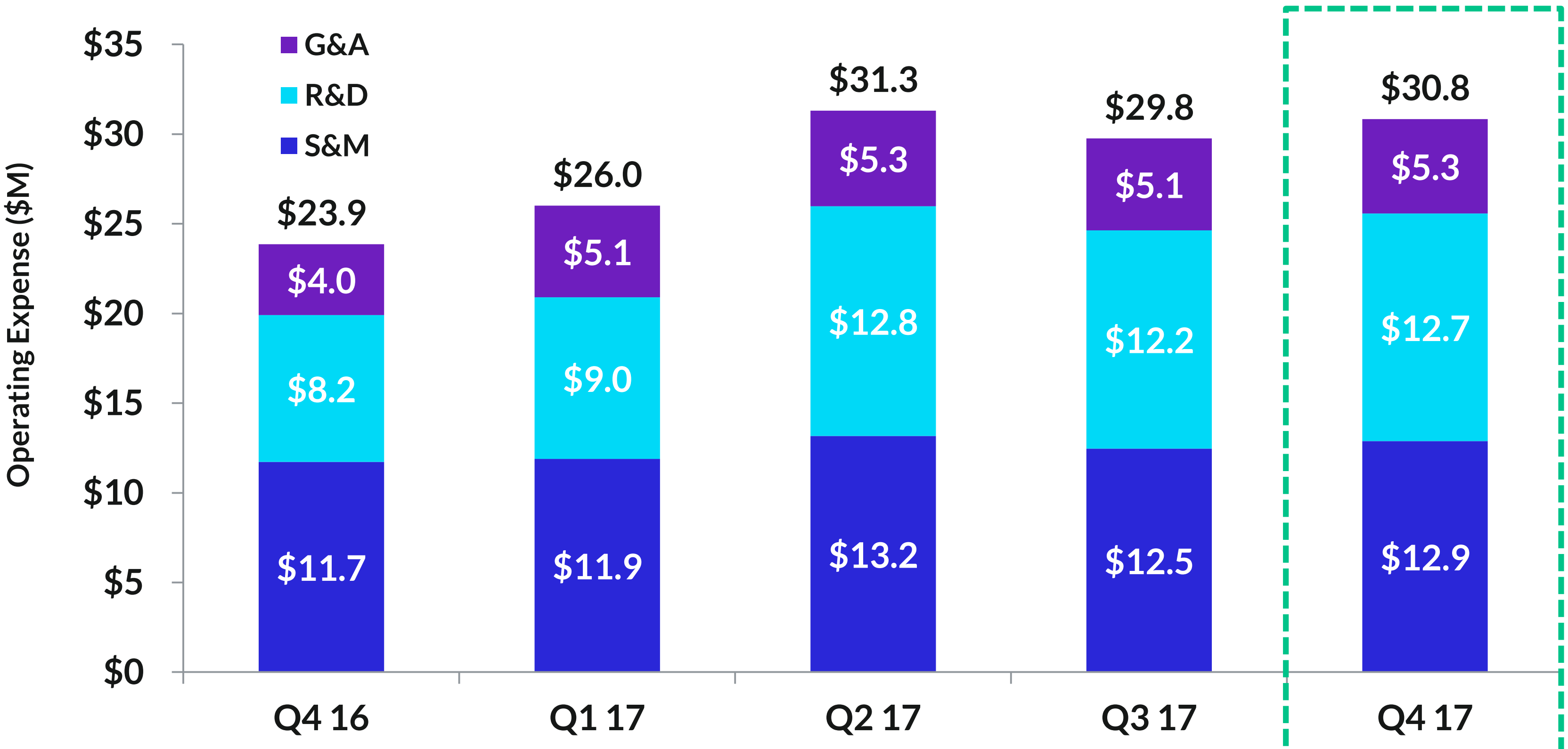


	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17
Q/Q Growth	*22%*	*(8%)*	*5%*	*8%*	*8%*
Y/Y Growth	*79%*	*43%*	*38%*	*26%*	*12%*

Note: Under ASC 605 accounting standard. Includes Jiff financial results starting Q2 2017. Columns may not sum due to rounding.

Please see Appendix for definition of Non-GAAP financial measures

Non-GAAP Operating Expense

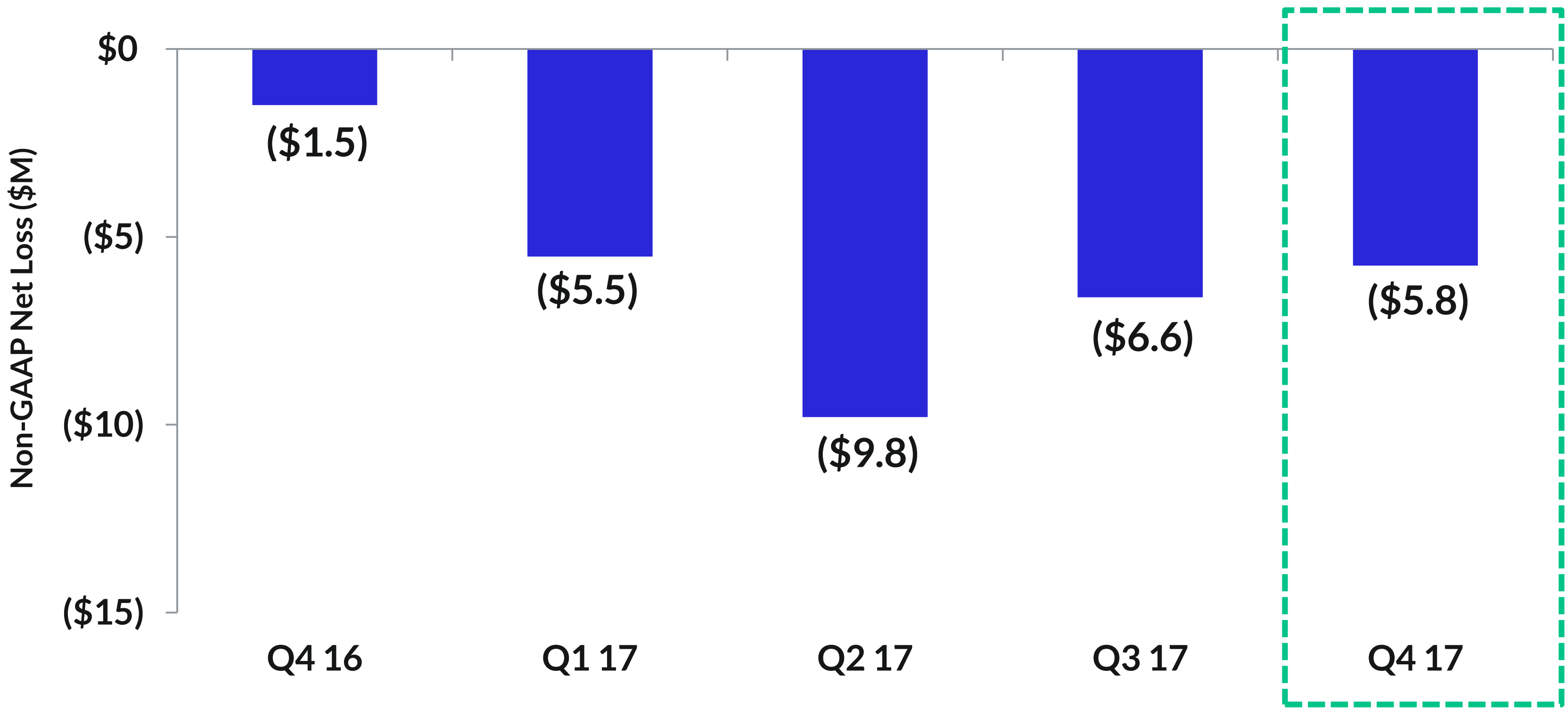


	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17
Q/Q Growth	*0%*	*9%*	*20%*	*(5%)*	*4%*
Y/Y Growth	*(13%)*	*(5%)*	*19%*	*24%*	*29%*

Note: Under ASC 605 accounting standard. Includes Jiff financial results starting Q2 2017. Columns may not sum due to rounding.

Non-GAAP Operating Loss

Expect to reach non-GAAP operating break even in Q4 2018



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Cash and Investments Balance

Expect to reach cash flow break even in Q4 2018 with at least $65 million of cash

Cash* as of December 31, 2017	Q4 2017 Cash Used in Operations
$93.3 million	**$0.1 million**

** Cash and marketable securities*

ASC 606 Update

Background:

- Adopting the ASC 606 revenue recognition accounting standard, effective January 1, 2018
- Using the full retrospective method: will provide supplemental restated financials for full-year 2016 and 2017, as well as quarterly 2017 as part of Q1 2018 financial report

Expected 606 Impact vs. 605 Standard:

- No change in cash flow, relatively modest impact on income statement and some non-cash portions of balance sheet
- Revenue:
  - Expect a reduction of 2018 revenues by ~$2 million vs. 605
  - Expect to see a positive impact on revenue in earlier periods
- Non-GAAP Cost of Revenue and Operating Expense:
  - Expect 2018 cost of revenue and operating expenses to be slightly lower vs. 605
  - Some launch fulfillment costs and commissions will be capitalized and amortized over five years

2018 Guidance

Based on ASC 606 Accounting Standard, Adopted January 1, 2018

Metric	Range	Notes
GAAP Revenue	$150mm – $155mm	• *Incorporates $2mm headwind from ASC 606* • *1H/2H mix: high 40% range/low 50% range* • *Q1: down ~$1mm Q/Q due to effective churn* • *Q4 annualized run rate: nearly $170mm*
Non-GAAP Operating (Loss)	$ (15)mm – $(20)mm	• *Q1: Q/Q decline in gross margin, Q/Q increase in operating loss* • *Q4: Expect to hit long-term target ranges for gross margin, sales & marketing and G&A*
Non-GAAP EPS	$(0.11) – $(0.15)	
Weighted Average Shares Outstanding	137mm – 138mm	
Cash Used in Operations	Mid-$20mm range	

Guidance as of 02/21/18. Please see the Appendix for a discussion of the Company's non-GAAP metrics.

Appendix

Gross Profit: Reconciliation of GAAP to Non-GAAP (ASC 605, in 000s)

	Three Months Ended				
	December 31, 2016	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017
Gross profit:					
GAAP gross profit subscription	$ 23,912	$ 21,520	$ 22,128	$ 23,240	$ 25,198
Stock-based compensation	139	127	253	258	250
Amortization of internal-use software	244	244	244	244	236
Amortization of Intangibles	-	-	751	751	751
Acquisition related costs	-	-	52	-	-
Non-GAAP gross profit subscription	$ 24,295	$ 21,891	$ 23,428	$ 24,493	$ 26,435
GAAP gross loss professional services and other	$ (2,417)	$ (2,009)	$ (2,528)	$ (1,689)	$ (1,615)
Stock-based compensation	493	461	597	342	256
Acquisition related costs	-	147	17	(4)	-
Capitalization of internal-use software	-	-	-	-	-
Non-GAAP gross loss professional services and other	$ (1,924)	$ (1,401)	$ (1,914)	$ (1,351)	$ (1,359)
GAAP gross profit	$ 21,495	$ 19,511	$ 19,600	$ 21,551	$ 23,583
Impact of non-GAAP adjustments	876	979	1,914	1,591	1,493
Non-GAAP gross profit	$ 22,371	$ 20,490	$ 21,514	$ 23,142	$ 25,076

Operating Expense: Reconciliation of GAAP to Non-GAAP (ASC 605, in 000s)

	Three Months Ended				
	December 31, 2016	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017
Operating expense:					
GAAP sales and marketing	$ 13,923	$ 14,443	$ 16,575	$ 16,006	$ 15,289
Stock-based compensation	(2,199)	(2,154)	(2,441)	(3,110)	(1,960)
Amortization of Intangibles	-	-	(448)	(448)	(448)
Acquisition related costs	-	(405)	(518)	14	-
Non-GAAP sales and marketing	$ 11,724	$ 11,884	$ 13,168	$ 12,462	$ 12,881
GAAP research and development	$ 9,841	$ 11,071	$ 15,194	$ 13,809	$ 14,428
Stock-based compensation	(1,659)	(1,790)	(2,254)	(1,631)	(1,740)
Acquisition related costs	-	(267)	(126)	-	-
Non-GAAP research and development	$ 8,182	$ 9,014	$ 12,814	$ 12,178	$ 12,688
GAAP general and administrative	$ 6,957	$ 8,998	$ 6,766	$ 10,307	$ 2,754
Stock-based compensation	(1,267)	(1,295)	(1,169)	(1,121)	(1,368)
Amortization of Intangibles	-	-	(17)	(17)	(17)
Change in FV of contigent consideration	-	-	643	(3,931)	3,959
Acquisition related costs	(1,731)	(2,340)	(899)	(126)	(58)
Litigation settlement	-	(250)	-	-	-
Non-GAAP general and administrative	$ 3,959	$ 5,113	$ 5,324	$ 5,112	$ 5,270
GAAP operating expense	$ 30,721	$ 34,512	$ 38,535	$ 40,122	$ 32,471
Impact of non-GAAP adjustments	(6,856)	(8,501)	(7,229)	(10,370)	(1,632)
Non-GAAP operating expense	$ 23,865	$ 26,011	$ 31,306	$ 29,752	$ 30,839
Operating loss:					
GAAP operating loss	$ (9,226)	$ (15,001)	$ (18,935)	$ (18,571)	$ (8,888)
Impact of non-GAAP adjustments	7,732	9,480	9,143	11,961	3,125
Non-GAAP operating loss	$ (1,494)	$ (5,521)	$ (9,792)	$ (6,610)	$ (5,763)

Reconciliation of Pro Forma Non-GAAP Operating Loss, 4Q’16 (ASC 605, in 000s)

Jiff GAAP Ops Loss for Q4'16	$	10,389
Less: Jiff Stock Compensation expense for Q4'16	$	201
Jiff Non-GAAP Ops Loss for Q4'16	$	10,188
Add: Castlight Non-GAAP Ops Loss for Q4'16	$	1,494
Total pro Forma Non GAAP Ops Loss for Q4'16	$	11,682

To supplement Castlight Health's financial statements presented in accordance with generally accepted accounting principles (GAAP), we also use and provide investors and others with non-GAAP measures of certain components of financial performance, including non-GAAP gross profit and margin, non-GAAP operating expense, non-GAAP operating loss, non-GAAP net loss and non-GAAP net loss per share. Non-GAAP gross profit and margin, non-GAAP operating expense, non-GAAP operating loss and non-GAAP net loss exclude stock-based compensation, litigation settlement, charges related to a reduction in workforce, amortization of intangibles, capitalization and amortization of internal-use software, changes in fair value of contingent consideration and charges related to the acquisition and the associated tax impact of these items, where applicable.

We believe that these non-GAAP financial measures provide useful supplemental information to investors and others, facilitate the analysis of the company's core operating results and comparison of operating results across reporting periods, and can help enhance overall understanding of the company's historical financial performance. We have provided a reconciliation of each non-GAAP financial measure to the most directly comparable GAAP financial measure, except that we have not reconciled our non-GAAP operating loss and net loss per share guidance for the full year 2018 to comparable GAAP operating loss and net loss per share guidance because we do not provide guidance for stock-based compensation expense, capitalization and amortization of internal-use software, changes in fair value of contingent consideration and charges related to the acquisition, which are reconciling items between GAAP and non-GAAP operating loss . The factors that may impact our future stock-based compensation expense and capitalization and amortization of internal-use software are out of our control and/or cannot be reasonably predicted, and therefore we are unable to provide such guidance without unreasonable effort. Factors include our market capitalization and related volatility of our stock price and our inability to project the cost or scope of internally produced software and charges related to the proposed acquisition for the year.

These non-GAAP financial measures should be considered in addition to, not as a substitute for or in isolation from, measures prepared in accordance with GAAP.

Further, these non-GAAP measures may differ from the non-GAAP information used by other companies, including peer companies, and therefore comparability may be limited. Castlight Health encourages investors and others to review the company's financial information in its entirety and not rely on a single financial measure

Q&A Session