



# Castlight Health

Q3 2021 Financial & Business Update

November 2, 2021

(NYSE: CSLT)

# Safe Harbor Statement

This presentation contains forward-looking statements within the meaning of the federal securities laws about Castlight Health's expectations, plans, intentions, and strategies which include, but are not limited to, statements regarding Castlight Health's third quarter 2021 performance and 2021 projections, the impact of COVID-19, the success of our strategy, and our expectations for our future business and financial performance. Statements including words such as "anticipate," "believe," "estimate," "will," "continue," "expect," or "future," and statements in the future tense are forward-looking statements. These forward-looking statements involve risks and uncertainties, as well as assumptions, which, if they do not fully materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. The risks and uncertainties include those described in Castlight Health's documents filed with or furnished to the Securities and Exchange Commission (SEC), including the risks set forth in our quarterly reports on Form 10-Q as filed with the SEC. All forward-looking statements in this presentation are expressly qualified in their entirety by these cautionary statements and are based on information available to Castlight Health as of the date hereof. Castlight Health assumes no obligation to update these forward-looking statements, except as required by law.

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 Regulation FD compliant forum. Please refer to today's press release and the risk factors included in the company's filings with the SEC for discussion of important factors that may cause actual events or results to differ materially from those contained in our forward-looking statements.

## Non-GAAP Financial Measures

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 income (loss), non-GAAP net income (loss) and non-GAAP net income (loss) per share. Non-GAAP gross profit and margin, non-GAAP operating expense, non-GAAP operating income (loss), and non-GAAP net income (loss) exclude goodwill impairment, stock-based compensation, certain legal expenses, amortization of intangibles, restructuring charges, capitalization and amortization of internal-use software, and lease exit and related charges.

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. **However, 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.**

The non-GAAP measures we provide 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.

In the third quarter 2021 earnings press release, 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 2021 to comparable GAAP measures because we do not provide guidance for stock-based compensation expense, and capitalization and amortization of internal-use software, which are reconciling items between GAAP and non-GAAP. 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.



# Business Update

Maeve O'Meara, CEO

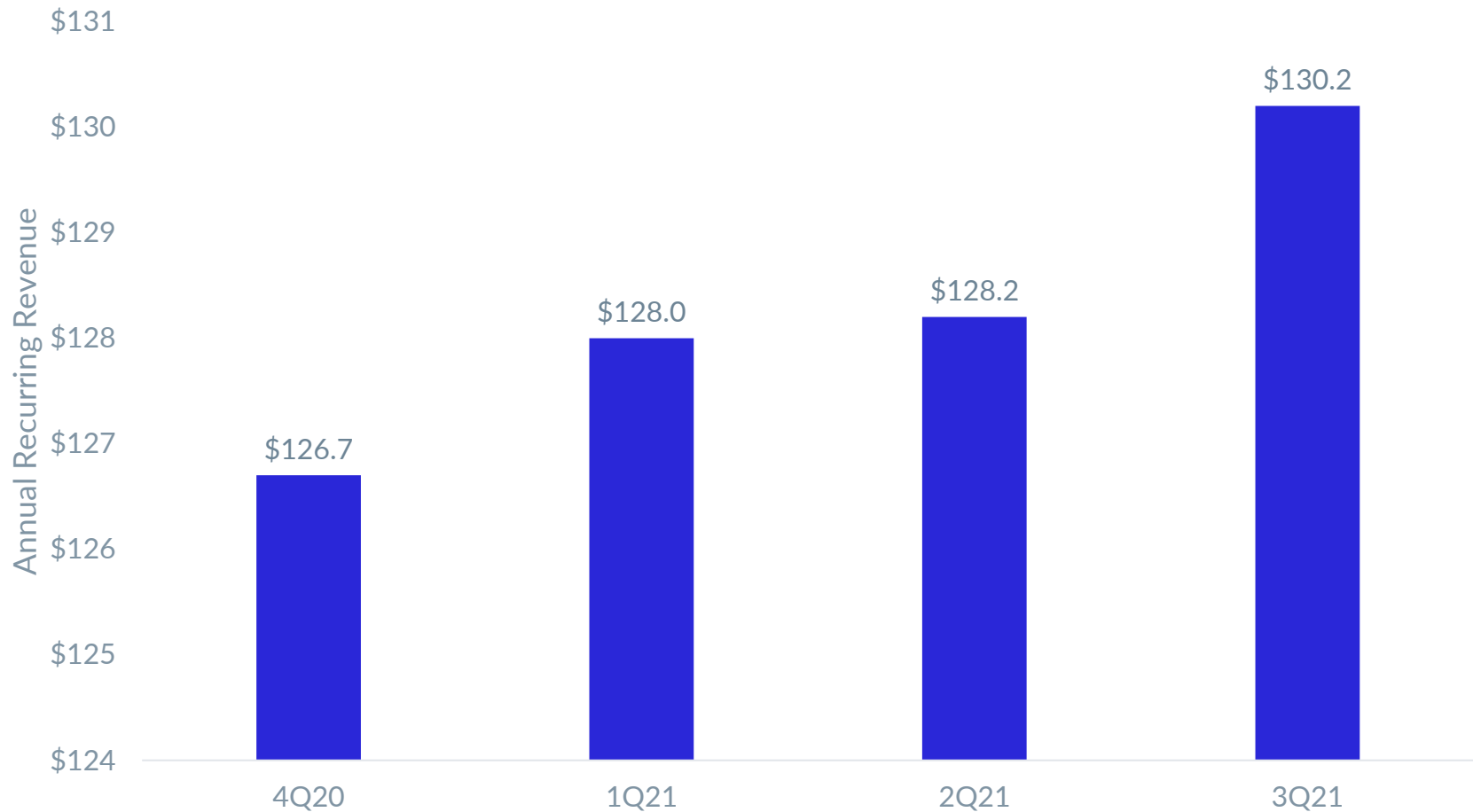
# Q3 2021 Highlights

## Highlights

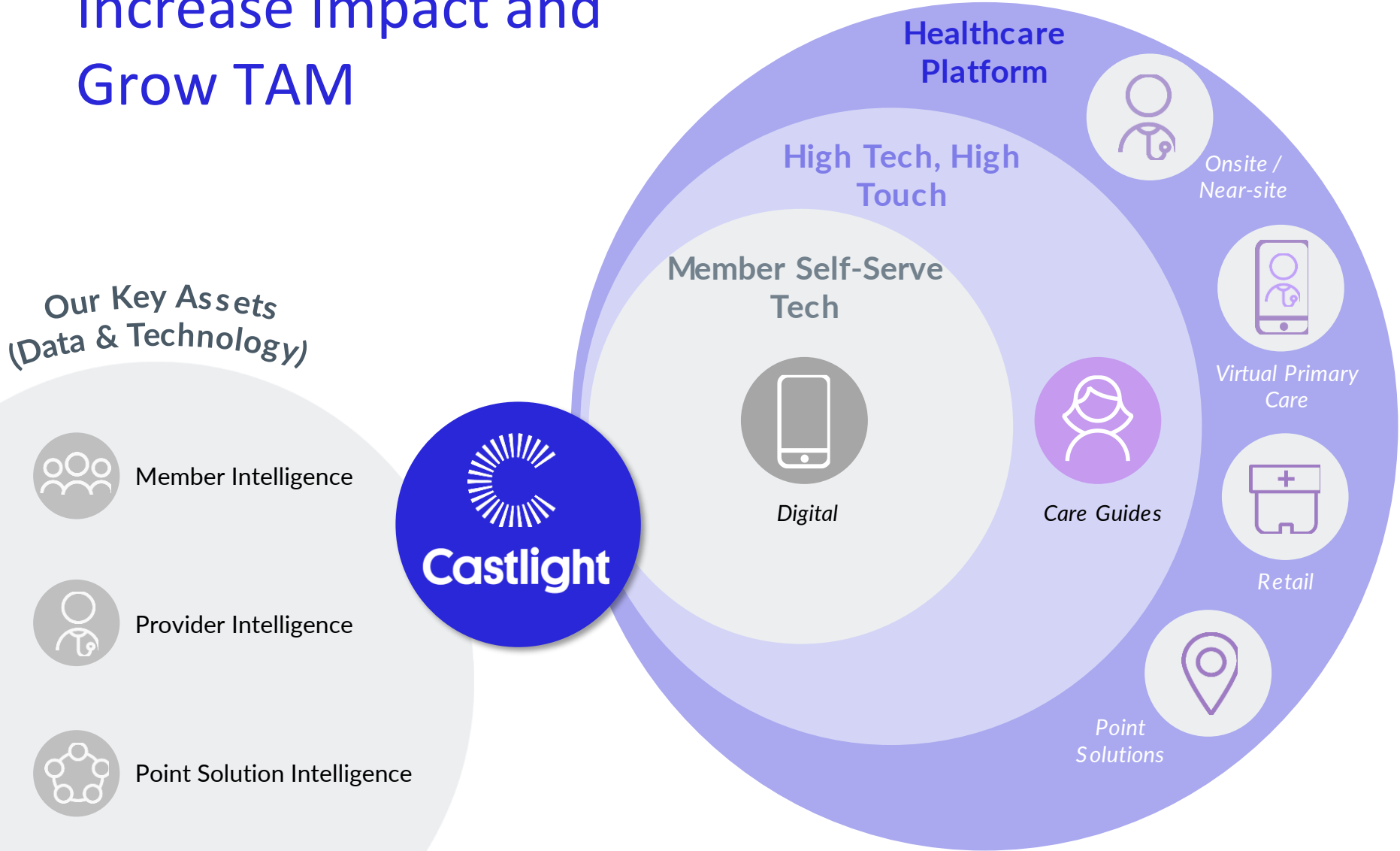
- Revenue of \$34.8 million at top end of guidance range, ahead of expectations
- ARR increased for a third quarter in a row to \$130.2 million, driven primarily by strong execution in direct-to-employer market, where we achieved highest quarterly bookings since Q4 2017
- Health Plan pipeline remains robust, half-dozen meaningful medium and late-stage opportunities
- Achieved sixth straight quarter of non-GAAP profitability and positive cash flow
- Most cash on hand since Q1 2019
- Delivered against our financial goals and positioned Castlight for continued growth in each of our core markets

# ARR Growth in 2021

Annualized Recurring Revenue ("ARR"), \$ millions



# Castlight's Evolution to Increase Impact and Grow TAM



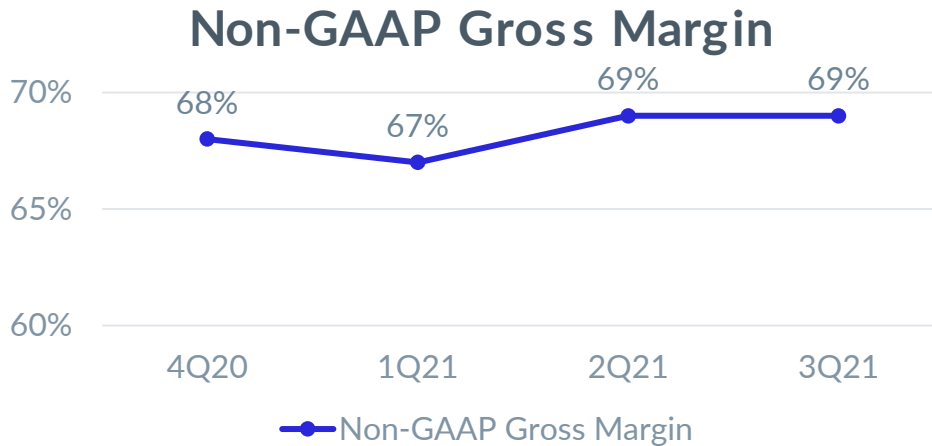


# Quarterly Results

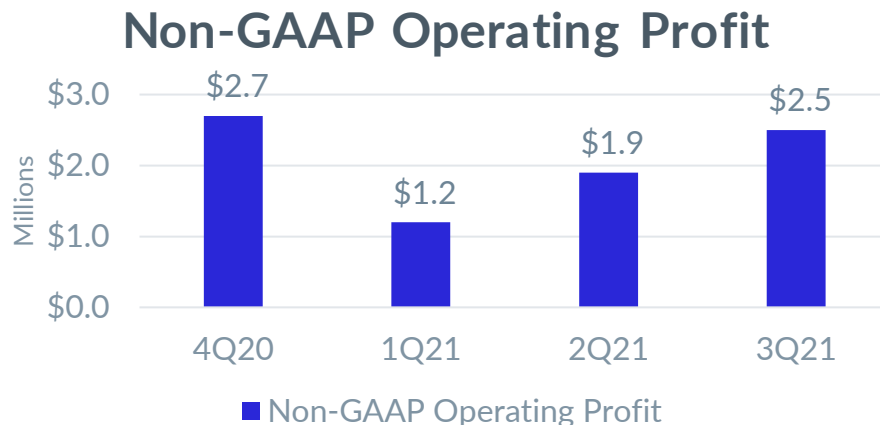
Will Bondurant, CFO



# Superior and Sustainable Gross Margins









- Consistent delivery of strong gross margins alongside strong customer value, ROI, and Customer NPS
- Subscription non-GAAP gross margins were over 77% for the sixth straight quarter, enabled by strength and scale of Castlight's core technology



- Sixth straight quarter of non-GAAP profitability and positive cash flow
- Fiscal discipline positions Castlight to invest in areas of business driving growth

# Q3 2021 Financial Highlights

Metric	Q3'21 Results	YoY Change
Revenue	\$34.8mm	 \$0.3mm
Non-GAAP Gross Margin	69%	 0 bps
Non-GAAP Operating Income	\$2.5mm	 \$1.3mm
Non-GAAP Earnings per Share	\$0.01	 (\$0.01)
Cash Flow from Operations	\$5.8mm	 \$3.1mm
Cash	\$65.8mm	 \$19.0mm

Please see the Company's Q3 2021 earnings press release dated November 2, 2021 for the GAAP to Non-GAAP Reconciliation.

# Updating 2021 Guidance

FY 2021 Metric	Current Range	Previous Range
Revenue	\$135mm – \$140mm	Unchanged
Non-GAAP Gross Margin	Mid-to-high 60% <i>s</i>	Mid 60% <i>s</i>
Non-GAAP Operating (Loss) Income	(\$4)mm – \$1mm	Unchanged
Non-GAAP EPS	(\$0.03) – \$0.01	Unchanged
Weighted Avg. Shares Outstanding	160mm	160mm – 161mm
Cash Flow from Operations	\$10mm – \$15mm	\$2mm – \$7mm
Cash Balance at Year End	~\$60mm	~\$50mm

Q4 2021 Metric	Range
Revenue	\$33mm – \$35mm



# Q&A Session



# Appendix

# Gross Profit: Reconciliation of GAAP to non-GAAP

	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021
<b>Gross profit:</b>				
GAAP gross profit subscription	\$ 26,487	\$ 24,011	\$ 23,151	\$ 23,532
Stock-based compensation	215	257	222	256
Amortization of internal-use software	80	79	79	79
Amortization of intangibles	530	530	530	530
Non-GAAP gross profit subscription	\$ 27,312	\$ 24,877	\$ 23,982	\$ 24,397
<i>GAAP gross margin subscription</i>	77.0 %	74.8 %	74.4 %	74.4 %
<i>Non-GAAP gross margin subscription</i>	79.4 %	77.5 %	77.0 %	77.2 %
GAAP gross (loss) profit professional services and other	\$ (2,322)	\$ (1,708)	\$ 294	\$ (512)
Stock-based compensation	219	236	184	145
Non-GAAP gross (loss) profit professional services and other	\$ (2,103)	\$ (1,472)	\$ 478	\$ (367)
<i>GAAP gross margin professional services and other</i>	(87.1)%	(57.9)%	6.6 %	(16.2)%
<i>Non-GAAP gross margin professional services and other</i>	(78.9)%	(49.9)%	10.7 %	(11.6)%
GAAP gross profit	\$ 24,165	\$ 22,303	\$ 23,445	\$ 23,020
Impact of non-GAAP adjustments	1,044	1,102	1,015	1,010
Non-GAAP gross profit	\$ 25,209	\$ 23,405	\$ 24,460	\$ 24,030
<i>GAAP gross margin</i>	65.2 %	63.6 %	65.9 %	66.2 %
<i>Non-GAAP gross margin</i>	68.0 %	66.8 %	68.7 %	69.1 %

# Operating Expense: Reconciliation of GAAP to non-GAAP

	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021
<b>Operating expenses:</b>				
GAAP sales and marketing	\$ 7,713	\$ 6,913	\$ 7,208	\$ 7,079
Stock-based compensation	(326)	(350)	(442)	(483)
Amortization of intangibles	(528)	(528)	(528)	(528)
Non-GAAP sales and marketing	\$ 6,859	\$ 6,035	\$ 6,238	\$ 6,068
<b>GAAP research and development</b>				
GAAP research and development	\$ 11,418	\$ 12,113	\$ 12,316	\$ 11,631
Stock-based compensation	(1,041)	(1,069)	(1,060)	(1,001)
Non-GAAP research and development	\$ 10,377	\$ 11,044	\$ 11,256	\$ 10,630
<b>GAAP general and administrative</b>				
GAAP general and administrative	\$ 6,405	\$ 6,366	\$ 6,366	\$ 6,195
Stock-based compensation	(1,085)	(1,195)	(1,262)	(1,315)
Non-GAAP general and administrative	\$ 5,320	\$ 5,171	\$ 5,104	\$ 4,880
<b>GAAP operating expense</b>				
GAAP operating expense	\$ 25,536	\$ 25,392	\$ 25,890	\$ 24,905
Impact of non-GAAP adjustments	(2,980)	(3,142)	(3,292)	(3,327)
Non-GAAP operating expense	\$ 22,556	\$ 22,250	\$ 22,598	\$ 21,578

# Operating Income (Loss): Reconciliation of GAAP to non-GAAP

	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021
Operating (loss) income:				
GAAP operating loss	\$ (1,371)	\$ (3,089)	\$ (2,445)	\$ (1,885)
Impact of non-GAAP adjustments	4,024	4,244	4,307	4,337
Non-GAAP operating income	<u>\$ 2,653</u>	<u>\$ 1,155</u>	<u>\$ 1,862</u>	<u>\$ 2,452</u>