

December 12, 2014

# Financial Technology Partners LP FTP Securities LLC

## Transaction Profile: Connecture Raises \$53 million in its Initial Public Offering



NasdaqGM: CNXR

*Courtesy of:*



***The Only Investment Bank  
Focused Exclusively on Financial Technology***

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# Connecture Initial Public Offering

## Transaction Overview

### Key IPO Statistics

Headquarters	San Francisco, CA
Founded	1999
Employees:	429
Market Capitalization:	\$203.7 mm <sup>(1)</sup>

**Description:** Connecture, Inc. provides a web-based platform for consumer shopping, enrollment and member retention for health insurance distribution to health insurance exchanges, health plans and brokers

Initial S-1 Filing Date:	October 20, 2014
Trading Date:	December 12, 2014
Ticker:	NasdaqGM: CNXR
Initial Filing Range:	\$12.00 - \$14.00
Final Filing Range:	\$12.00 - \$14.00
Offer Price:	\$8.00
First Day Open:	\$9.25 (▲ 16%) <sup>(2)</sup>
First Day Close:	\$8.80 (▲ 10%) <sup>(2)</sup>
Shares Offered:	6,635,000
Net Proceeds:	\$53,080,000 <sup>(3)</sup>

### UNITED STATES SECURITIES AND EXCHANGE COMMISSION

#### Form S-1

Connecture, Inc.



NasdaqGM: CNXR

Robert Douglas Schneider  
Chief Executive Officer, President, Director  
18500 West Corporate Drive, Suite 250  
Brookfield, WI 53045

J.P.  
Morgan

Morgan  
Stanley

Raymond  
James

William Blair

Wells Fargo  
Securities

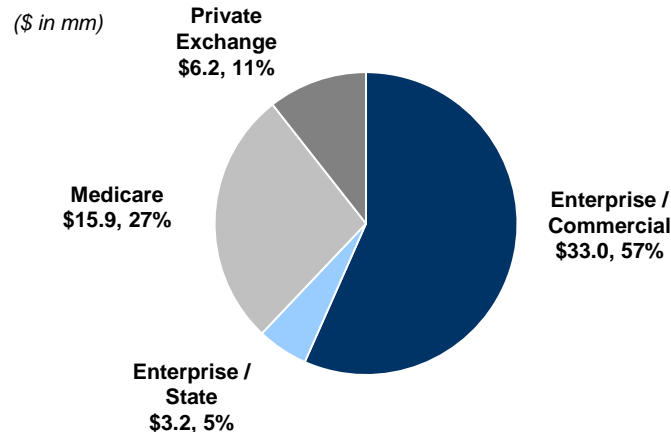


# Connecture Initial Public Offering

## Company Overview

- Suite of applications and solutions used primarily by health plans, health insurance exchanges and brokers for consumer shopping, enrollment and retention
  - Connecture's platform allows customers to automate health plan enrollment and renewals and presents customized, best-fit health insurance to consumers
- The Company offers price setting and modeling, plan comparison, enrollment, renewal management, member management and integration with health exchanges
- Connecture has processed over \$130 bn in annual plan premiums through its web-based platform since 1999
  - The Company serves more than 20 million annual shoppers and has contracted with more than 30 public and private health exchanges and over 70 health plans
- The Company earns revenue through software and professional services provided to commercial and state enterprises, Medicare and private health exchanges

### Revenue by Segment



**Total CY13 Revenue: \$58.3mm**

### Competitive Landscape

#### Online Health Insurance Distribution



#### Health Insurance Exchange Solutions



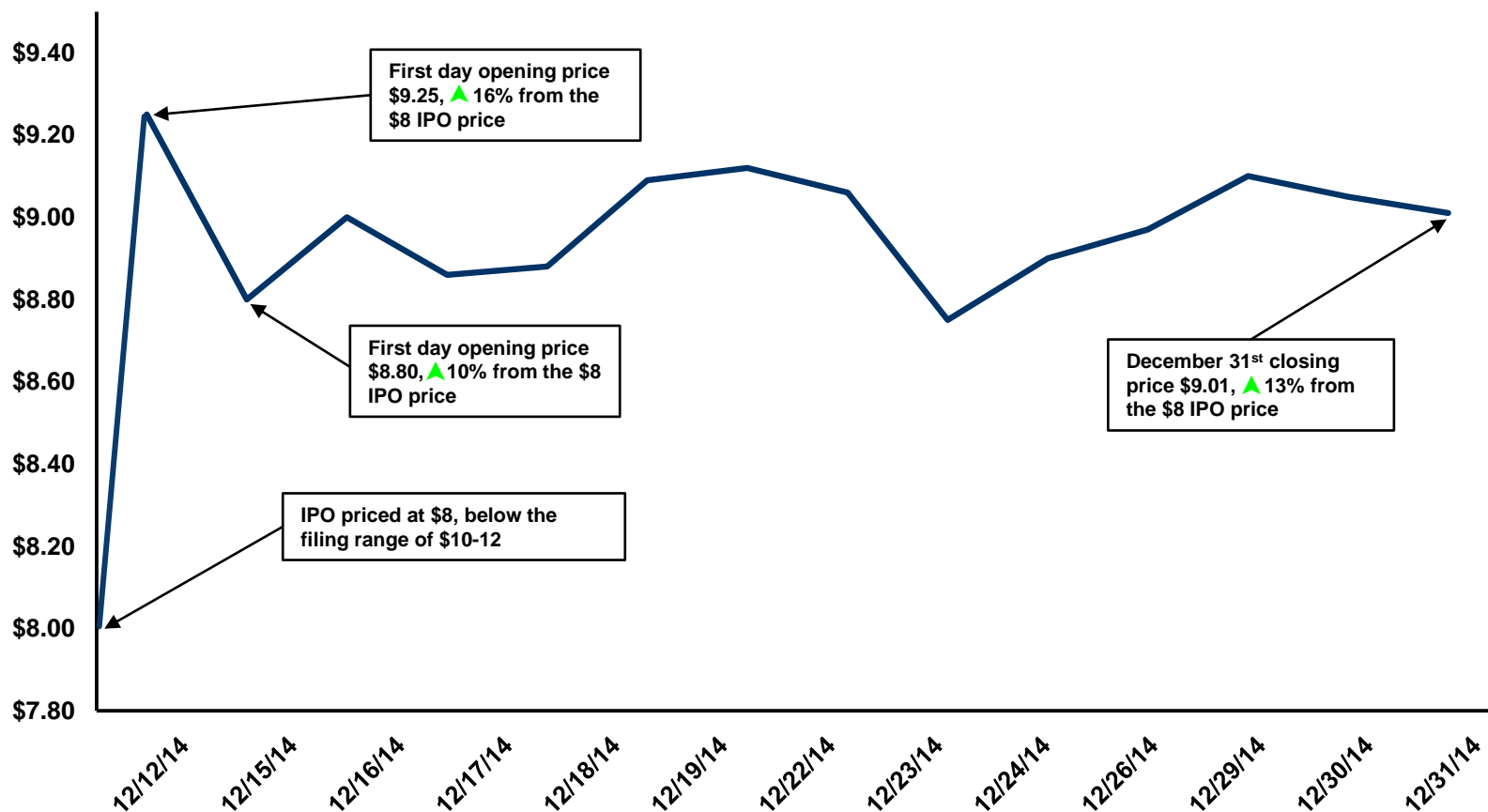
#### Health Benefits Administration Solutions





# Connecture Initial Public Offering

## Connecture Stock Performance since IPO





# Connecture Initial Public Offering

## Solutions Overview – Connecture Product Offerings

- Suite of applications and solutions used primarily by health plans, health insurance exchanges and brokers for consumer shopping, enrollment and retention
  - Offers a personalized health insurance shopping experience that recommends the best fit insurance plan based on consumer preferences, health status, preferred providers and expected out-of-pocket costs

Offerings	
Rate Setting and Modeling	<ul style="list-style-type: none"><li>■ Provides a health plan decision support system that includes demographic and health condition analysis, provider network lookup, financial decision modeling, out-of-pocket cost calculator and comparison services</li></ul>
Shopping & Quoting	<ul style="list-style-type: none"><li>■ Allows consumers to view and compare plans, including estimated premiums, out of-pocket costs and plan benefits</li><li>■ Presents plans based on answers to a series of questions that profile each consumer, including individual risk tolerance, ability to pay higher deductibles, personal health factors and desired add-on plans</li></ul>
Application & Enrollment	<ul style="list-style-type: none"><li>■ Provides application and enrollment operations to eliminate manual processes and paper processing</li><li>■ Enables health plans to combine enrollment forms for multiple products into one online application</li></ul>
Renewal Management	<ul style="list-style-type: none"><li>■ Automates the health plan renewal process by eliminating manual processes and paper processing</li><li>■ Includes renewal import, renewal quoting &amp; acceptance, renewal export, package generation and distribution and alternate plan mapping</li></ul>
Member Management	<ul style="list-style-type: none"><li>■ Updates plan offering details based on members' work or life changes</li><li>■ Maximizes member retention by offering only qualifying renewal plans based on member history</li></ul>
Exchange Integration	<ul style="list-style-type: none"><li>■ Connects to state and federal exchanges to determine subsidy eligibility</li><li>■ Enables private and government exchanges to provide compliant benefit shopping, enrollment and post-enrollment benefits management to employers and individual customers</li></ul>

# Connecture Initial Public Offering

## Market Overview – Key Trends Impacting Connecture

### Market Overview

#### Individual Insurance Market

- The Patient Protection and Affordable Care Act (“PPACA”) is expected to drive growth in the under-65 market from 20 million lives in 2012 to 57 million in 2017
- Number of participants in Medicare Advantage and Medicare Supplement plans will increase from 25 million in 2013 to 32 million in 2018
- Creates new opportunities for brokers and health plans to sell directly to individuals

#### Consumer-Centric Marketplace

- Estimates suggest that approximately 100 million individuals will be shopping for and enrolling in health insurance annually through public and private insurance exchanges by 2018
- Shifts responsibility of purchasing health insurance from employers to individuals, placing increased importance on better, more informed decision-making

#### Pressure to Manage Distribution Costs and Operating Expenses

- Recent federal restrictions on health plan profitability and increased competition for members on exchanges have driven health plans to better manage their non-medical cost structure, such as sales commissions and internal information technology development
- Health plans have increasingly undertaken efforts to lower brokerage commissions and implement innovative third-party technologies

#### Increasing Opportunity for Technology

- Significant opportunity for web-based technologies to automate and lower the cost of health insurance, while increasing enrollment opportunities and member retention
- Expect that \$5.2 bn will be spent on web-based shopping and enrollment solutions by 2017, based on \$3.4 bn spent in 2013
- Robust technology platform can deliver up to 65% in cost reduction, produce a 90% reduction in turnaround time on key insurance processes and improve conversion rates by more than 20%



# Connecture Initial Public Offering

## Management Overview

Executive Officers		
Name	Title	Background
Robert D. Schneider	CEO, President & Director	<ul style="list-style-type: none"><li>■ Chief Executive Officer, President and Director since January 2012</li><li>■ Previously served as Executive Vice President for Innovation and Products at Truven Health Analytics</li></ul>
James P. Purko	CFO & Secretary	<ul style="list-style-type: none"><li>■ CFO and Secretary since February 2011</li><li>■ Previously served in various positions at Dematic Corporation, most recently as Vice President and Chief Financial Officer</li></ul>
David A. Sockel	Chief Revenue Officer	<ul style="list-style-type: none"><li>■ Chief Revenue Officer since May 2011</li><li>■ Previous served as Chief Executive Officer of HealthPlan CRM</li></ul>
Michael Y. Cho	Chief Innovation Officer, New Markets	<ul style="list-style-type: none"><li>■ Chief Innovation Officer, New Markets since January 2013</li><li>■ Previously founded and served as Chief Executive Officer and President of DRX until it was acquired by Connecture in January 2013</li></ul>
Mark E. Granville	Senior Vice President and General Manager, InsureAdvantage	<ul style="list-style-type: none"><li>■ Senior Vice President and General Manager, InsureAdvantage since October 2012</li><li>■ Previously served as Senior Vice President, Analytic Consulting at Truven Health Analytics</li></ul>
Lea DeVillers	General Counsel	<ul style="list-style-type: none"><li>■ General Counsel since June 2013</li><li>■ Previously served as in-house counsel for Blue Cross Blue Shield of Minnesota</li></ul>



# Connecture Initial Public Offering

## Board of Directors Overview

Board of Directors		
Name	Title	Background
Robert D. Schneider	CEO, President & Director	<ul style="list-style-type: none"><li>■ Chief Executive Officer, President and Director since January 2012</li><li>■ Previously served as Executive Vice President for Innovation and Products at Thomson Reuters' Healthcare IT business (nka Truven Health Analytics)</li></ul>
A. John Ansay	Director	<ul style="list-style-type: none"><li>■ Director of Connecture since August 2014</li><li>■ Co-Founder of Equian (fka Health Systems International)</li></ul>
Vickie L. Corps	Director	<ul style="list-style-type: none"><li>■ Director of Connecture since August 2014</li><li>■ Chief Financial Officer of DJO Global</li></ul>
Adam B Dolder	Director	<ul style="list-style-type: none"><li>■ Director of Connecture since August 2012</li><li>■ Managing Director, Head of Private Equity and member of the Investment Committee at Great Point Partners</li></ul>
David A. Jones, Jr.	Chairman & Director	<ul style="list-style-type: none"><li>■ Chairman of Connecture since 2011 and Director since 2004</li><li>■ Chairman and Founder of Chrysalis Ventures</li></ul>
Alan J. Ying	Director	<ul style="list-style-type: none"><li>■ Director of Connecture since October 2014</li><li>■ Founder and Managing Director of Polus Capital, previously Venture Partner at Chrysalis Ventures until October 2013</li></ul>
Paul Kusserow	Director	<ul style="list-style-type: none"><li>■ Director of Connecture since October 2014</li><li>■ Vice Chairman and President, Development of Alignment Care</li></ul>





# Connecture Initial Public Offering

## Financial Overview – Summary Income Statement

### Income Statement

	Year Ended December 31	
	2012	2013
(\$ in 000's)		
Enterprise / Commercial	\$28,341	\$33,028
Enterprise / State	\$65	\$3,177
Medicare	--	\$15,941
Private Exchange	1,220	6,180
<b>Total Revenue</b>	<b>\$29,626</b>	<b>\$58,326</b>
% Growth		97%
Cost of Revenue	\$22,886	\$50,173
<b>Gross Margin</b>	<b>\$6,740</b>	<b>\$8,153</b>
Research and Development	\$7,371	\$11,806
Sales and Marketing	6,644	6,800
General and Administrative	7,492	12,187
Total Operating Expenses	\$21,507	\$30,793
% of Revenue	73%	53%
<b>Income (Loss) from Operations</b>	<b>(\$14,767)</b>	<b>(\$22,640)</b>
% Margin	(50%)	(39%)
Interest Expense	\$1,992	\$4,644
Other Expense	--	--
Loss Before Income Tax	(\$16,759)	(\$27,284)
Income Tax (Expense) Benefit	\$3	\$900
<b>Net Income (Loss)</b>	<b>(\$16,756)</b>	<b>(\$26,384)</b>
% Margin	(57%)	(45%)
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>(\$13,054)</b>	<b>(\$17,291)</b>
% Margin	(44%)	(30%)

Sources: Company website, SEC filings.

(1) Adjusted EBITDA is net income before interest, income taxes, depreciation, amortization, non-cash compensation expenses and expenses related to the early extinguishment of debt.



# Connecture Initial Public Offering

## Financial Overview – Balance Sheet and Capitalization

Balance Sheet		
(\$ in 000's)	Year Ended December 31,	
	2012	2013
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$1,476	\$2,277
Accounts Receivable	6,183	20,935
Prepaid Expenses and Other Current Assets	728	1,010
<b>Total Current Assets</b>	<b>\$8,387</b>	<b>\$24,222</b>
Property and Equipment, Net	\$1,441	\$1,974
Goodwill	8,368	26,779
Other Intangible Assets, Net	1,431	19,414
Deferred Implementation Costs	4,496	19,899
Other Assets	2	1,945
<b>Total Assets</b>	<b>\$24,125</b>	<b>\$94,233</b>

(\$ in 000's)	Year Ended December 31,	
	2012	2013
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$2,732	\$8,445
Accrued Payroll and Related Liabilities	4,551	6,397
Other Liabilities	1,501	7,737
Current Maturities of Debt	194	5,431
Deferred Revenue	11,937	43,528
<b>Total Current Liabilities</b>	<b>\$20,915</b>	<b>\$71,538</b>
Deferred Revenue	\$28,133	\$44,327
Deferred Tax Liability	11	15
Long-Term Debt	5,562	32,818
Other Long-Term Liabilities	68	1,844
<b>Total Liabilities</b>	<b>\$54,689</b>	<b>\$150,542</b>
<b>Redeemable Convertible Preferred Stock</b>		
Series A Convertible Preferred Stock	\$25,712	\$27,769
Series B Convertible Preferred Stock	20,348	21,976
<b>Total Redeemable Convertible Preferred Stock</b>	<b>\$46,060</b>	<b>\$49,745</b>
<b>Stockholders' Equity</b>		
Common Stock	\$1	\$1
Additional Paid-In Capital	12,059	9,013
Accumulated Deficit	(88,684)	(115,068)
<b>Total Stockholders' Equity</b>	<b>(\$76,624)</b>	<b>(\$106,054)</b>
<b>Total Liabilities &amp; Stockholders' Equity</b>	<b>\$24,125</b>	<b>\$94,233</b>

Capitalization		
(\$ in 000's)	Actual	Pro Forma <sup>(1)</sup>
	06/30/14	
<b>Cash and Cash Equivalents</b>	<b>\$297</b>	<b>--</b>
<b>Redeemable Convertible Preferred Stock</b>		
Series A Convertible Preferred Stock	\$24,888	--
Series B Convertible Preferred Stock	19,697	--
<b>Total Redeemable Convertible Preferred Stock</b>	<b>\$44,585</b>	<b>--</b>
Common Stock	\$1	--
Additional Paid-In Capital	7,783	--
Accumulated Deficit	(127,139)	--
<b>Total Stockholders' Equity</b>	<b>(\$119,355)</b>	<b>--</b>
<b>Total Capitalization</b>	<b>(\$74,770)</b>	<b>--</b>

Sources: Company website, SEC filings.

(1) As adjusted reflects the Refinancing and the application of the estimated proceeds of the offering as described in "Use of Proceeds".

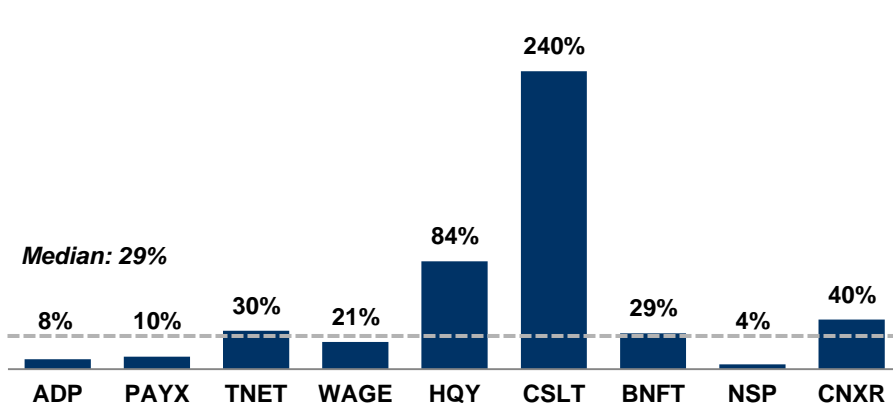


# Connecture Initial Public Offering

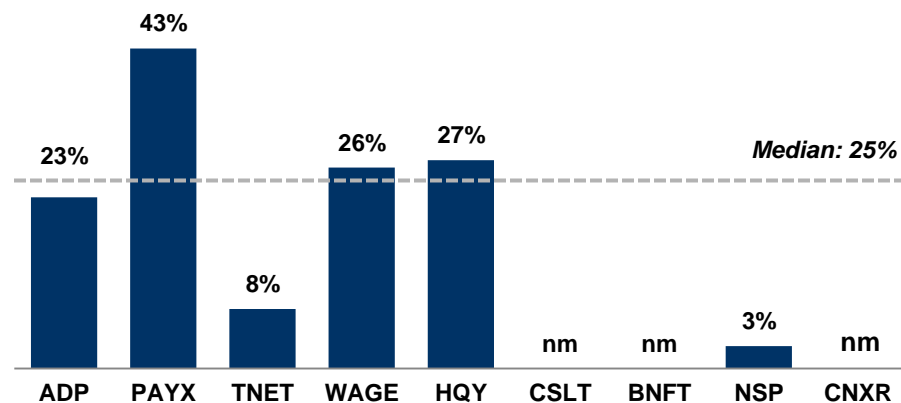
## Selected Public Company Comparables

Company Name	Price 12/31/14	% MTD Change	% LTM High	Market Value (\$ mm)	Enterprise Value (\$ mm)	Multiples						Growth Rates			Margins		P / E / G CY14E
						Price / Earnings		EV / EBITDA		EV / Revenue		Revenue		EPS	EBITDA		
						CY14E	CY15E	CY14E	CY15E	CY14E	CY15E	CY14E	CY15E	LT	CY14E	CY15E	
Healthcare Benefits Administration																	
ADP	\$ 83.37	(3)%	96 %	\$ 40,402	\$ 39,870	27.9 x	26.9 x	16.9 x	16.6 x	3.9 x	3.5 x	8 %	12 %	11 %	23 %	21 %	2.5 x
Paychex	46.17	(2)	96	16,832	16,303	26.0	24.0	14.6	13.6	6.2	5.8	10	8	10	43	42	2.6
TriNet	31.28	6	95	2,371	2,823	27.8	22.4	16.3	14.2	1.3	1.1	31	16	18	8	8	1.6
WageWorks	64.57	13	95	2,432	2,125	nm	nm	29.9	23.8	8.0	6.4	22	25	17	27	27	na
HealthEquity	25.45	82	145	1,597	1,489	nm	nm	nm	42.2	17.3	13.1	87	32	35	28	31	na
Castlight Health	11.70	(6)	28	1,259	1,077	nm	nm	nm	nm	24.3	13.3	240	84	nm	nm	nm	na
Benefitfocus	32.84	36	43	915	896	nm	nm	nm	nm	6.6	5.2	29	27	20	nm	nm	na
Inspireity	33.89	3	94	859	634	30.9	25.9	8.8	7.9	0.3	0.2	4	9	15	3	3	2.1
Connecture	9.01	13	96	209	229	nm	nm	nm	23.4	2.8	2.1	40	33	nm	nm	9	na
Median		6 %	95 %			27.8 x	25.0 x	16.3 x	16.6 x	6.2 x	5.2 x	29 %	25 %	17 %	25 %	21 %	2.3 x
Mean		16	87			28.2	24.8	17.3	20.2	7.9	5.6	53	27	18	22	20	2.2

CY14 Estimated Revenue Growth



CY14 Estimated EBITDA Margins





# Connecture Initial Public Offering

## FT Partners is the Leader in Financial Technology Investment Banking

**FT Partners has advised on the most prominent transactions in the Healthcare IT Space**

Financial Technology Partners LP  
FTP Securities LLC

is pleased to announce its exclusive role as  
Capital Markets & IPO Advisor to

 **ACCRETIVE HEALTH**  
results providers trust

in its

**\$138,000,000**

**Initial Public Offering**

valuing the equity at approximately

**\$ 1,200,000,000**



The Only Investment Bank  
Focused Exclusively on Financial Technology

- Offers end-to-end Revenue Cycle Management, Quality and Care Coordination and Physician Advisory Services
- Differentiated solutions span the entire healthcare revenue cycle
- Infused management model integrates people, processes and technology

Financial Technology Partners LP  
FTP Securities LLC

is pleased to announce its exclusive role as  
Capital Markets & IPO Advisor to

**Performant** 

in its

**\$93,000,000**

**Initial Public Offering**

valuing the equity at approximately

**\$ 453,000,000**



The Only Investment Bank  
Focused Exclusively on Financial Technology

- Performs outsourced healthcare Payment Integrity and Recovery Services
- Medicare Recovery Audit Contractor (“RAC”) for Region A (Northeast)
- Recovered ~\$482 mm in improper Medicare payments in 2012

Financial Technology Partners LP  
FTP Securities LLC

is pleased to announce its role as lead  
strategic and financial advisor to

**AmWINS**  
Group, Inc.

in its growth recapitalization by

 **NMC**  
NEW MOUNTAIN CAPITAL LLC

valued at approximately

**\$ 1,300,000,000**



The Only Investment Bank  
Focused Exclusively on Financial Technology

- Second largest wholesale broker in the U.S. by premiums placed <sup>(1)</sup>
- Group Benefits division develops, distributes and administers benefits products through 7 individual operating companies
- Division services approximately 843,000 member lives among 10,000 employer groups


Financial Technology Partners LP  
FTP Securities LLC


is pleased to announce its role as  
exclusive Strategic and Financial advisor to

**ZYWAVE**

in its sale of

**Zywave Insurance Solutions**  
to

 **AURORA**  
CAPITAL GROUP



The Only Investment Bank  
Focused Exclusively on Financial Technology

- Provides technology-enabled content and communication, agency automation and business intelligence tools
- Serves the employee benefits and P&C insurance distribution industry
- Software and products are used by more than 2,600 agencies

(1) Business Insurance, September 2013.

# Connecture Initial Public Offering

## Award-Winning Investment Banking Franchise Focused on Financial Technology

*FT Partners has been recognized as Investment Banking Firm of the Year and regularly achieves Merger and Financing Deal of the Year recognition*



- |      |  |
|------|--|
| 2014 | <ul style="list-style-type: none"> <li>■ <b>Equity Financing Deal of the Year</b></li> <li>■ Professional Services Deal of the Year, Above \$100mm</li> </ul>  |
| 2012 | <ul style="list-style-type: none"> <li>■ <b>Dealmaker of the Year</b></li> <li>■ Professional Services Deal of the Year, Above \$100 mm</li> </ul>   |
| 2011 | <ul style="list-style-type: none"> <li>■ <b>Boutique Investment Bank of the Year</b></li> <li>■ Deal of the Decade</li> <li>■ <i>10 Deal of the Year Nominations Across 9 Categories</i></li> </ul>  |
| 2010 | <ul style="list-style-type: none"> <li>■ <b>Upper Middle Market Deal of the Year, Above \$500 mm</b></li> <li>■ IT Services Deal of the Year, Below \$500mm</li> <li>■ Cross-Border Deal of the Year, Below \$500mm</li> </ul>   |
| 2007 | <ul style="list-style-type: none"> <li>■ <b>Dealmaker of the Year – Steve McLaughlin</b></li> <li>■ Business to Business Services Deal of the Year</li> <li>■ Computer and Information Technology Deal of the Year, Above \$100mm</li> <li>■ Financial Services Deal of the Year, Above \$100mm</li> </ul> |



- |           |   |
|-----------|---|
| 2006-2008 | <ul style="list-style-type: none"> <li>■ Steve McLaughlin consecutively ranked (2006, 2007 and 2008) among the top Bankers in Financial Technology</li> </ul> |
|-----------|---|



**Middle Market  
Financing Awards**

- |      |  |
|------|--|
| 2008 | <ul style="list-style-type: none"> <li>■ <b>Equity Financing Dealmaker of the Year – Steve McLaughlin</b></li> <li>■ <b>Information Technology Deal of the Year</b></li> <li>■ <b>Financial Services Deal of the Year</b></li> </ul> |
| 2006 | <ul style="list-style-type: none"> <li>■ <b>Financing Professional of the Year – Steve McLaughlin</b></li> <li>■ <i>Financing Deal of the Year - Equity</i></li> <li>■ <i>Financing Deal of the Year - Debt</i></li> </ul>           |