



Morgan Stanley Technology, Media | February 2018 & Telecom Conference



Note Regarding Forward-Looking Statements



This presentation contains forward-looking statements. All statements other than statements of historical facts contained in this presentation, including, but not limited to, statements regarding future results of the operations and financial position of Inovalon Holdings, Inc. ("Inovalon"), and its financial targets, business strategy, and plans and objectives for future operations, are forward-looking statements. The words "believe," "may," "see," "will," "target," "estimate," "continue," "anticipate," "assume," "intend," "expect," "project," "look forward" and variations of these words or similar expressions are intended to identify forward-looking statements.

- Inovalon has based these forward-looking statements on its estimates of its financial results and its current expectations and projections about future events and financial trends that it believes may affect its financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs as of the date of this presentation.
- These forward-looking statements are subject to a number of significant business, economic, regulatory and competitive risks, uncertainties and contingencies, many of which are beyond the control of Inovalon and its management, and are based upon assumptions with respect to future events or decisions, which are subject to change. Moreover, because Inovalon operates in a very competitive and rapidly changing environment, new risks emerge from time to time. It is not possible for Inovalon's management to predict all risks, nor can Inovalon assess the impact of all factors on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.
- In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this presentation may not occur and actual results, including, but not limited to, the timing of and investment in technological advancements and developments, as well as Inovalon's ability to enter into new agreements with existing or new platforms, products and solutions in the timeframes expected, or at all, could differ materially and adversely from those anticipated or implied in the forward-looking statements. For a discussion of the risks and uncertainties that may cause Inovalon's actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements, you should read Inovalon's most recent Annual Report on Form 10-K, including the sections entitled "Risk Factors" and "Special Note Regarding Forward Looking Statements," as well as the other documents that Inovalon may file from time to time in the future with the Securities and Exchange Commission.
- You should not rely upon forward-looking statements as predictions of future events. Although Inovalon believes that the expectations reflected in the forward-looking statements are reasonable, Inovalon cannot guarantee and provides no assurance that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. In addition, certain information included in this presentation is presented strictly for illustrative or educational purposes, and such information should not be viewed as a representation regarding management's expectations or actual results. Management's expectations and actual results could differ materially from information presented solely for illustrative or educational purposes. Except as required by law, Inovalon undertakes no obligation to update publicly any forward-looking statements for any reason after the date of this presentation, to conform these statements to actual results or to changes in Inovalon's expectations, and nothing in this presentation should be regarded as a representation by any person that any financial targets, business strategy or plans and objectives for future operations suggested by any forward-looking statements will be achieved or realized.

In addition, this presentation may include certain non-GAAP financial measures. These non-GAAP measures are in addition to, not a substitute for or necessarily superior to, measures of financial performance prepared in accordance with U.S. GAAP. The GAAP financial measure most directly comparable to each non-GAAP financial measure used or discussed, and a reconciliation of the differences between each non-GAAP financial measure and the comparable GAAP financial measure, is available herein and within our public filings with the Securities and Exchange Commission, available on the Company's investor website at <http://investors.inovalon.com>.

Introduction

The entirety of the healthcare ecosystem is undergoing a massive transformation driven by the shift from volume-based to value-based forces.

Data, its aggregation, analysis, and targeted application is the key to enabling the desired outcomes and economics within this new healthcare paradigm.

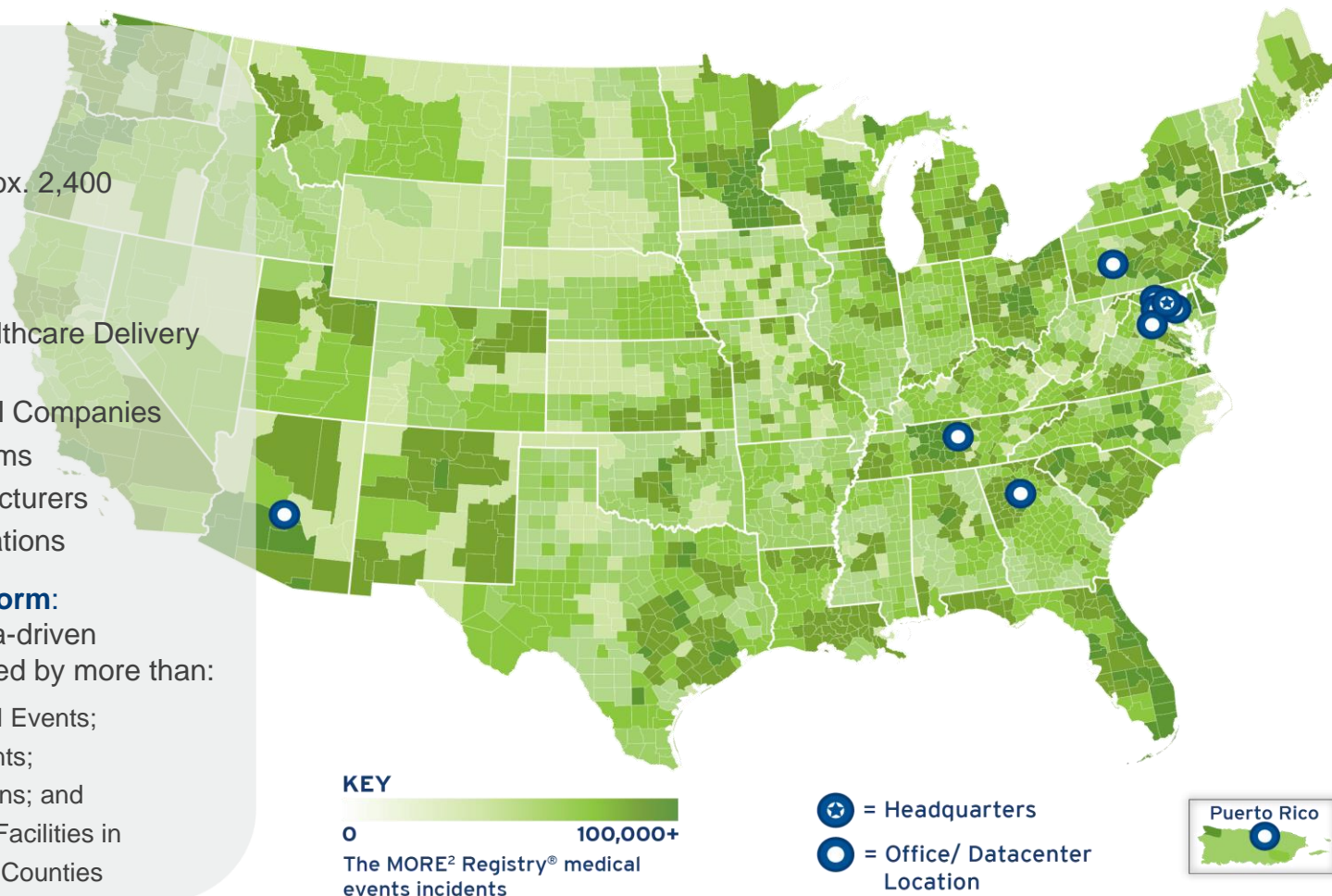
Inovalon operates the nation's largest cloud-based platform that empowers hundreds of payers, providers, pharmaceutical and device manufacturers to achieve value-based care in massive scale. The data and outcomes of more than 240 Million patients and 37 Billion medical events course through the Inovalon ONE™ Platform benefitting from and informing the achievement of healthcare improvements.

Who We Are



Leading cloud-enabled technology company leveraging an integrated platform of large-scale real-world datasets, sophisticated analytics, extensive connectivity, and ultra-high-speed compute architectures to improve the outcomes and economics of healthcare.

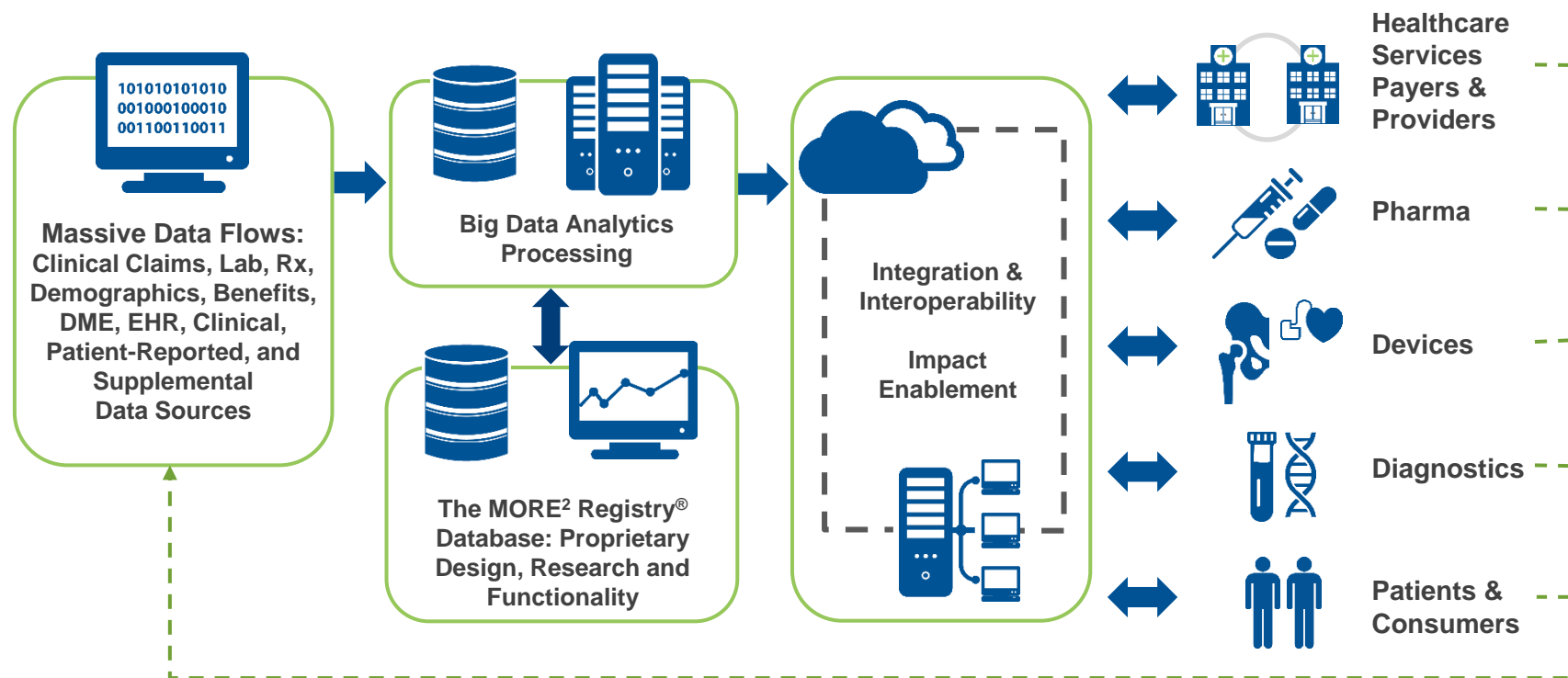
- **Origins:** 1998
- **NASDAQ:** INOV
- **Employees:** Approx. 2,400
- **Clients:**
 - Health Plans
 - Integrated Healthcare Delivery Systems
 - Pharmaceutical Companies
 - Provider Systems
 - Device Manufacturers
 - Other Organizations
- **Data-Driven Platform:**
Analytical and data-driven capabilities informed by more than:
 - 37 Billion Medical Events;
 - 240 Million Patients;
 - 932,000 Physicians; and
 - 455,000 Clinical Facilities in
 - 98.8% of all U.S. Counties



What We Do

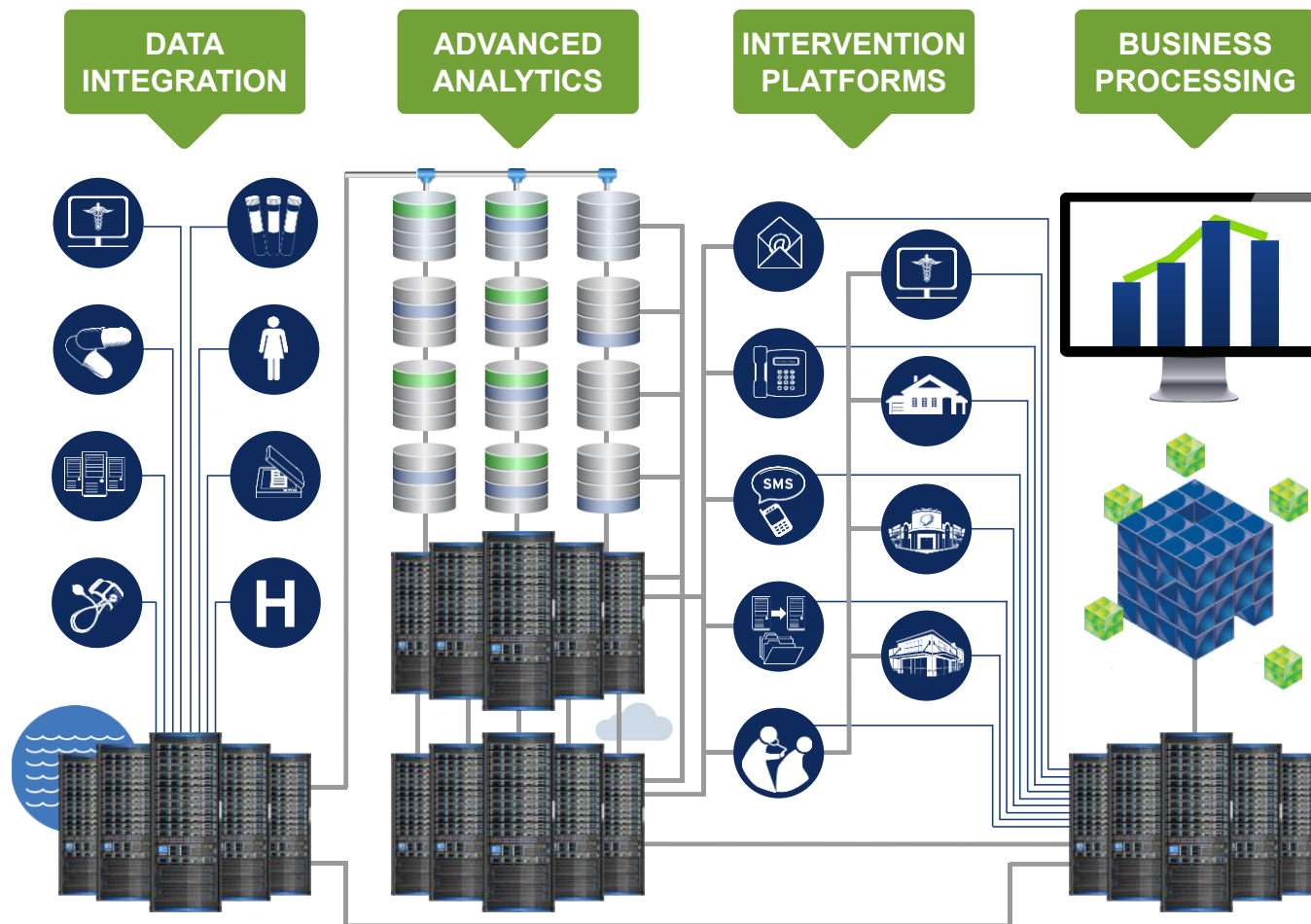
Turning Data into Insight, and Insight into Action[®] Empowering The Transformation from Volume to Value

- ✓ Large-Scale Data Connectivity, Integration, & Validation Capabilities
- ✓ Advanced Predictive Analytics & High-Speed Compute
- ✓ Toolsets to Translate Resulting Insights into Real-World Impact
- ✓ Purpose-Built Data Visualization & Reporting



Platform Approach

The functionality of the Inovalon ONE™ Platform is delivered through four advanced technology capabilities.

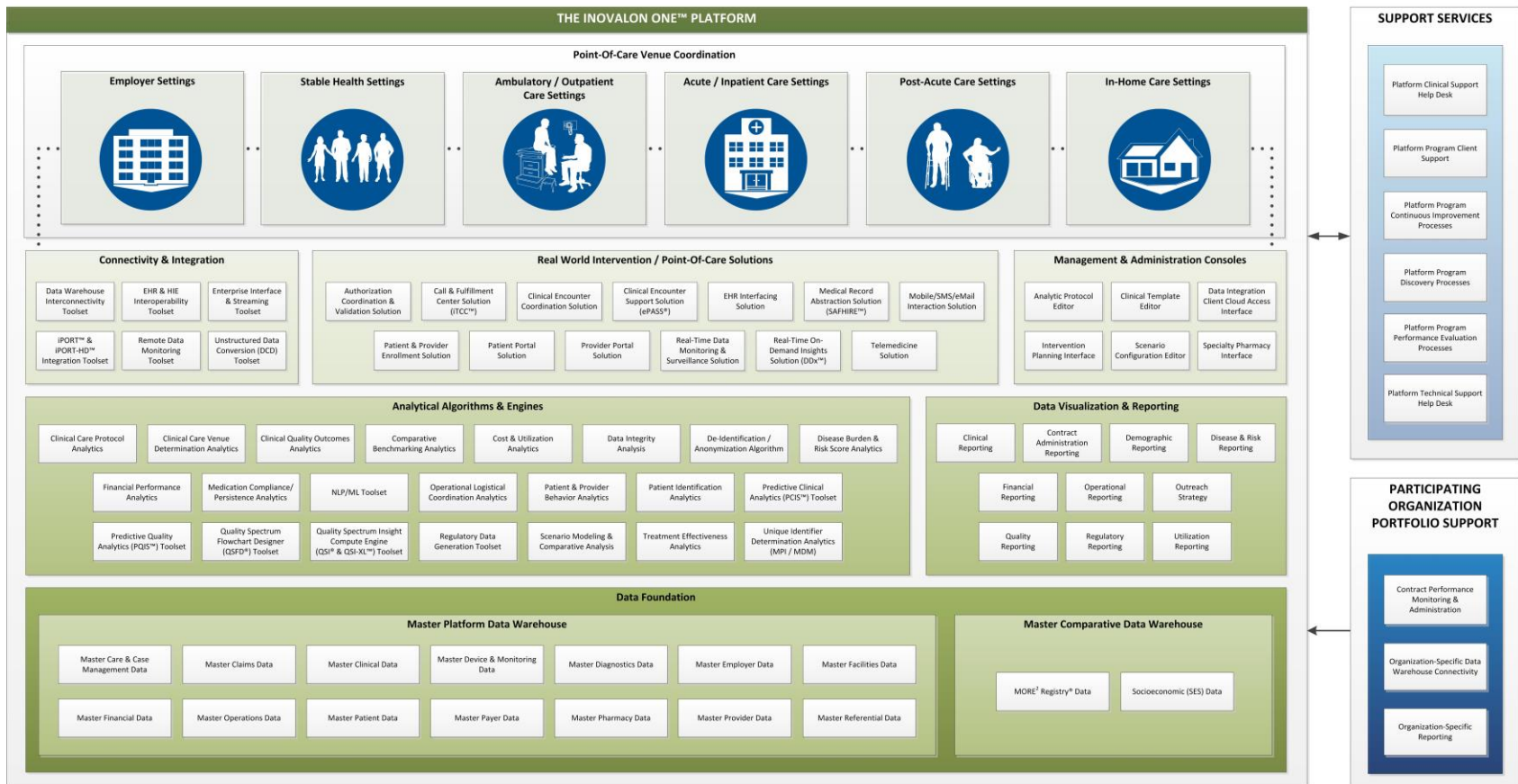


The Inovalon ONE™ Platform



The Inovalon ONE™ Platform brings to the marketplace highly extensible, national-scale capabilities to interconnect with the healthcare ecosystem on massive scale, aggregate and analyze data in petabyte volumes, arrive at sophisticated insights in real-time, and drive impact wherever it is analytically identified best to intervene.

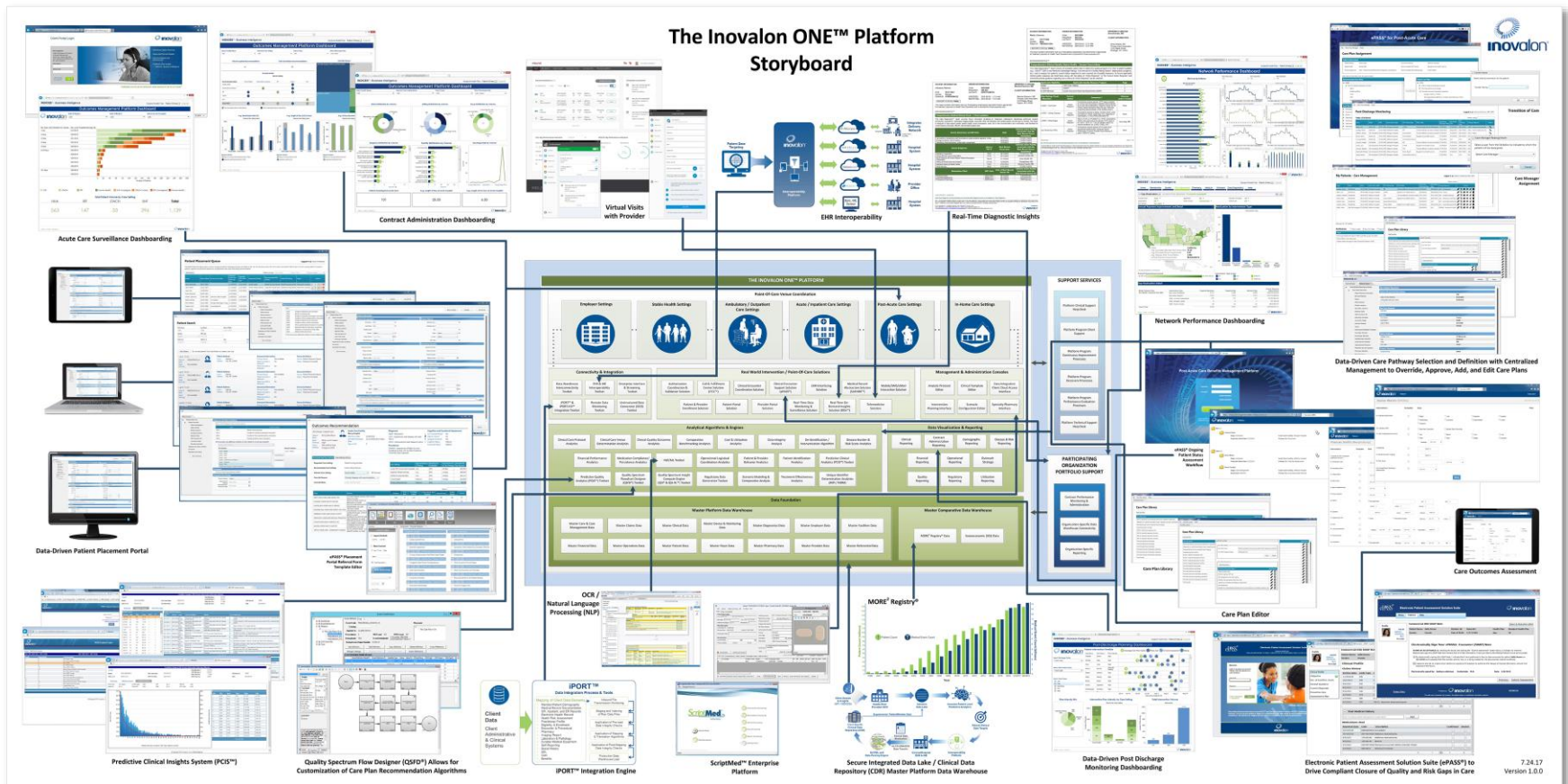
The Inovalon ONE™ Platform Architecture



Platform Storyboard



The Inovalon ONE™ Platform is an integrated, cloud-based platform of more than 80 individual proprietary toolsets able to be rapidly configured to empower the operationalization of large-scale, data-driven and value-based care initiatives. Each toolset is referred to as a “Component,” each supporting critical healthcare ecosystem functionalization needs. Components are grouped into “Modules.” Following client implementation, activation of additional Components allows for rapid cross selling, time to impact, and value expansion for clients.

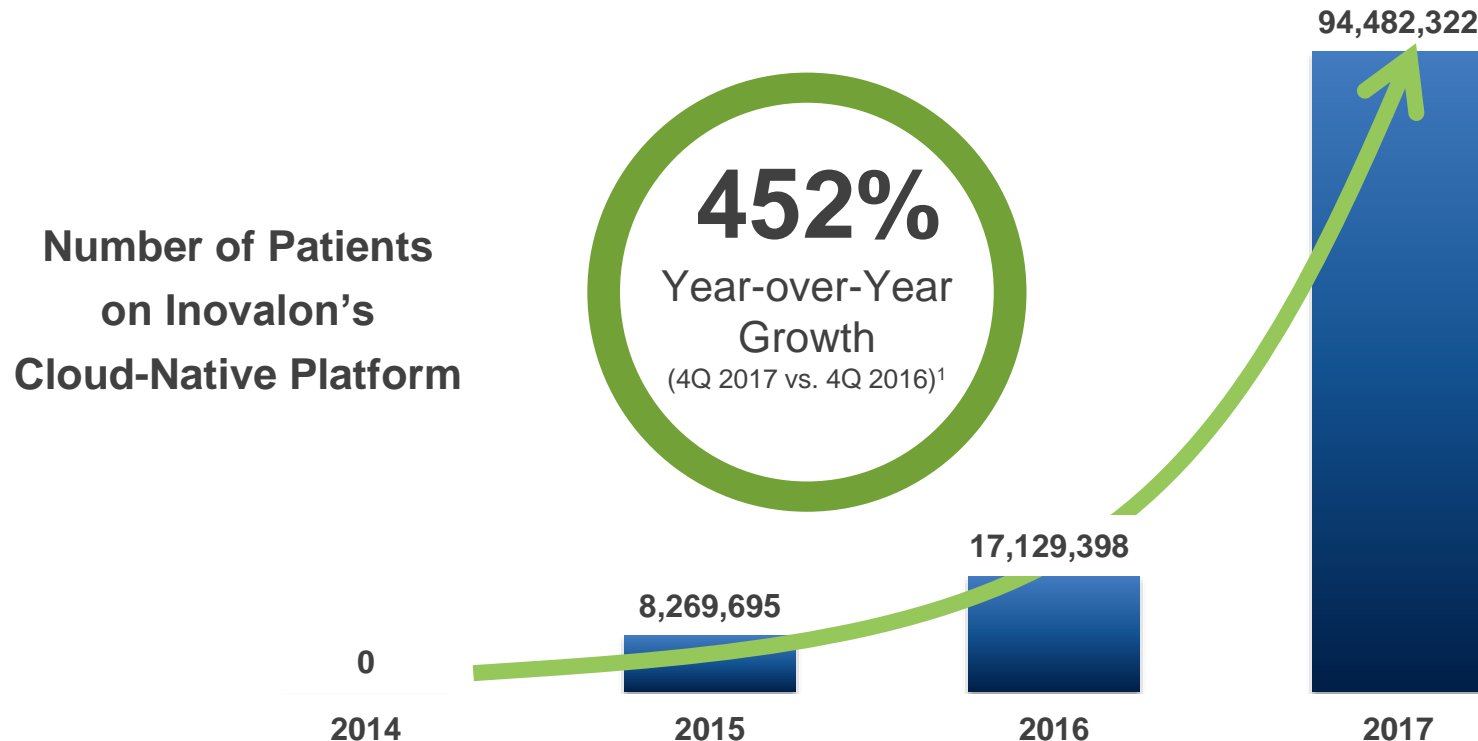


Storyboard is provided for illustrative purposes only and does not represent a specific configuration of the Inovalon ONE™ Platform.

Empowering Healthcare's Transformation



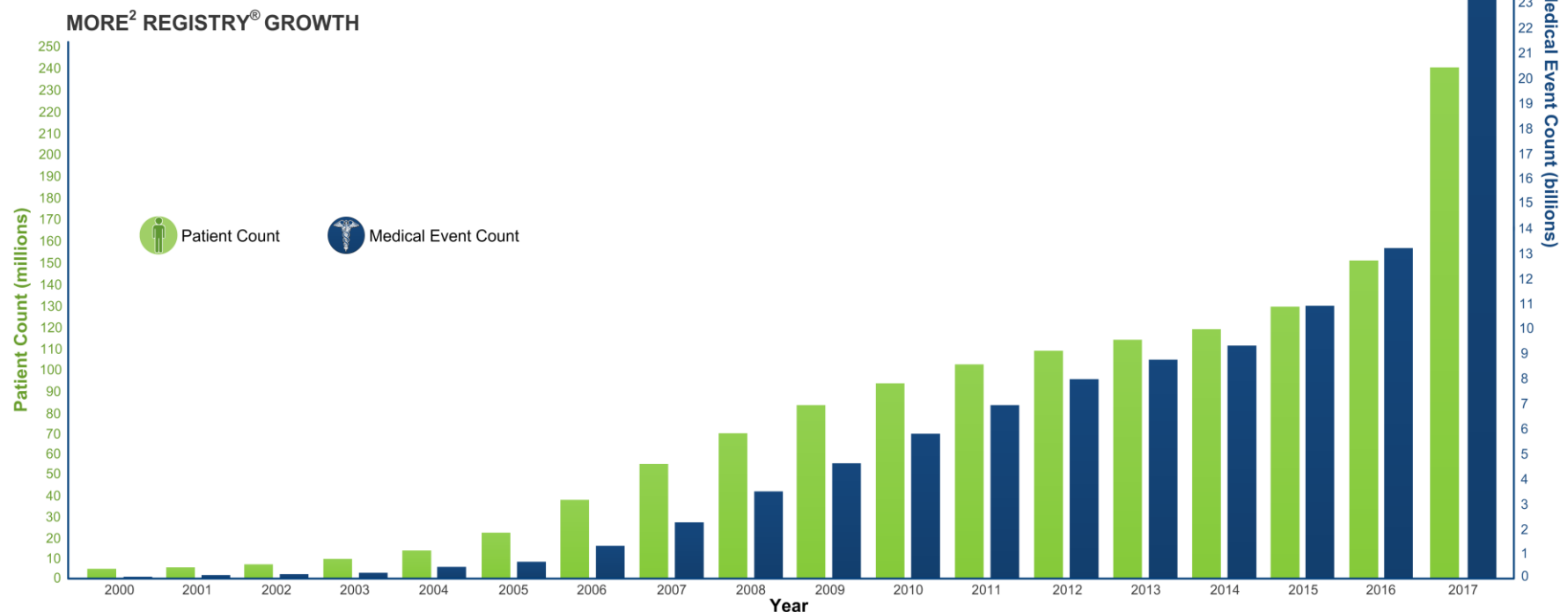
By the end of 2017, there were over 94 million patients on the Inovalon ONE™ Platform, an increase of more than 450% from 2016. The vast majority of clients represented by the more than 94 million patients utilize only a small fraction of the Platform's capabilities – providing a significant opportunity for expanding value for clients and financial performance for Inovalon.



(1) Figures are as of December 31st for each respective year.

MORE² Registry[®] Dataset Expansion

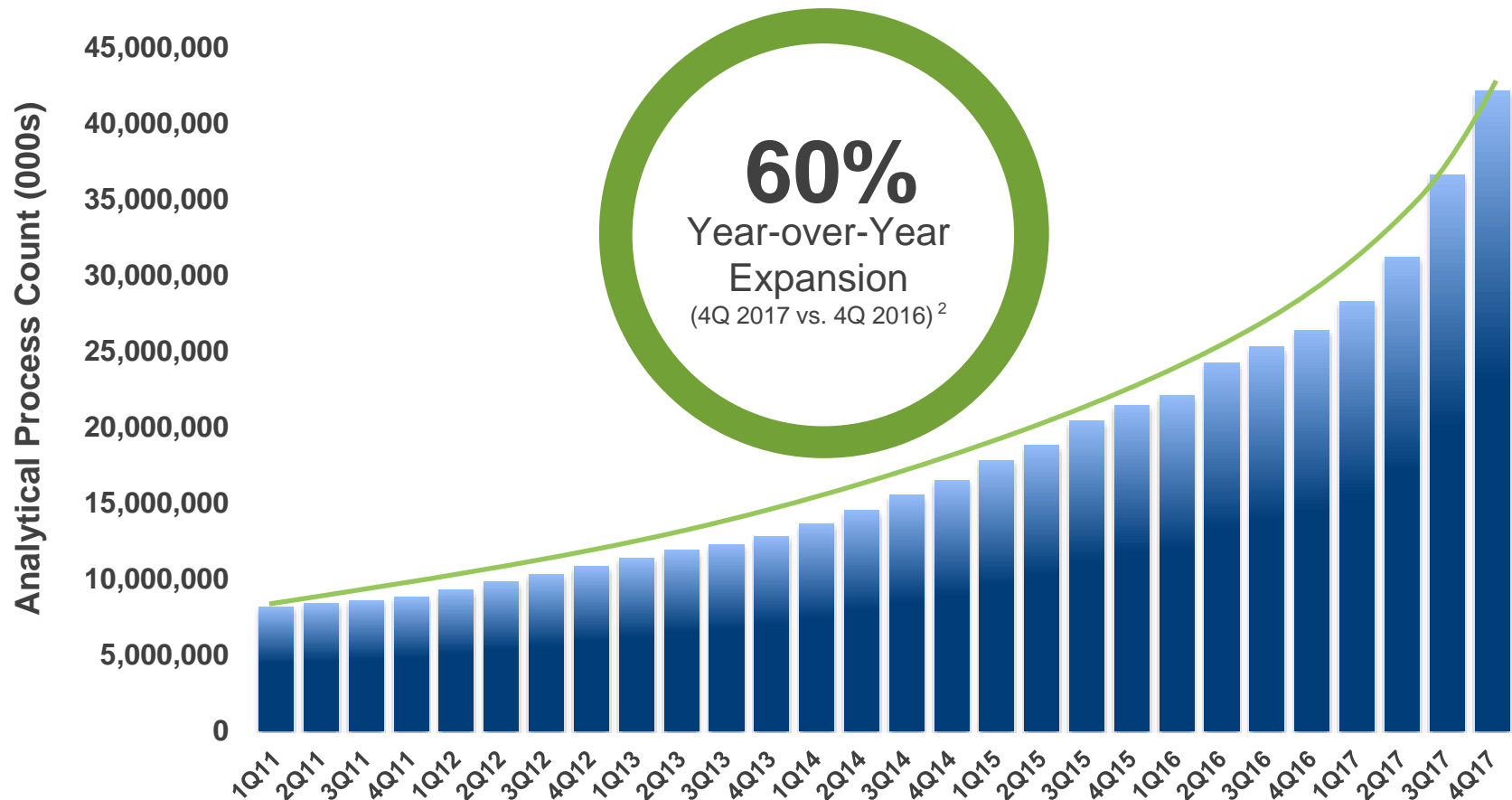
- ✓ One of the industry's largest independent healthcare datasets, with more than **240M patients** and **37B medical events**
- ✓ Primary-sourced, longitudinally-matched, with data from all major U.S. healthcare programs
- ✓ Contains EHR, claims, scripts, labs, provider, demographic data & more
- ✓ Qualified Entity (QE) containing CMS' Fee for Service Medicare Data
- ✓ Empowers and informs our industry-leading analytics, creating differentiation and client value



Please see the Company's filings with the Securities and Exchange Commission (SEC), including the Form 8-K filed on February 20, 2018, for further information on this and other key metrics.

Expanding Compute and Analytics

Inovalon has significantly expanded its cloud computing environments in support of the growing demand for the Inovalon ONE™ Platform. Reflecting this demand, Inovalon is seeing significant growth in its trailing 12-month Patient Analytics Months (PAM)¹ metric.



(1) Patient Analytics Months, or PAM, is defined as the sum of the analytical processes performed on each respective patient within patient populations covered by clients under contract.

(2) Figures are as of December 31 for each respective period.

Leading Client Presence



Inovalon's significant client base includes 19 of the top 25 health plans by size in the nation and 13 of the top 15 pharma/life sciences companies. Our clients and partners include:

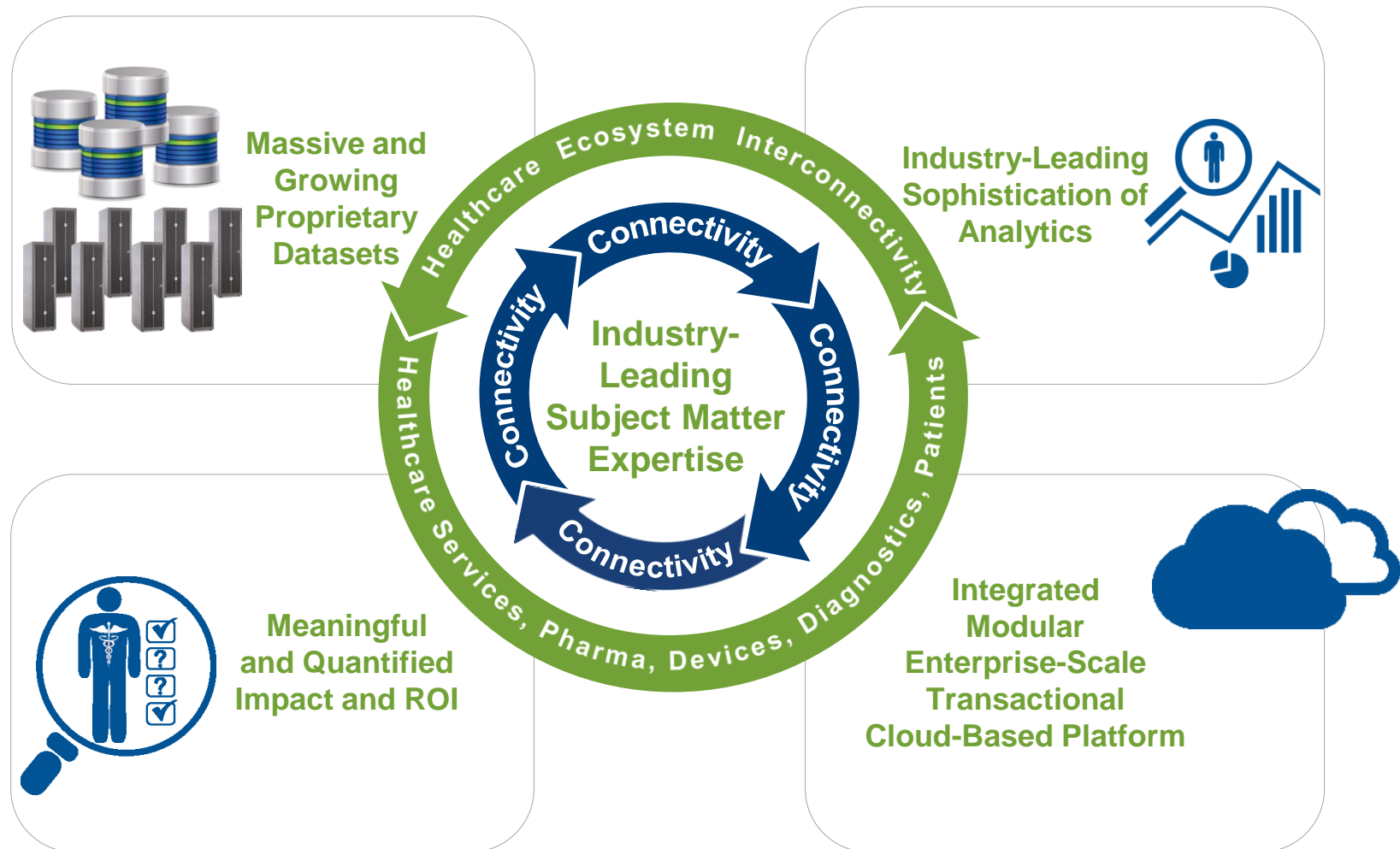


Note: Health plan clients based on AIS 2016 directory of U.S. health plans. Pharma clients based on Forbes Global 2000: The World's Largest Drug And Biotech Companies (2016)

Why Clients Select Inovalon

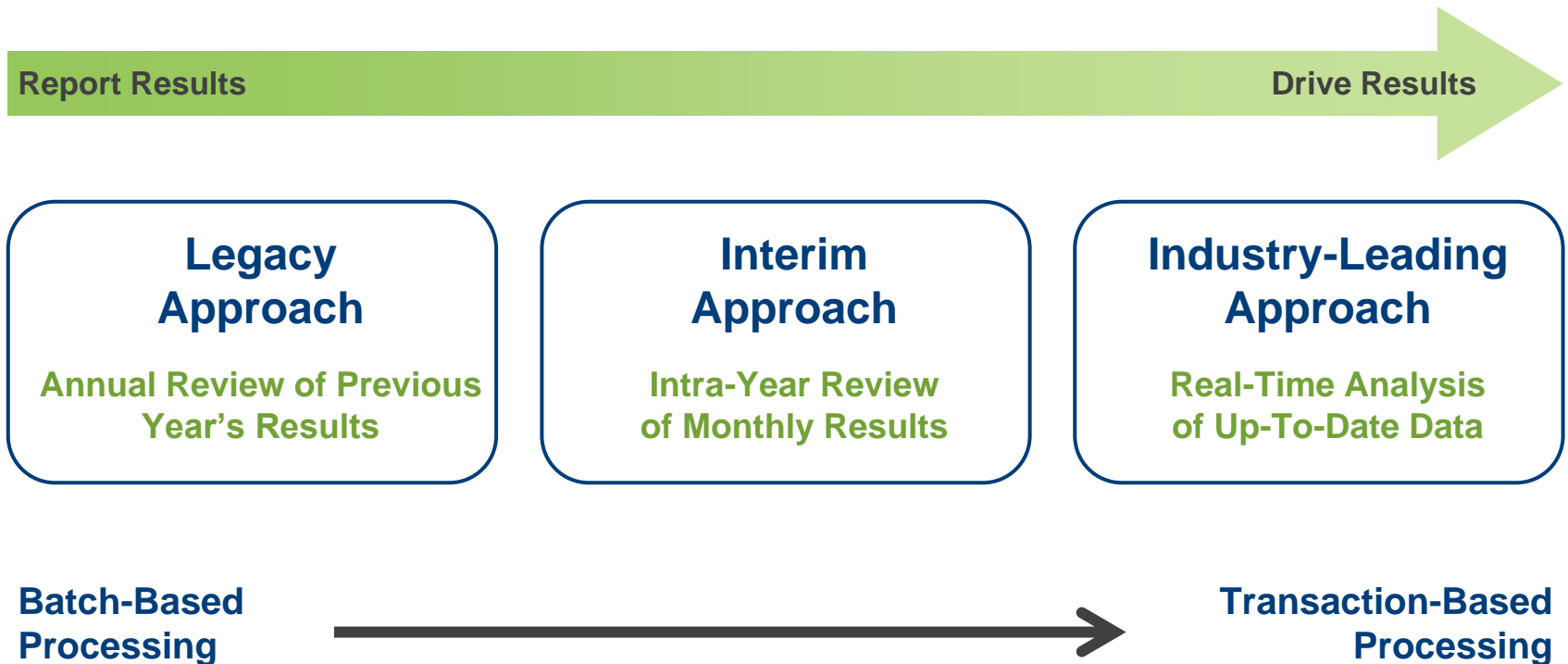


Inovalon brings to the healthcare marketplace a set of differentiated capabilities which are supporting clients' selection of Inovalon across a widening array of the healthcare ecosystem.



Why Speed Matters

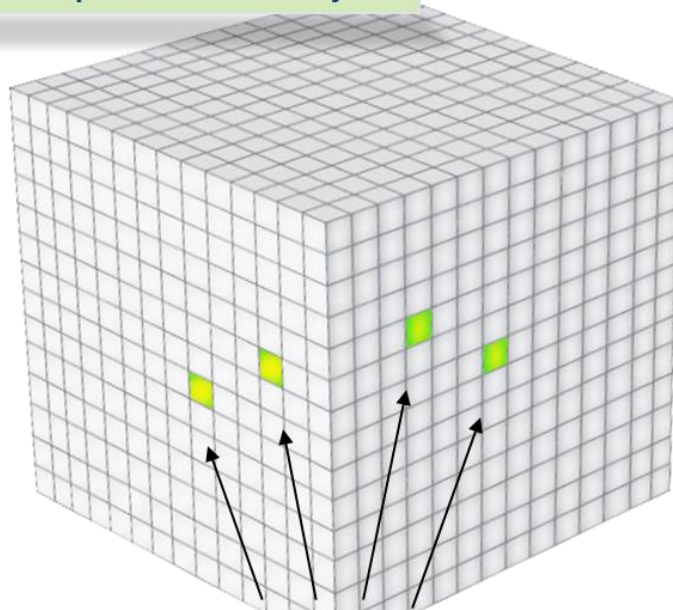
- The healthcare industry has historically relied on lagged-data feeds informing slow processing platforms
- Faster analysis of more timely data allows for insight to drive impact during a measurement period
- Real-time analysis allows for the value of a clinical encounter to be maximized



Why Transactional Analytics Matter

Inovalon is driving a market transition from legacy batch-processing methodologies, to real-time, transactional processing - critical to the achievement of high quality and superior economics in healthcare.

Why should we wait for the data of thousands of individuals to be batch-processed monthly...?



...When the data of these individuals changed 10 seconds ago – and knowing the implications can make a critical difference now?

Legacy Industry Status:

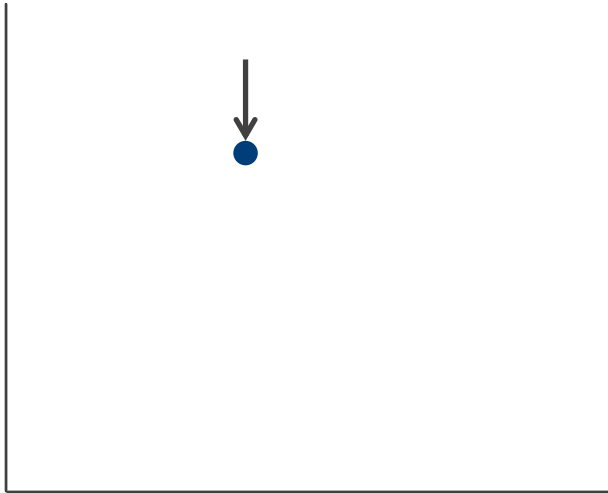
- Changes to data takes weeks (or months) to be reflected by analytics or reports
- Compute capacity for calculations is often dictated by the size of the whole despite only limited changes in data

Inovalon Platform:

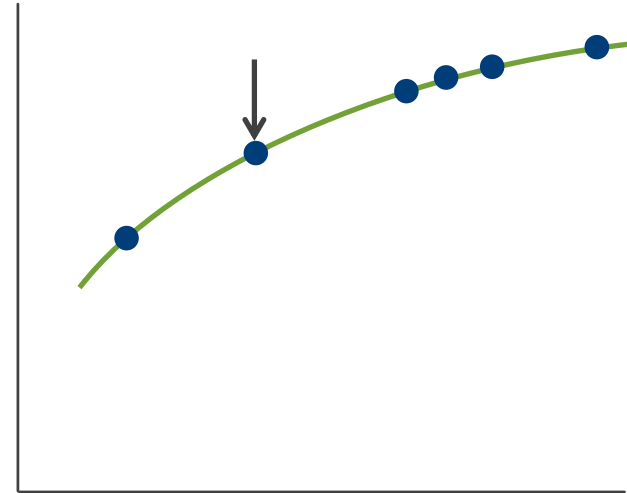
- Each change in data can update related insights, reports, or interventions – in real time, when it matters
- Enables more efficient provisioning of compute and storage capacity

Why Data Breadth Matters

Healthcare payments models and quality incentive programs are based on relative performance – graded on a dynamic curve.



Healthcare Organizations trying to determine their performance – or improve upon it – with only their own data – are operating in the dark

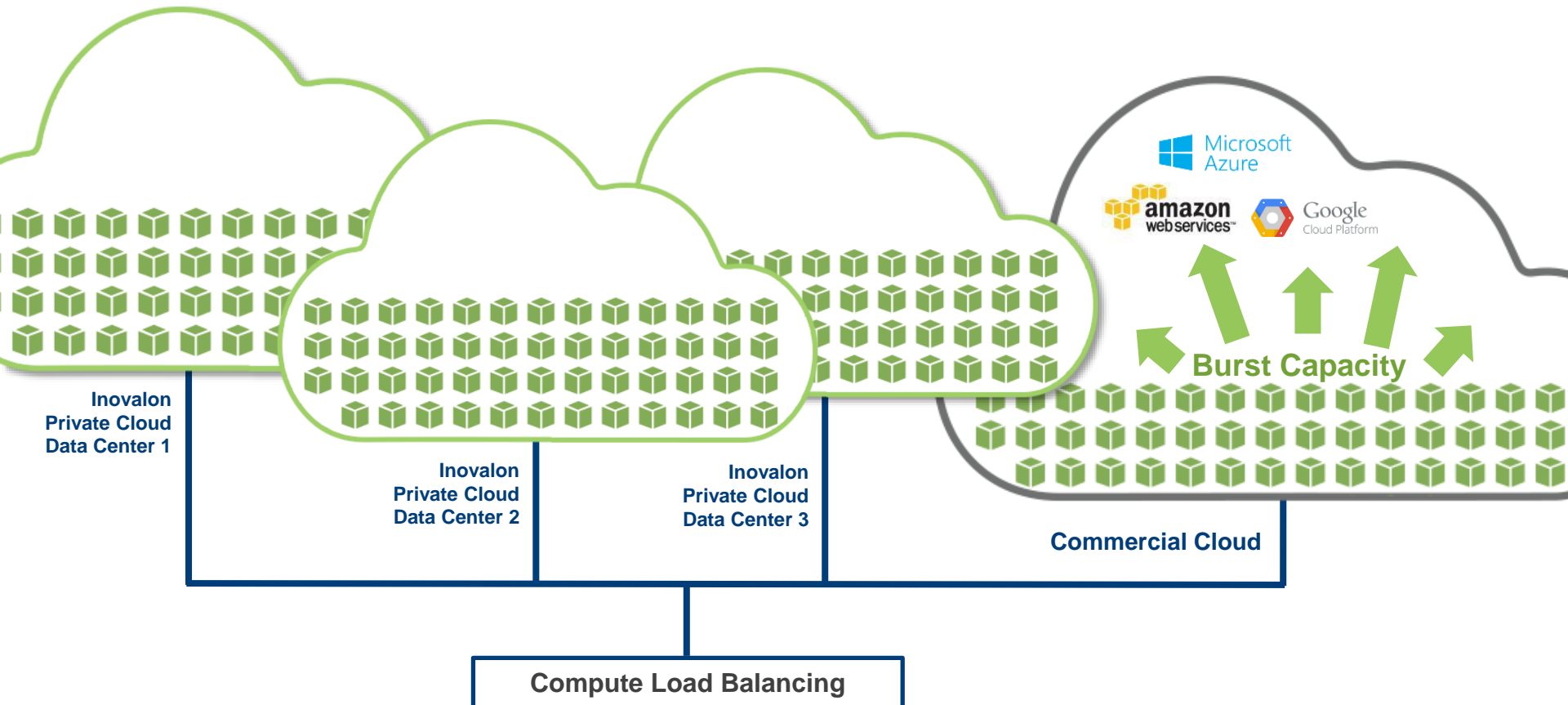


Healthcare Organizations armed with broad and timely industry comparative data insight – like those of Inovalon – know where and how they need to improve and where they are doing just fine

● = Healthcare Organization

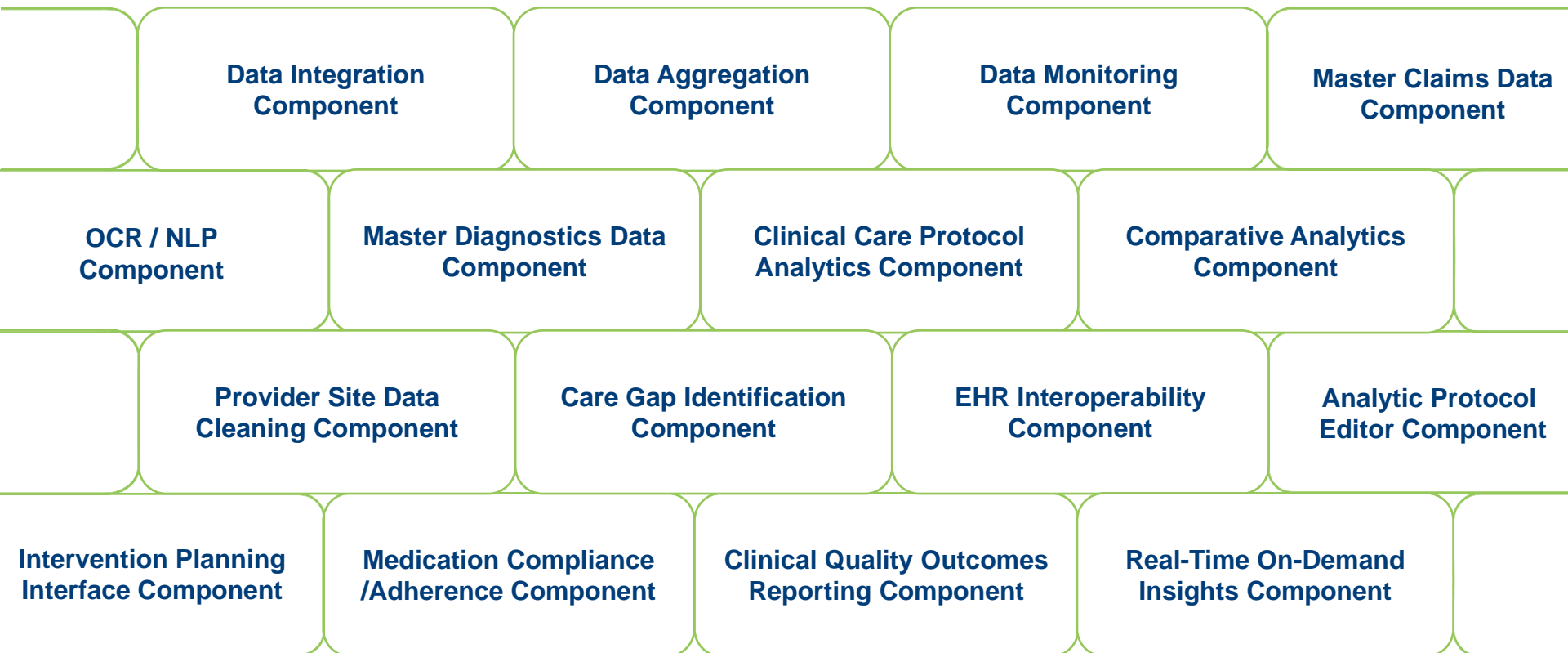
Why Cloud Native Matters

Inovalon has developed a truly cloud-native platform architecture providing ultra-high speed analytical performance, and highly dynamic and efficient capacity provisioning and bursting of compute and storage requirements.



Why Modularity Matters?

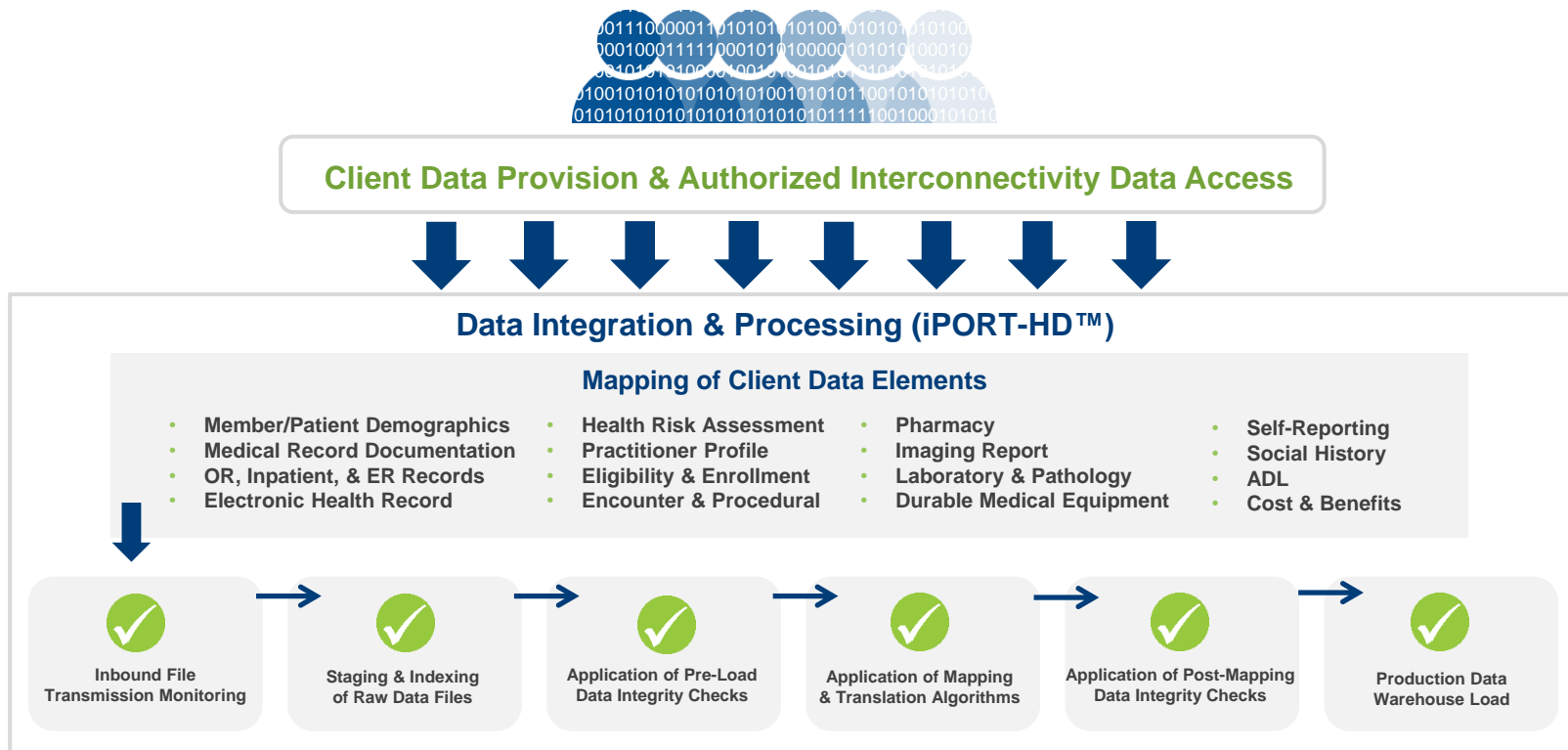
Inovalon has pursued an increasingly modular design approach to its platform architecture. This construct provides for significant flexibility and extensibility for clients to enable rapid product design/build timelines, expansions to adjacent markets and significant efficiency in applying component improvements across multiple product engagements quickly.



Data Integration Capabilities

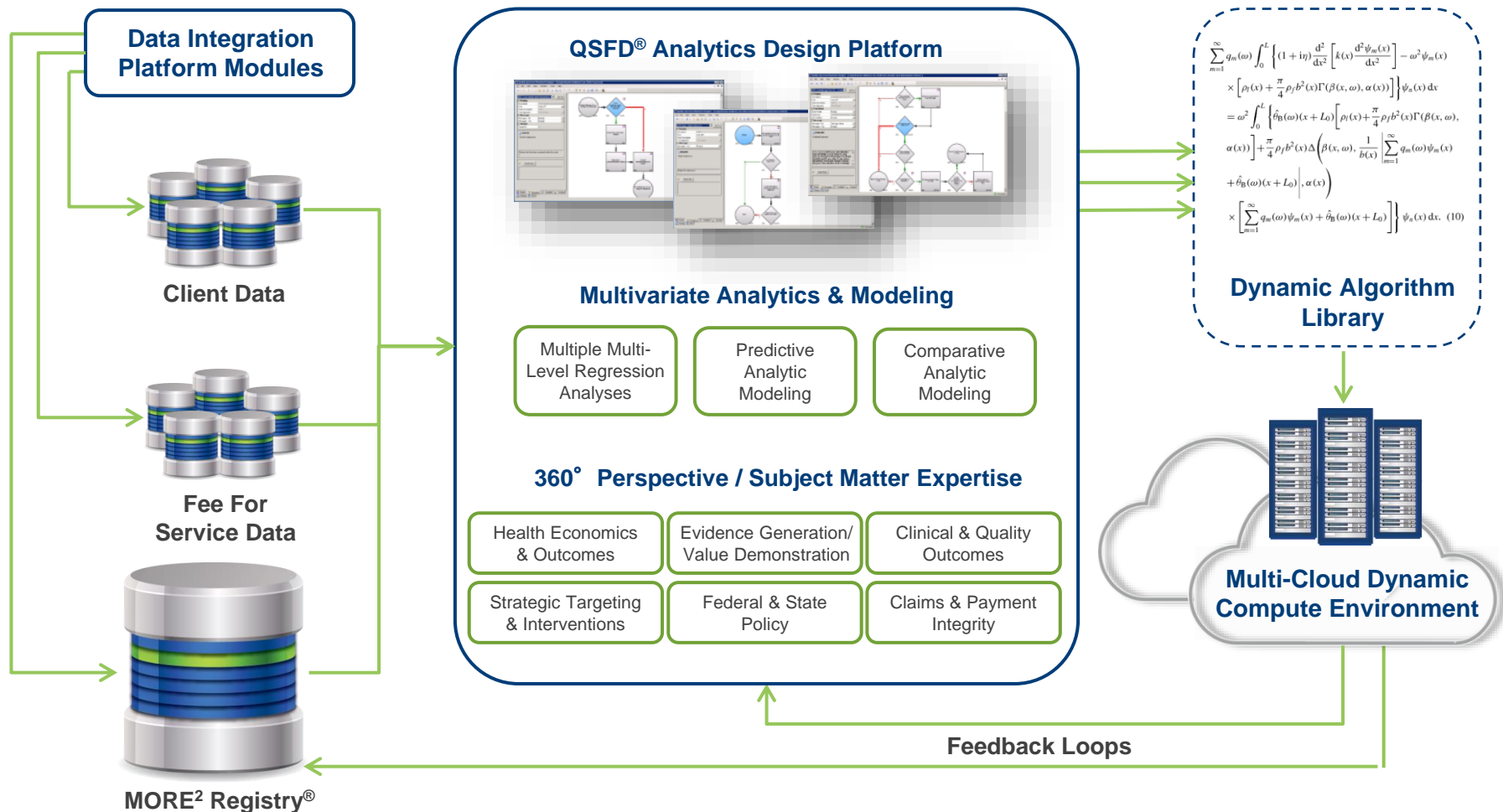
Inovalon's highly-automated data integration and validation capabilities leverages proprietary Big Data constructs to seamlessly and securely integrate data from multiple systems and disparate data sources.

- State-of-the-art security protocols to ensure privacy and HIPAA compliance
- Thousands of data integrity checks based upon billions of previously secured data elements
- Creating a single source of truth reflecting comprehensive data matching, linking, and normalization



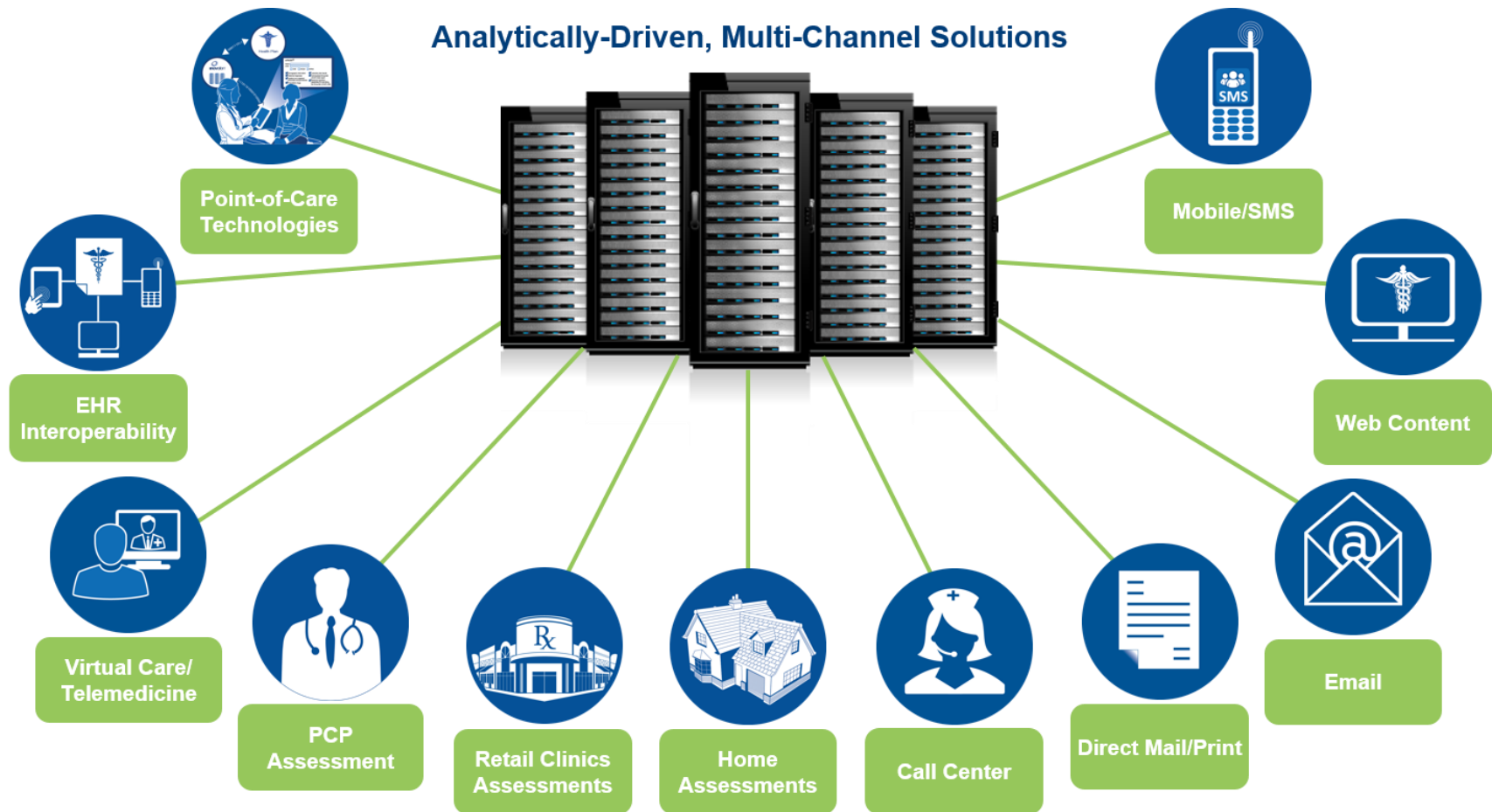
How Analytics Are Built

Inovalon leverages the combination of extensive data assets, a proprietary analytical design platform, and an industry-leading 360° subject matter expert perspective, to achieve what is believed to be one of the industry's most advanced analytical design capabilities.



Targeted Multi-Channel Impact

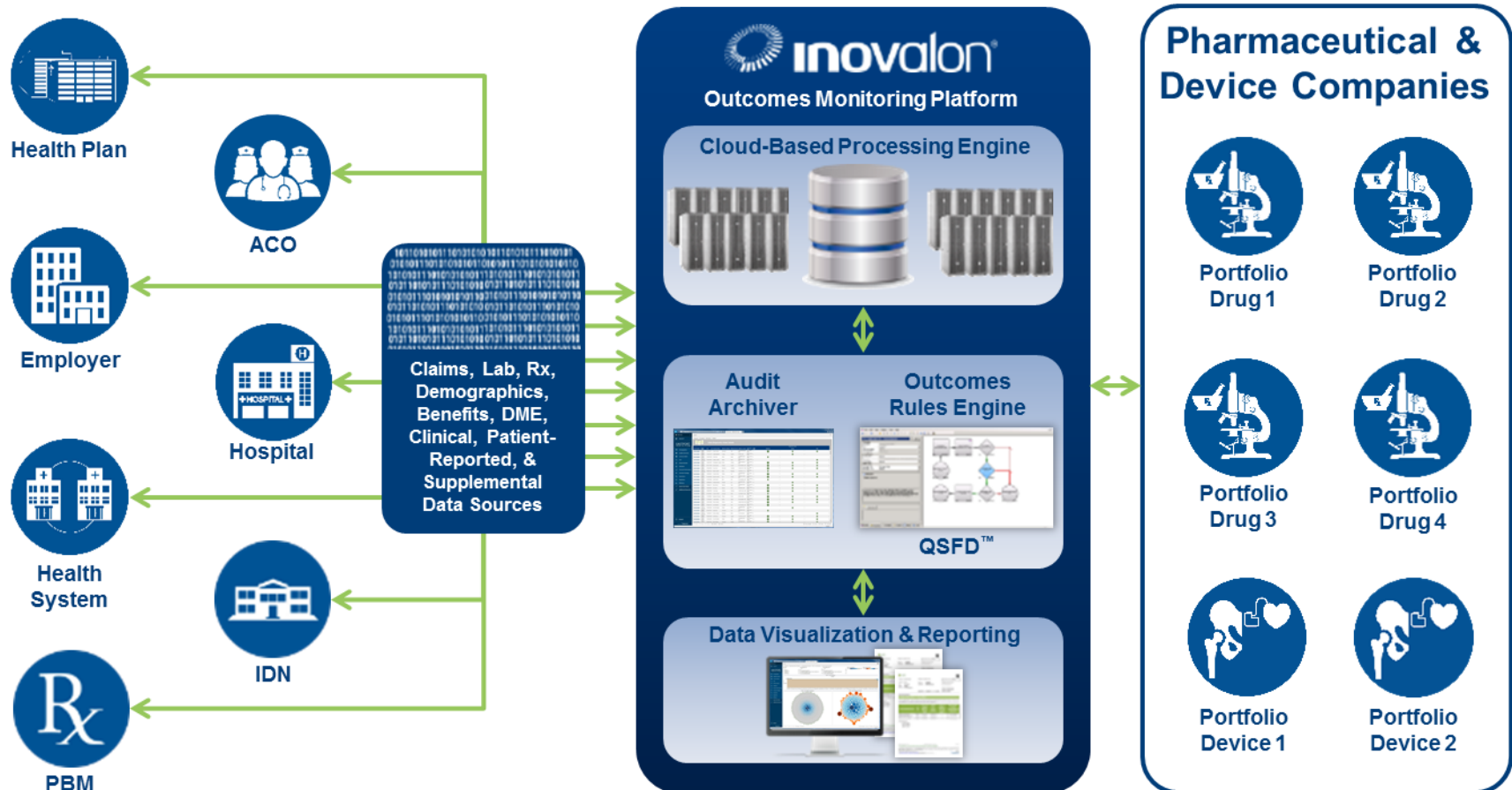
In order to translate analytics into impact, interventions at the point of care are critical. Inovalon is able to translate the insights garnered from its analytics into meaningful impact through data-driven, multi-channel intervention platforms.



Platform Capabilities

Clinical Outcomes Monitoring

Supporting outcomes-based and value-based drug and medical device contract administration, real-time data integration, customized and auditable patient identification and outcomes measurement analytics.

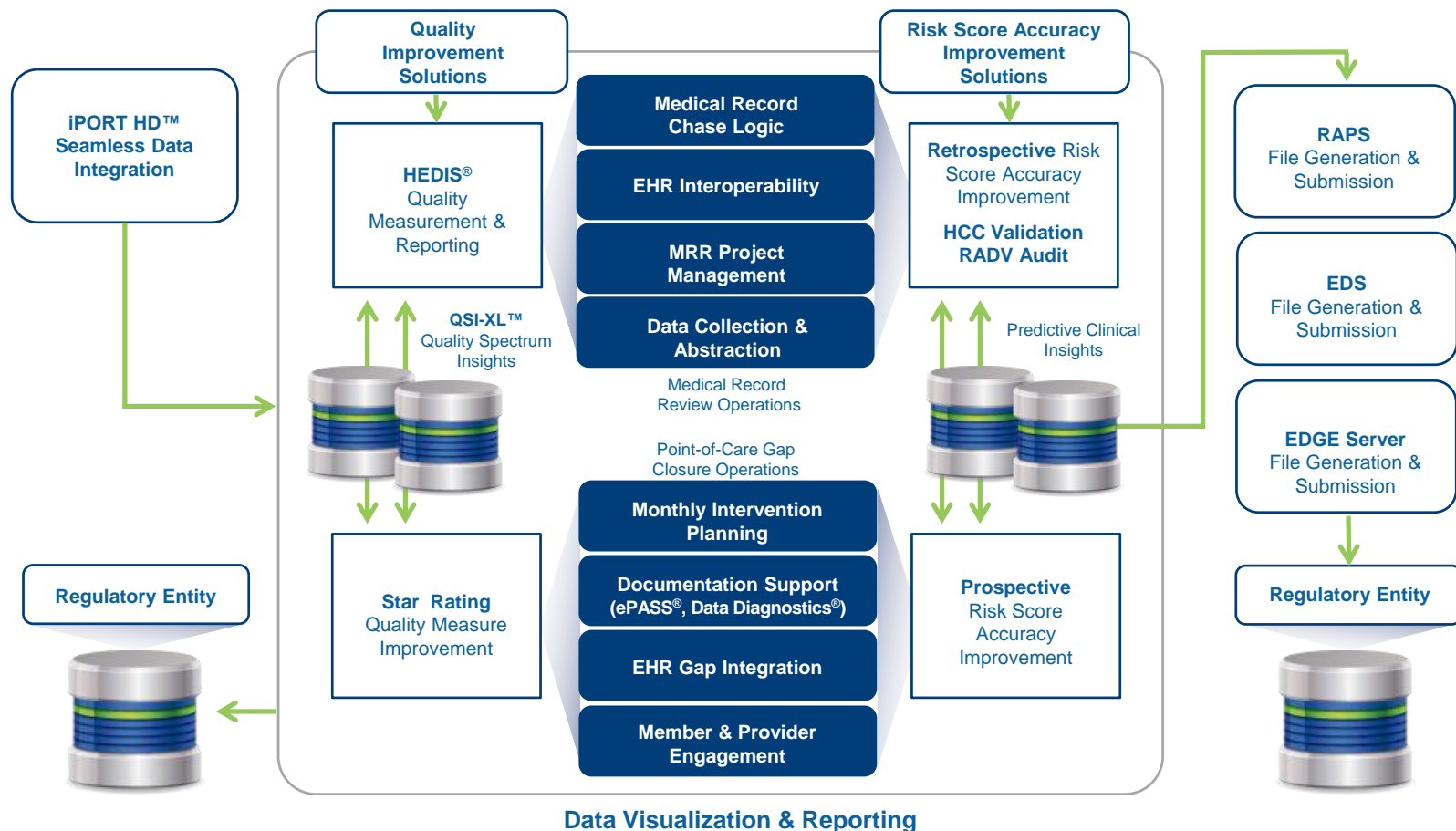


Platform Capabilities



Integrated Quality & Risk Improvement

Leveraging a suite of platform components, Inovalon provides the industry's most widely utilized risk score accuracy and clinical quality outcomes improvement solutions.

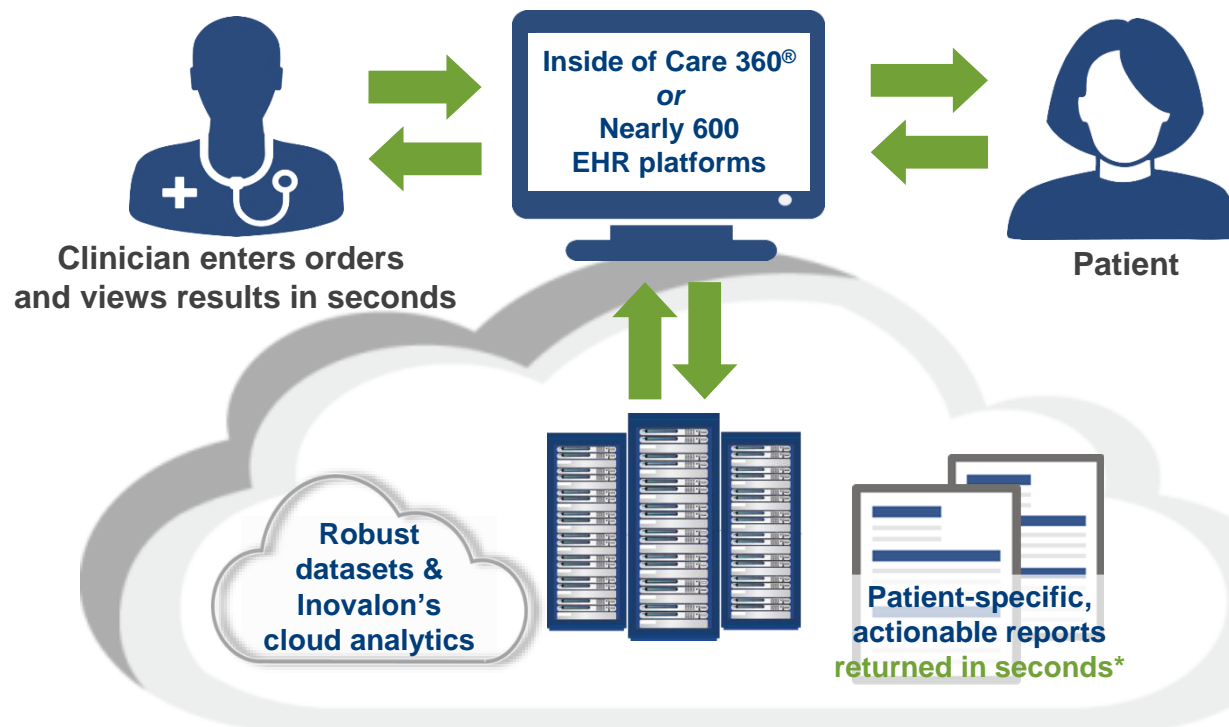


Platform Capabilities

Real-Time Data Diagnostics[®]

Bringing on-demand, real-time analytics to the point of care with Quest Diagnostics

- Able to reach more than half of the physicians in the U.S.¹
- 1.2 billion clinical encounters per year opportunity²



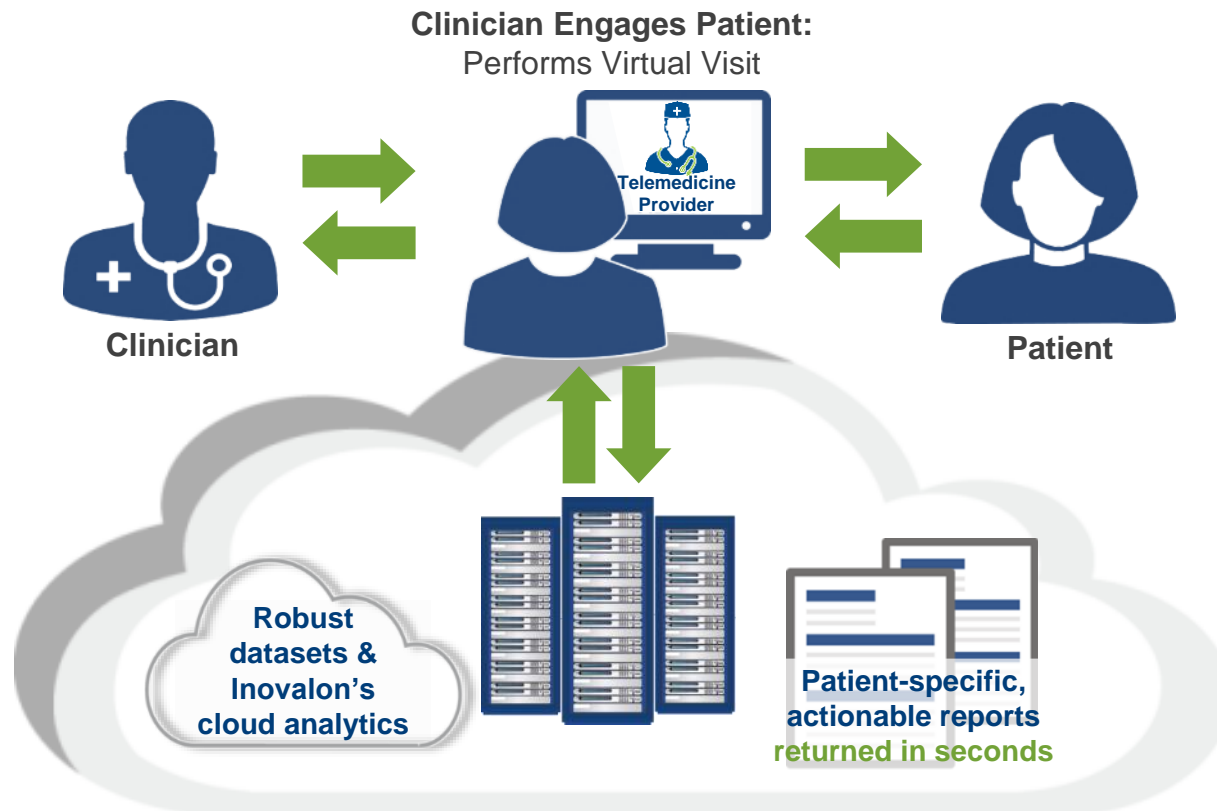
1: As provided by Quest Diagnostics; 2: Centers for Disease Control and Prevention; <http://www.cdc.gov/nchs/fastats/physician-visits.htm>.

* Results are delivered in real time after an order is received by Quest; turnaround time can vary from system to system.

Platform Capabilities

Real-Time, Data-Driven Virtual Care

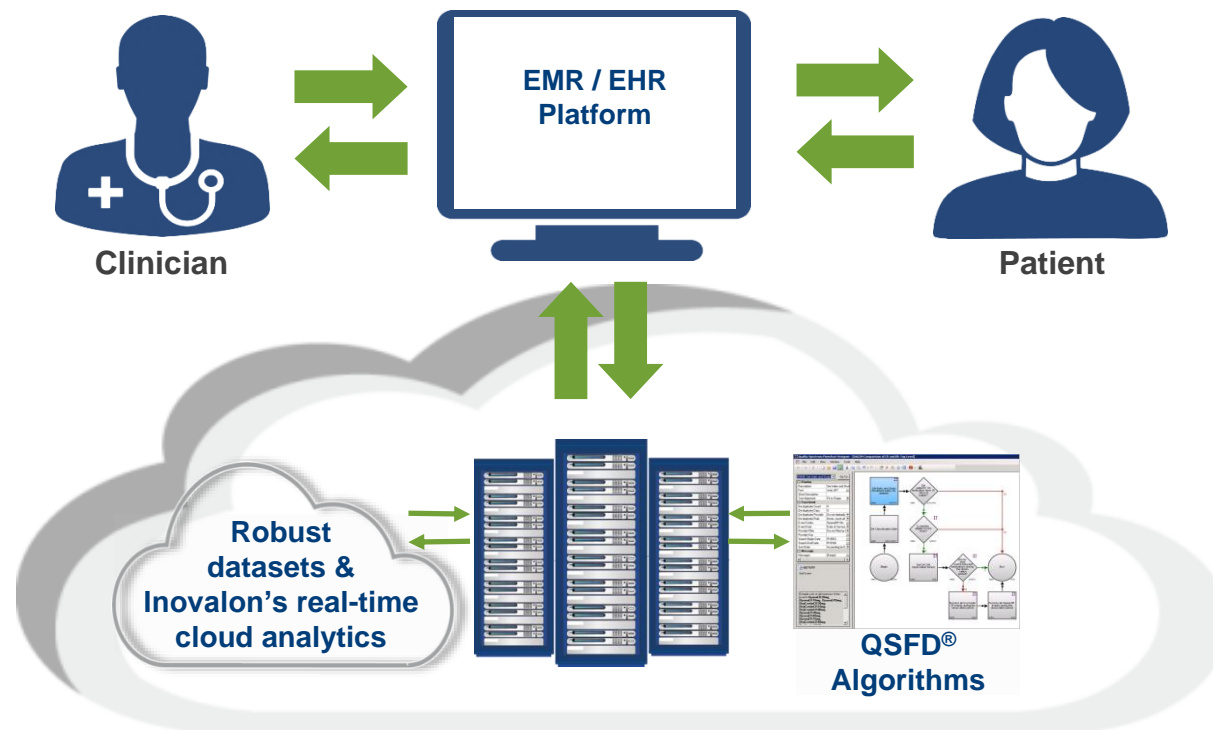
Inovalon's real-time, on-demand analytical platform enables industry-leading capabilities in the burgeoning virtual care and telemedicine marketplace.



Platform Capabilities

Real-Time EMR / EHR Analytics

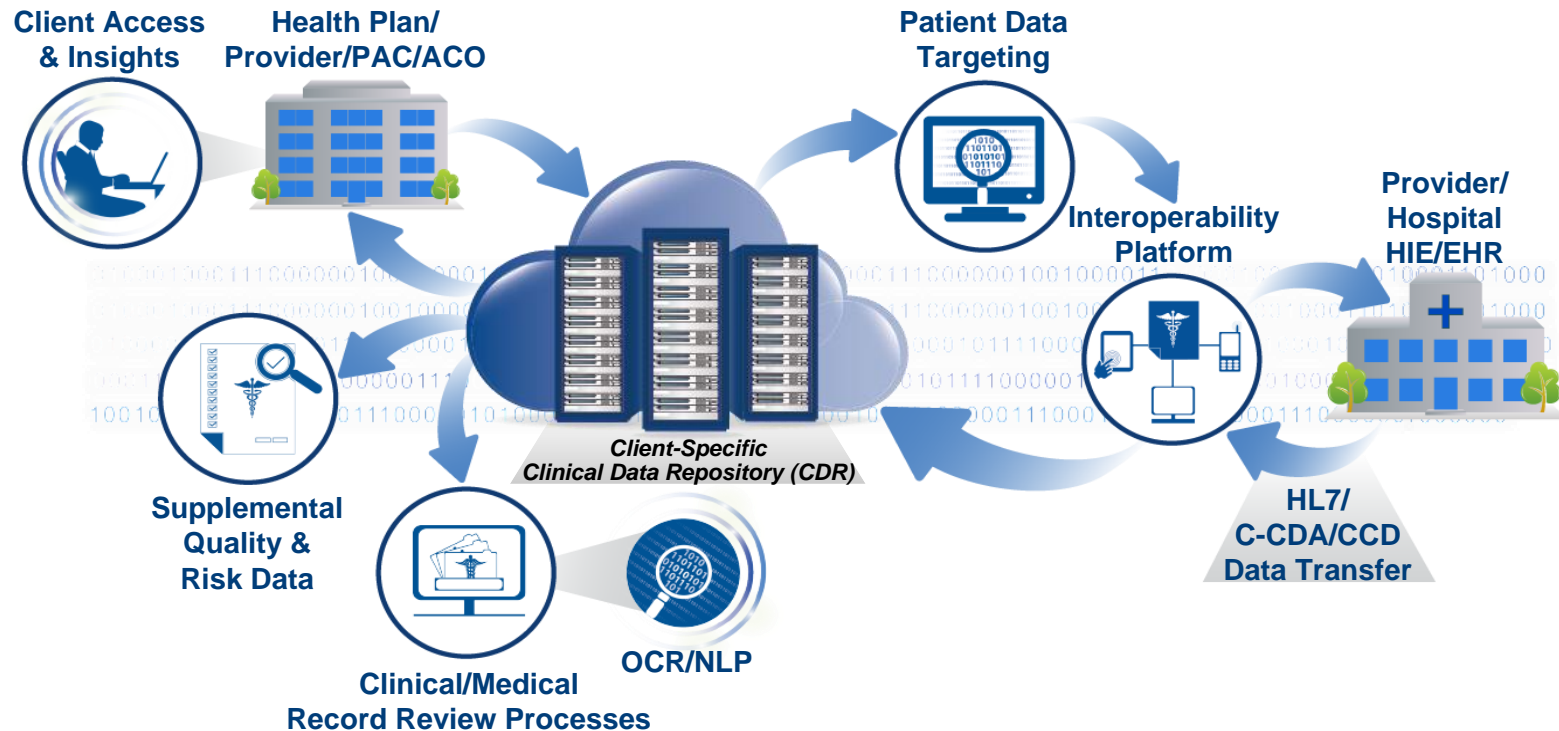
EMR / EHR organizations have achieved a strong market presence amongst physicians, but often lack the comprehensive data picture of the patient, insight into the broader population, and the analytics capabilities to aid users in their quest for value. Inovalon's EMR / EHR Insights™ provides real-time clinical data supplementation and analytical prowess to empower and differentiate the market's leading EMR / EHR platforms.



Platform Capabilities

Interoperability & Connectivity

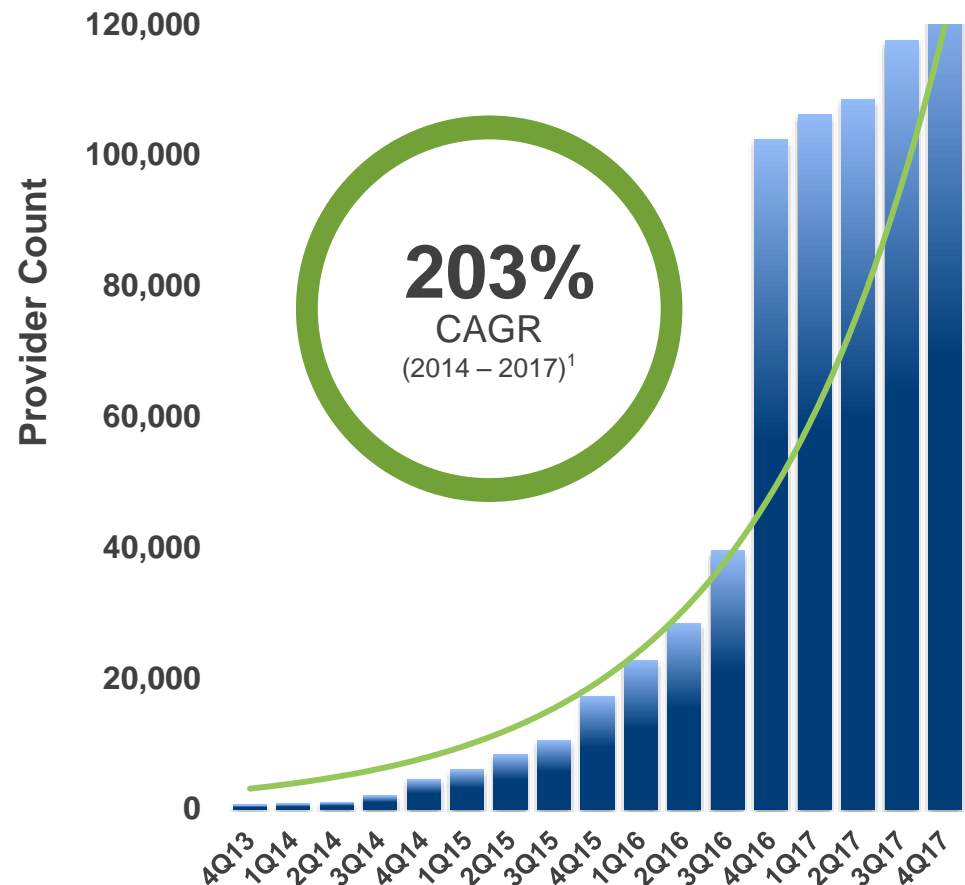
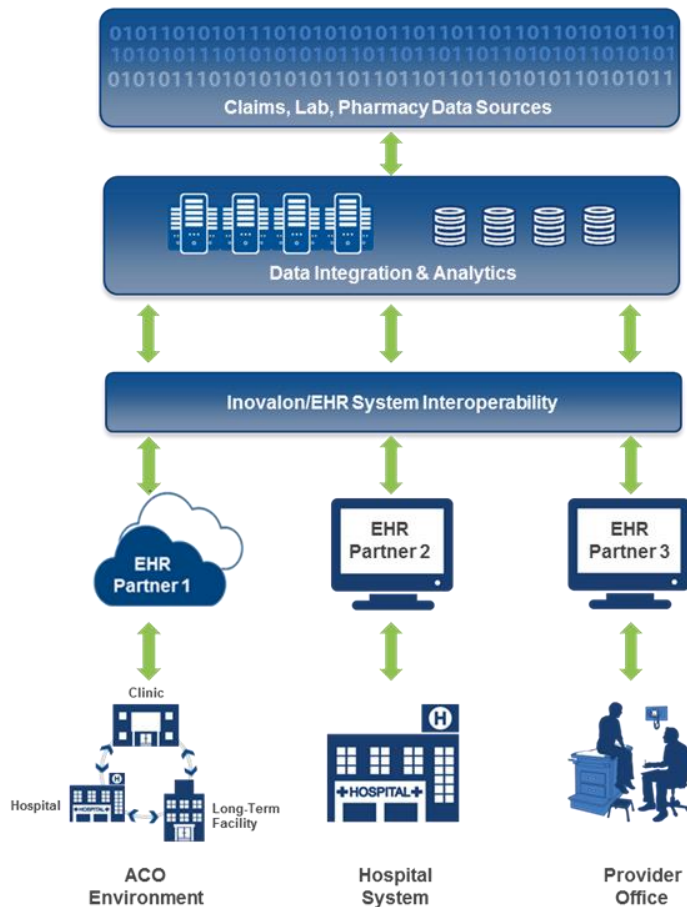
Inovalon's bi-directional Interoperability solution enables end-to-end data connectivity and process automation for clinical data abstraction, normalization and exchange which seamlessly integrates into analytic processes. The convergence of traditional claims, lab, pharma, and enrollment data with rich clinical environment information within Inovalon Clinical Data Repositories (CDRs) enables a more informed, timely, and efficient analytic framework to support value-based initiatives.



Platform Capabilities



Inovalon's interoperability technology enables real-time, bi-directional data aggregation and point-of-care intervention through Electronic Health Record (EHR) systems, driving positive impact and efficiency for clients, clinicians, patients, and the Company.



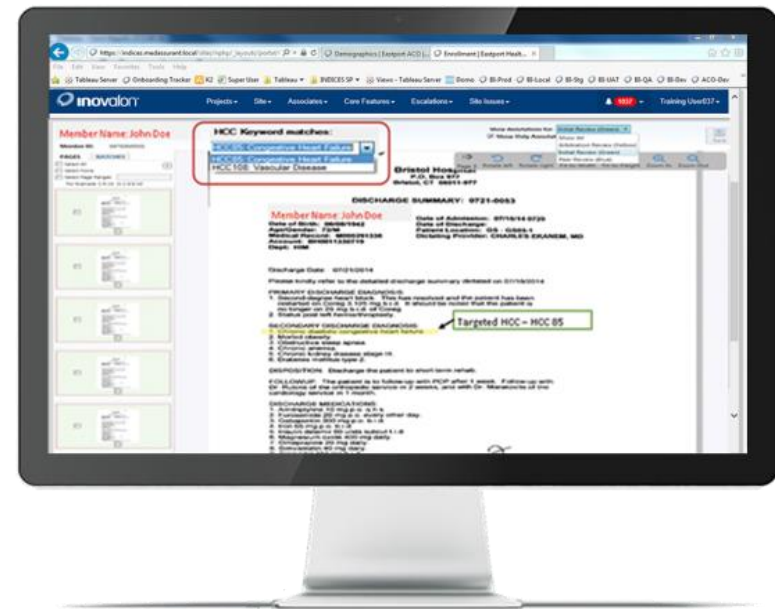
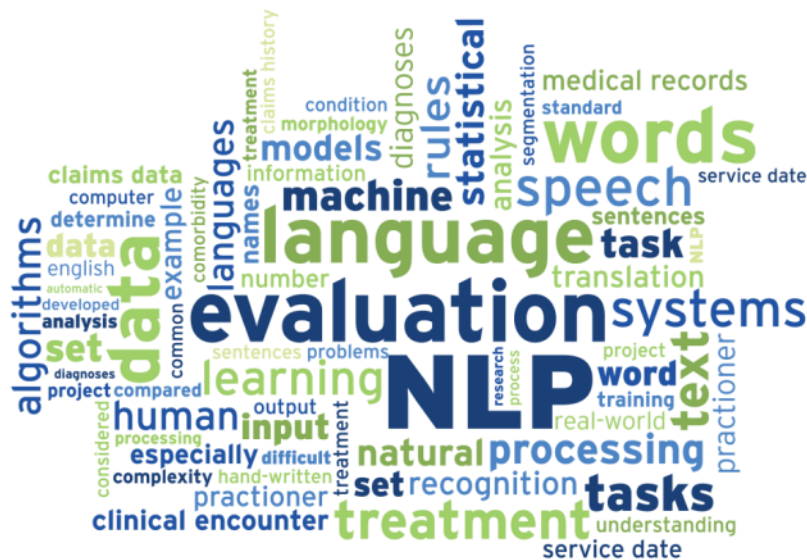
(1) 2014 and 2017 figures are as of December 31 for each respective year.

Platform Capabilities

Natural Language Processing (NLP) & Machine Learning (ML)

Cloud-based unstructured data analysis

- Able to dramatically accelerate processing times and client value
- Game-changing capacity and efficiency improvements



Platform Capabilities

Advanced Data Visualization

Inovalon has implemented an integrated platform of data visualization, allowing clients and their downstream users and operators to access data and analytical results from the population-level down to sophisticated individual drill-down details in real-time.



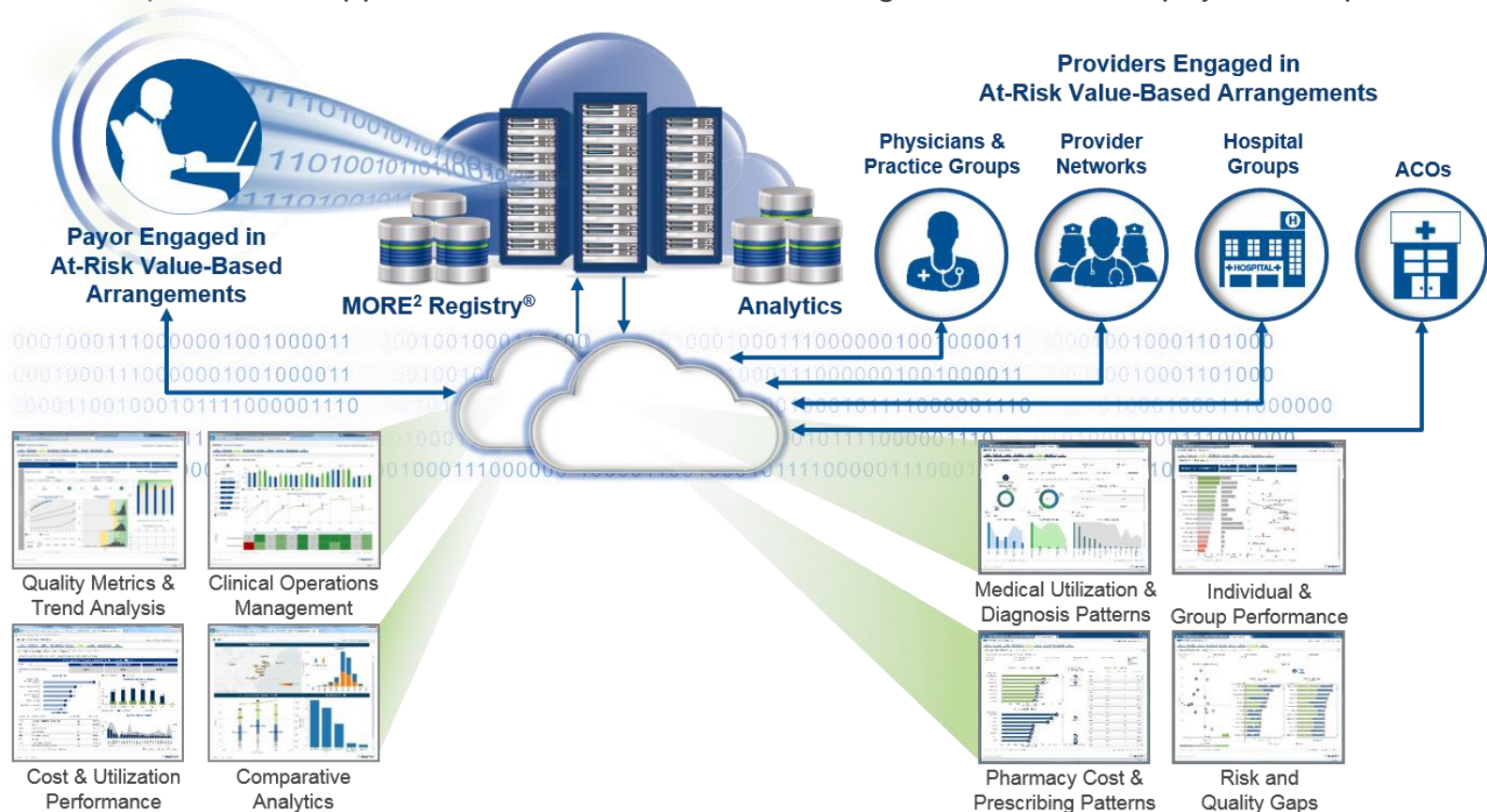
Client Access



Platform Capabilities

Value-Based Provider Solution

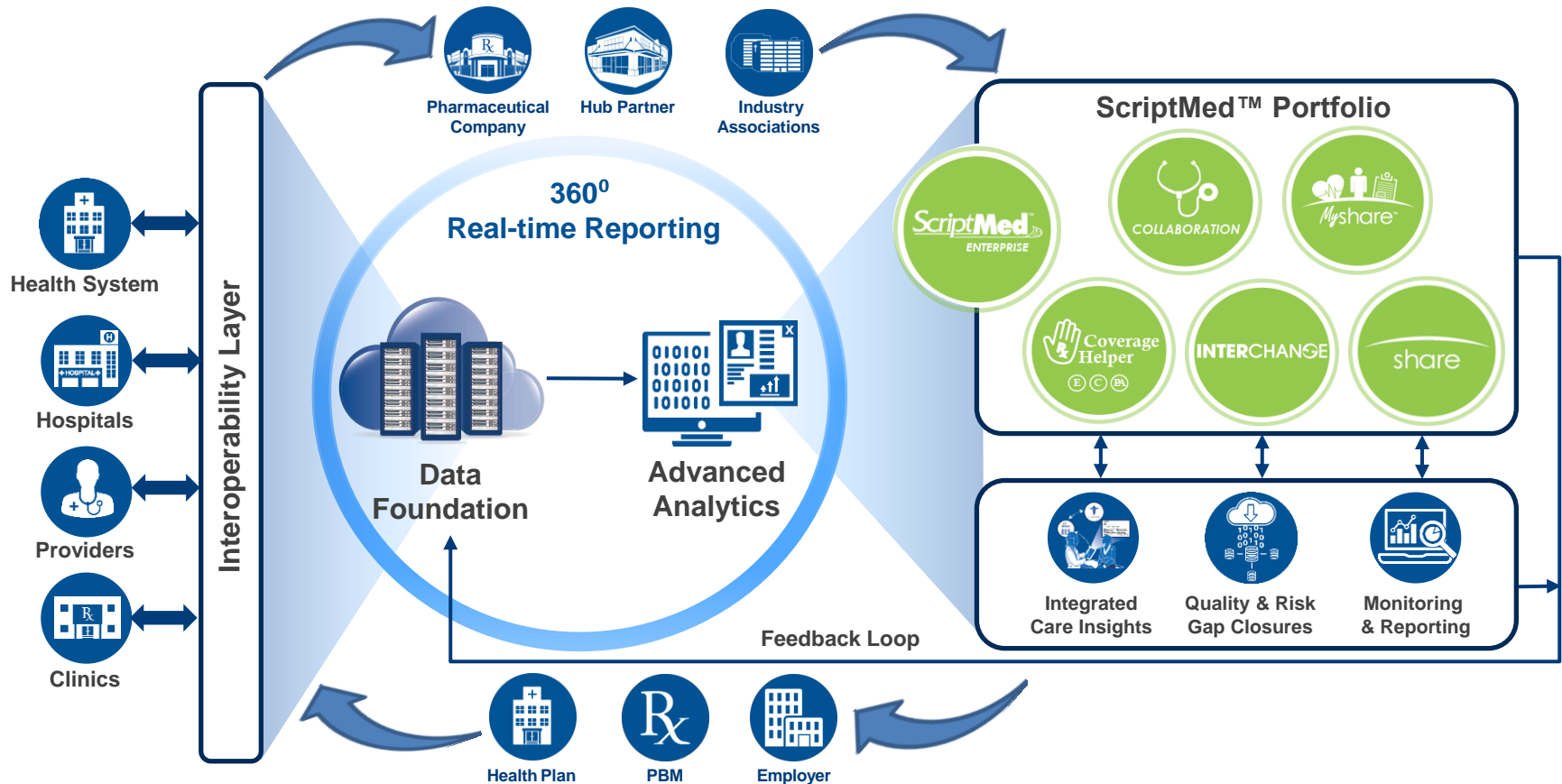
Inovalon's Value-Based Provider Solution brings together massive scales of disparate data sources into one common data lake. Healthcare organizations can contribute internally-derived analytics and select from a wide array of Inovalon analytics to be applied with highly granular patient-level detail in real-time to empower a sophisticated approach to value-based care arrangements between payers and providers.



Platform Capabilities

Specialty Pharmacy Solution

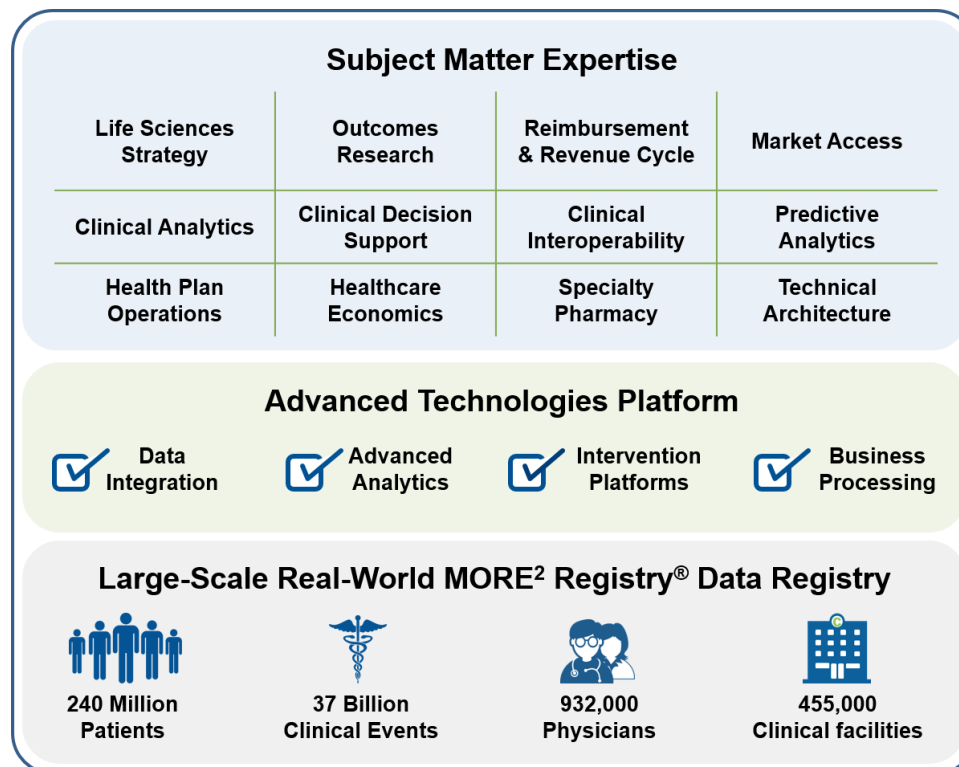
Inovalon's recently acquired specialty pharmacy capabilities (Creehan & Company), a SaaS-based platform, ScriptMed™, is the industry's leading data-driven platform supporting all aspects of the marketplace's high-cost, high-complexity medication journey for 30% of the marketplace.



Platform Capabilities

Pharma/Life Sciences Stack

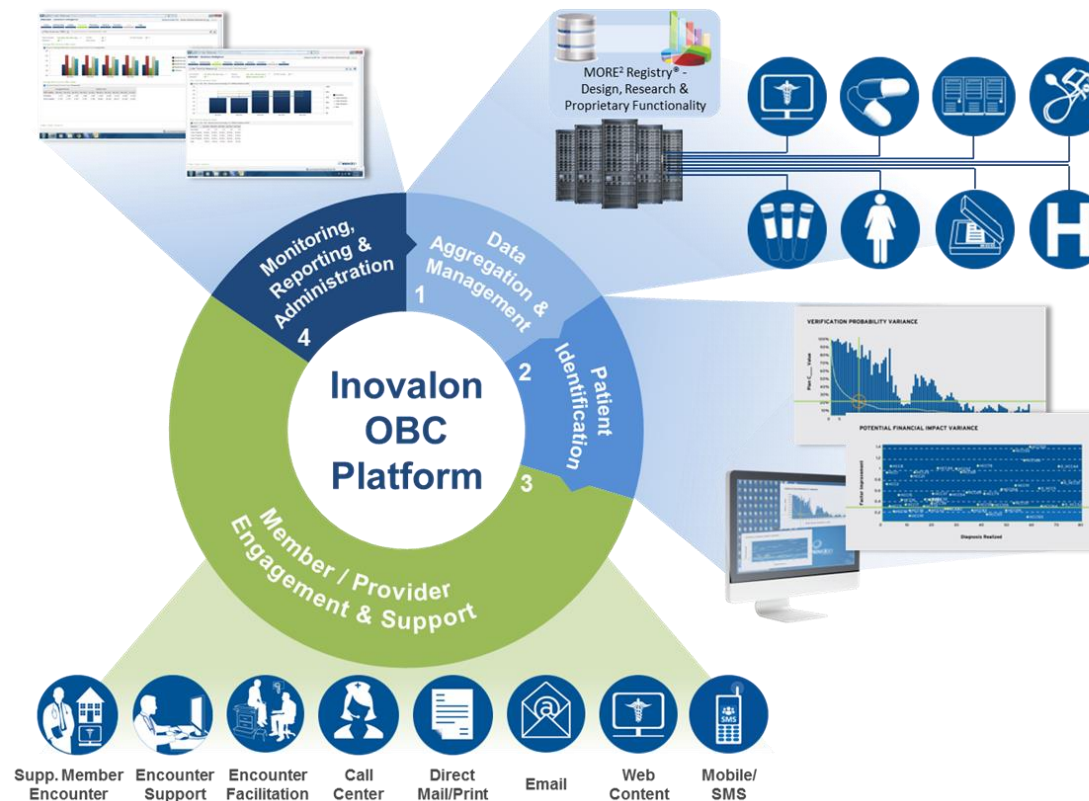
Inovalon has introduced a “Pharma & Life Sciences Stack” of capabilities consisting of a combination of Avalere’s subject matter expertise and Inovalon’s technology and data platforms. The combination is being offered in a way that provides what is believed to be a unique set of capabilities: providing unmatched flexibility, speed-to-impact, and scale across capabilities critical to gaining insight and advantage in the transition from volume to value occurring in the pharma and life sciences landscape.



Platform Capabilities

Outcomes-Based Contracting (OBC) Solution

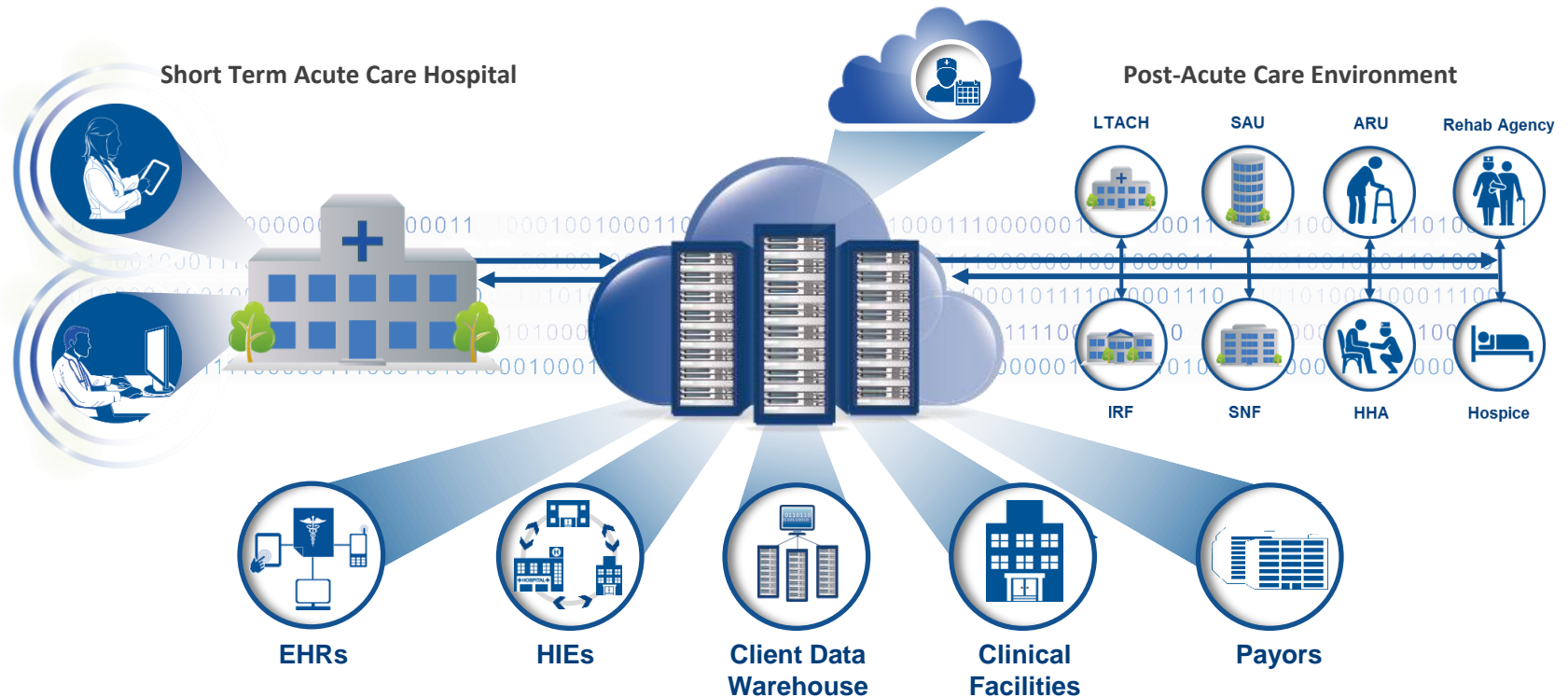
Inovalon's Outcomes-Based Contracting (OBC) solution empowers pharmaceutical companies to respond to the increasing market demand for value-based arrangements surrounding high-cost, high-complexity and high-impact medications.



Platform Capabilities

Post-Acute Care (PAC) Solution

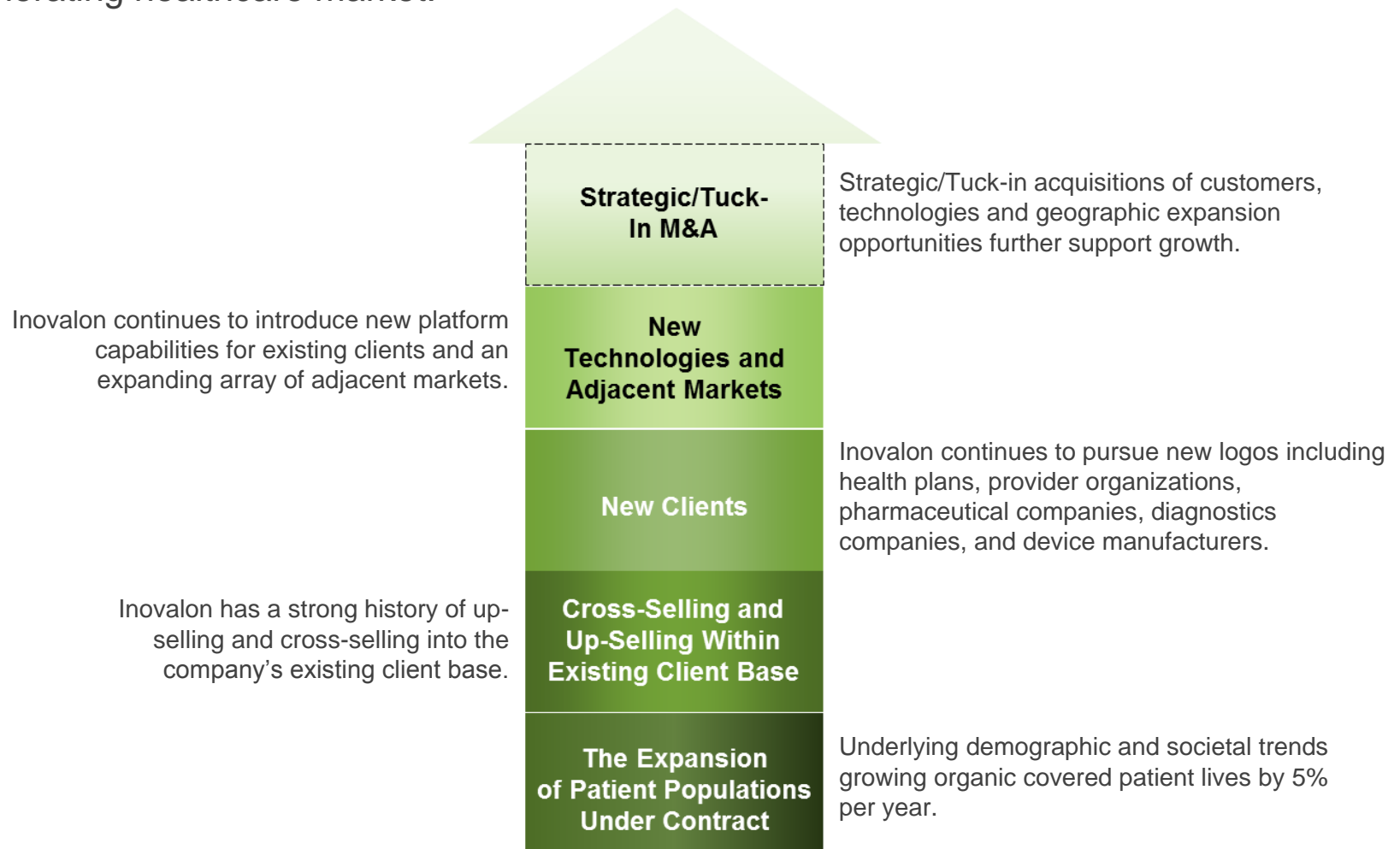
Inovalon's PAC Solution brings together a unique combination of data, interconnectivity, analytics, and clinical landscape intervention capabilities to allow clients to gain the necessary insight to better determine and manage PAC patient placement, management, and financial performance.



Multifaceted Growth Strategy

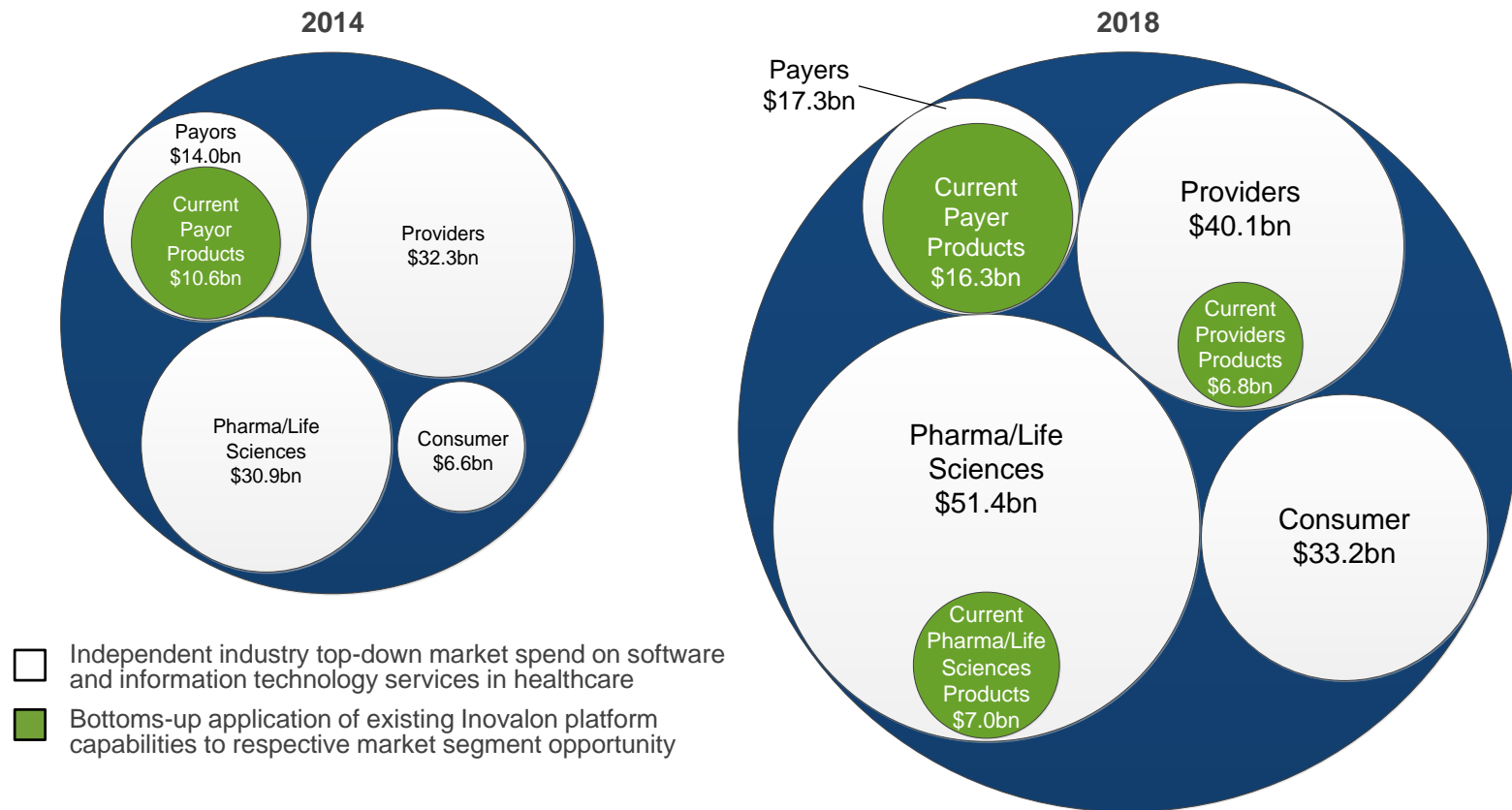


Inovalon has a unique and multi-faceted growth opportunity to capture share in a large and accelerating healthcare market.



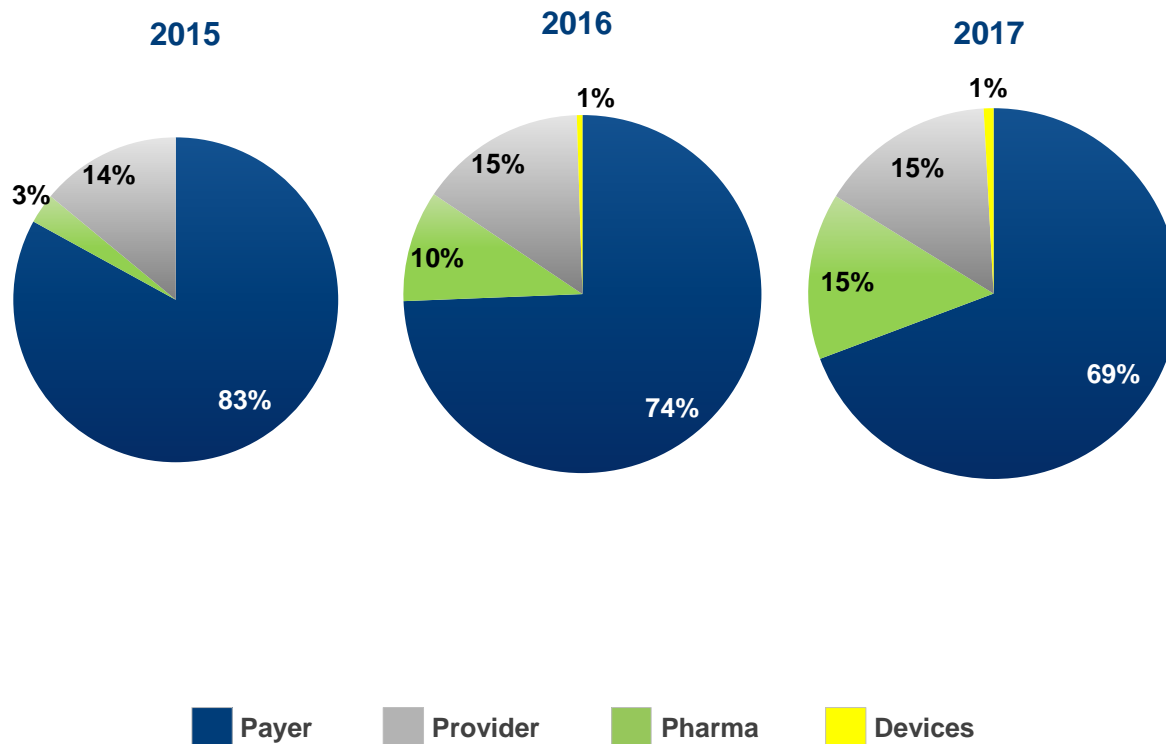
Large and Expanding Market Opportunity

- ✓ The addressable market has expanded rapidly from an estimated \$84B in 2014 to \$142B in 2018.
- ✓ The expansion of Inovalon's capabilities over the same period has resulted in a near tripling of the portion which the Company's capabilities can serve today from approximately \$10.6B to \$30.1B.



Adjacent Market Expansion

Inovalon is successfully expanding into the pharma and provider markets. Concurrently, demand for the Inovalon ONE™ Platform within the medical device space is increasing. These efforts are allowing for greater diversification of revenue as the Company accesses new customers previously unserved at scale.



- Strong payor base with dominance of Medicare Advantage
- Strong scaling of pharma demand
- Seeing strong demand for platform applications within the provider and device landscape

Graph does not depict category "Other", which is de minimis.

Transition from Legacy to Platform-Based Revenue



Inovalon has been undergoing an intentional transition in its offering portfolio from legacy enterprise solutions to subscription-based cloud-based platform offerings with add-on advisory services. Growth in revenue from the Company's subscription-based cloud-based platform offerings was approximately 30% in 2017 in comparison to 2016, with continued expansion seen for 2018.

Subscription-Based Platform Offerings:

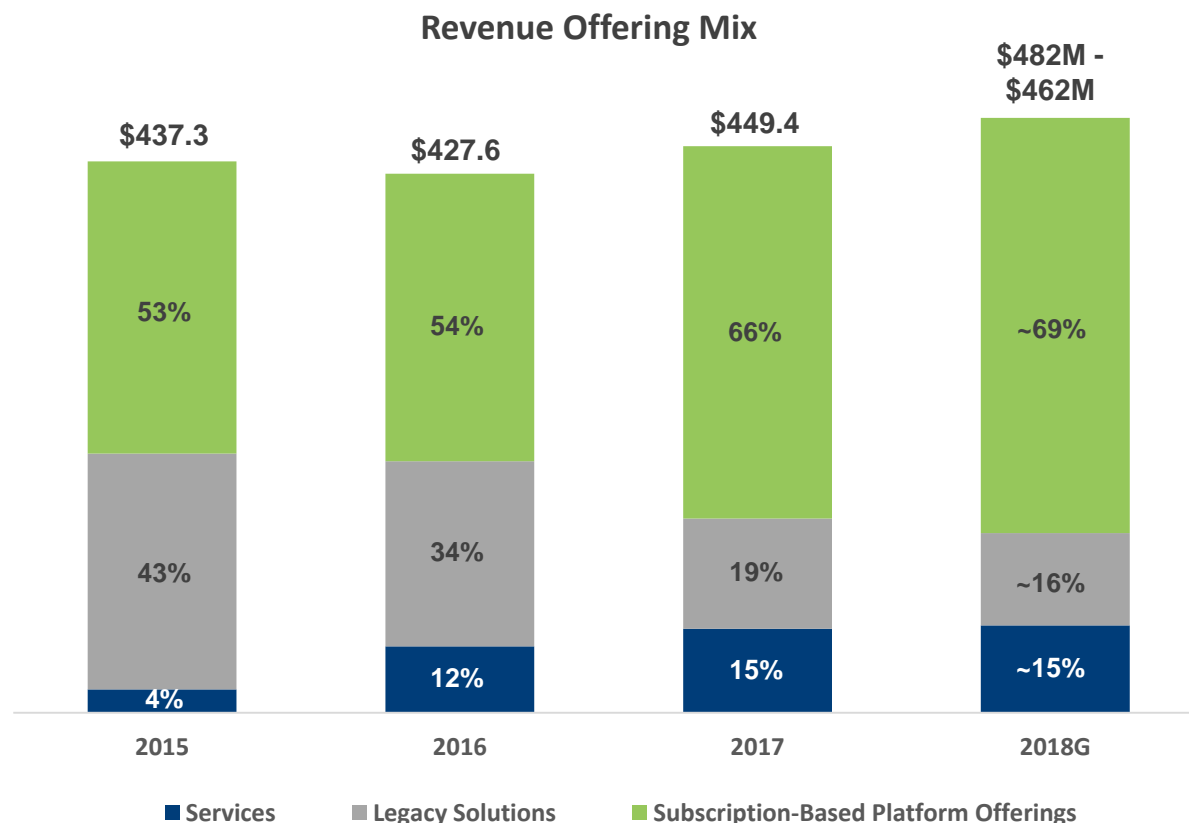
Cloud-based platform offerings tied to subscription-based contract structures.

Legacy Solutions:

Solutions historically provided by the Company that are not cloud-based platform offerings tied to subscription-based contract structures.

Services:

Advisory, implementation, and support services under time and materials, fixed price, or retainer-based contracts.



Platform Mix, Pricing and Efficiency Initiatives Driving Operating Leverage



Margin expansion is resulting from increasingly favorable pricing and mix of platform offerings, as well as technology initiatives aimed at increasing the efficiency of operations and infrastructure.

Select Example Drivers of Margin Expansion	Examples of Technology Utilized	Impact
Platform Mix And Pricing	The Inovalon ONE™ Platform	Highly-extensible platform offerings empower large-scale value-based initiatives for multiple constituencies, driving a higher margin profile
Cloud-Based Offerings	The Inovalon ONE™ Platform	Cloud native architecture provides highly dynamic, scalable, and efficient provisioning of compute and storage
Connectivity	EHR Interoperability	Interconnect seamlessly with multiple leading EHR platforms to access clinical data without human intervention
Automation	iPORT™	Integrate systems & data exchanges for rapid, secure, transactional processing with lower human involvement, achieving dramatically greater efficiency
Process Logistics	SAFHIRE™ & ePASS®	Integrate and streamline workflow processes, delivering greater capacity with greater system efficiency

Balance Sheet Strength

Strong balance sheet position, coupled with cash flow generation, debt capacity and equity currency, positions Inovalon well for strategic investment and expansion.

	Dec. 31, 2017
Cash, Cash Equivalents and Short-Term Investments	\$ 476.2
Accounts Receivable	90.1
Other Current Assets	22.4
Other Assets	<u>406.4</u>
Total Assets	<u>\$995.1</u>
Current Liabilities (excl. Debt and Capital Leases)	\$ 76.8
Total Debt (incl. Capital Leases)	248.7
Other Liabilities	26.9
Stockholders' Equity	<u>642.8</u>
Total Liabilities and Stockholders' Equity	<u>\$995.1</u>

All dollars shown in millions. Amounts may not add exactly due to rounding. Current liabilities exclude the current portion of Long-Term Debt and Capital Lease Obligations, which were \$45.0 million and \$0.3 million, respectively, as of December 31, 2017.

Financial Strength and Flexibility

Inovalon's strong financial position supports flexibility in capital allocation to position the Company for growth and create value for the Company's shareholders.

Strong Financial Position: <ul style="list-style-type: none"> • \$476M Cash¹ • \$100M Untapped Debt Facility² • Significant Additional Debt Capacity • Strong Cash Flow Generation 	Internal Investment <ul style="list-style-type: none"> • Platform innovation and technology expansion • Automation and efficiency initiatives • Sales and marketing capability/capacity
	Acquisitions <ul style="list-style-type: none"> • Subject matter/industry expertise • Technology acquisition • Customer base expansion • Geographic expansion
	Share Repurchases <ul style="list-style-type: none"> • Opportunistic capital deployment for shareholder value • \$200 million repurchase authorization completed in December 2017

1: As of December 31, 2017.

2: Represents Inovalon's unused and available balance on the Company's Revolving Credit Facility.

Acquisition Focus

Given strong cash flow and a strong balance sheet, Inovalon expects to continue to leverage its financial strength for acquisitions as part of the Company's overall growth strategy. The following presents Inovalon's view towards acquisition prioritization:

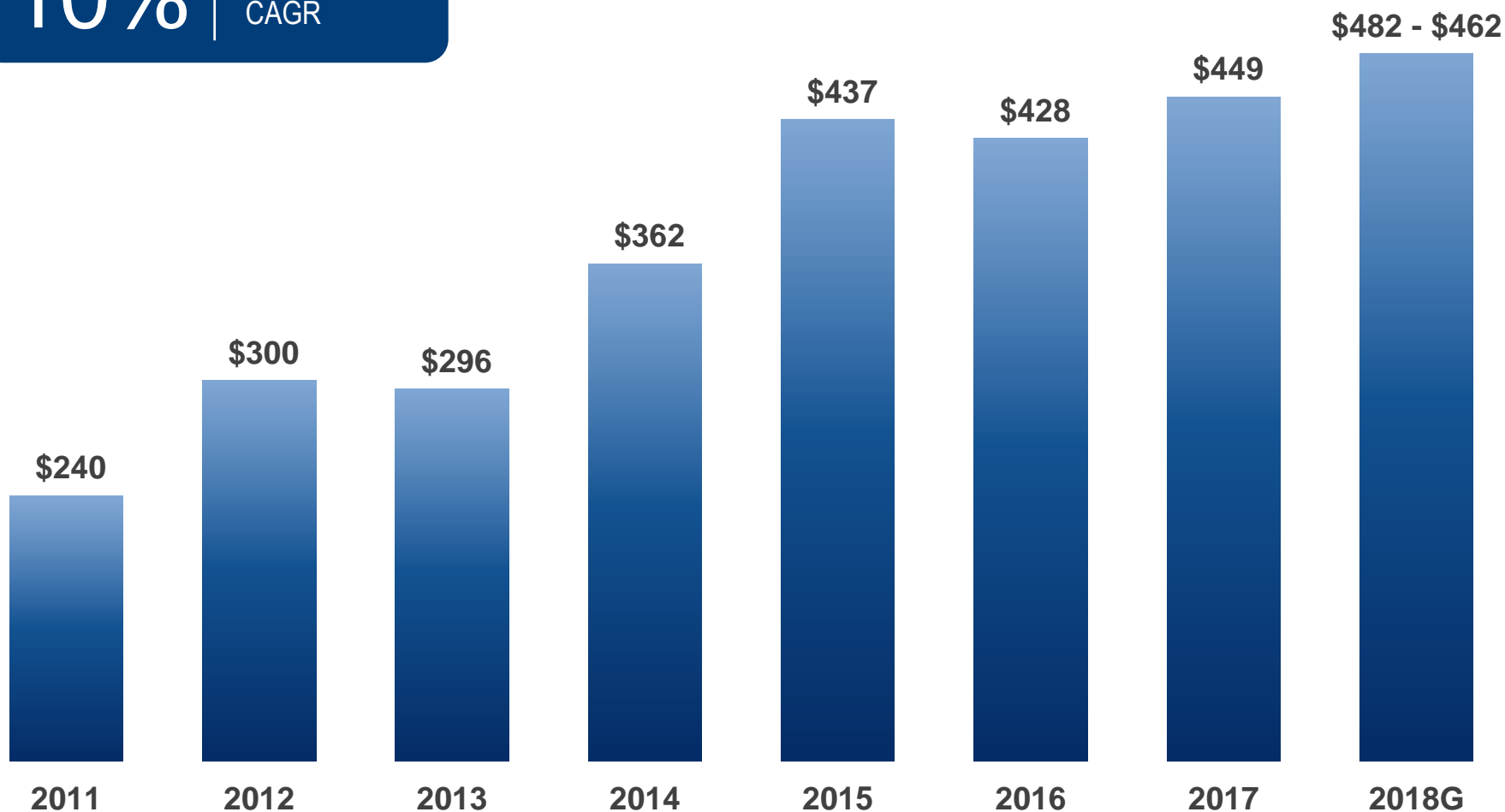
Priority	Description	Impact
1	<u>Customers</u> : Opportunities which have a strong client base, into which Inovalon's data and technologies can rapidly be deployed	Strategic Tuck-In
2	<u>Technologies</u> : Opportunities which have strong technologies, which can be rapidly applied to Inovalon's client base	Strategic Tuck-In
3	<u>Scale</u> : Opportunities which accelerate Inovalon's expansion in similar or adjacent healthcare verticals	Incremental Revenue
4	<u>Geography</u> : Opportunities enabling the seeding for expansion outside of the United States	Strategic Tuck-In

Growing Revenue



10%

2011 – 2018G
CAGR



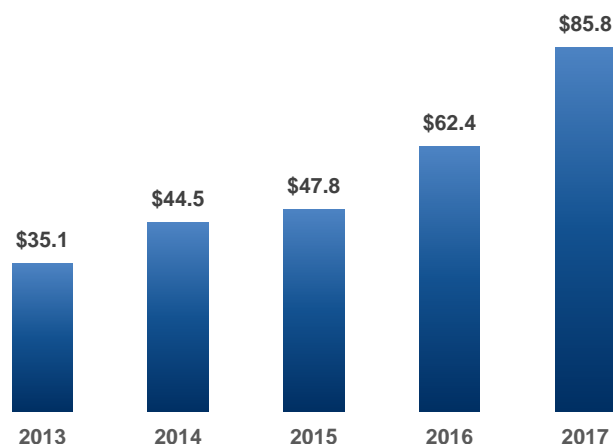
All dollars shown in millions. 2018 Guidance is per the Company's press release issued on February 20, 2018. CAGR calculations undertaken to the mid-point of 2018 Guidance.

Investing in Growth

Inovalon is increasing investments in innovation and sales capabilities to drive growth, efficiency, and further market differentiation, and is seeing returns on these investments.

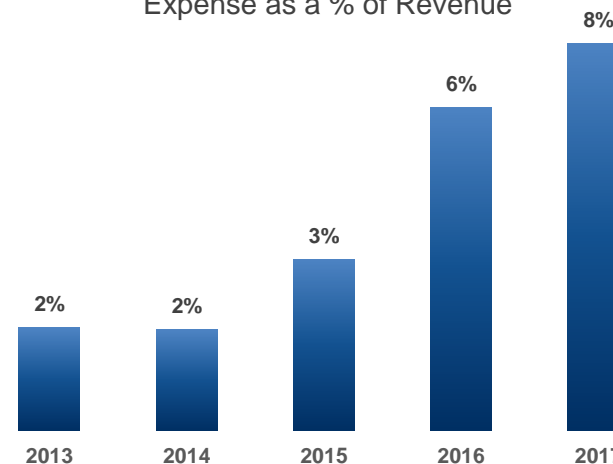
Investment in Innovation

Total dollars (in millions)



Sales & Marketing

Expense as a % of Revenue



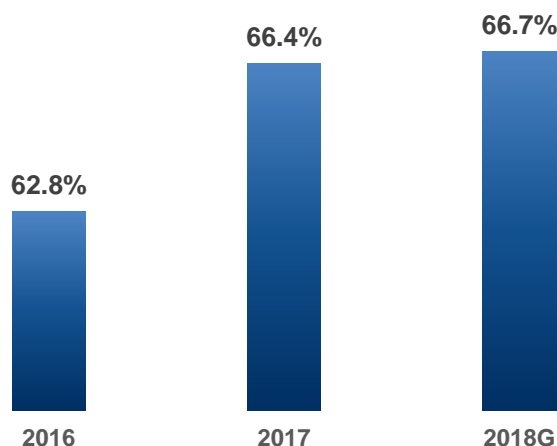
- Introduced the **Inovalon ONE™ Platform**, enhancing flexibility, scalability, and market differentiation
- Significantly expanded **connectivity** and **datasets**

- Total Annualized Revenue** from new business signings up **45%** in 2017
- Average Revenue per Engagement** up **54%** in 2017

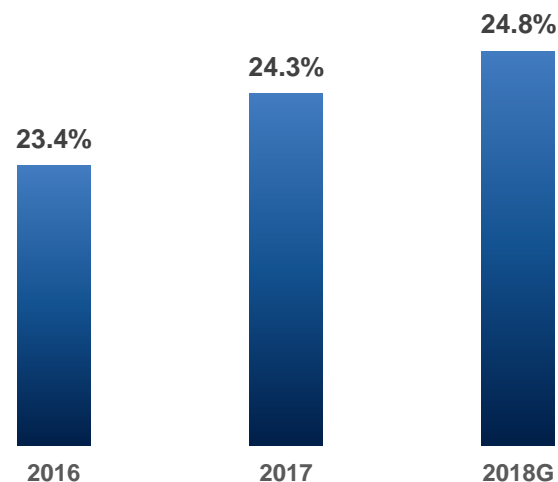
Expanding Operating Leverage

Inovalon is driving higher gross margin, enabling increasing Adjusted EBITDA margin while still funding strong levels of investment.

Gross Margin¹



Adjusted EBITDA Margin²



Pricing and Higher-Value Mix of Platform Offerings

Technology-Enabled Efficiencies Including Automation and Connectivity

Continued Focus on G&A Efficiency

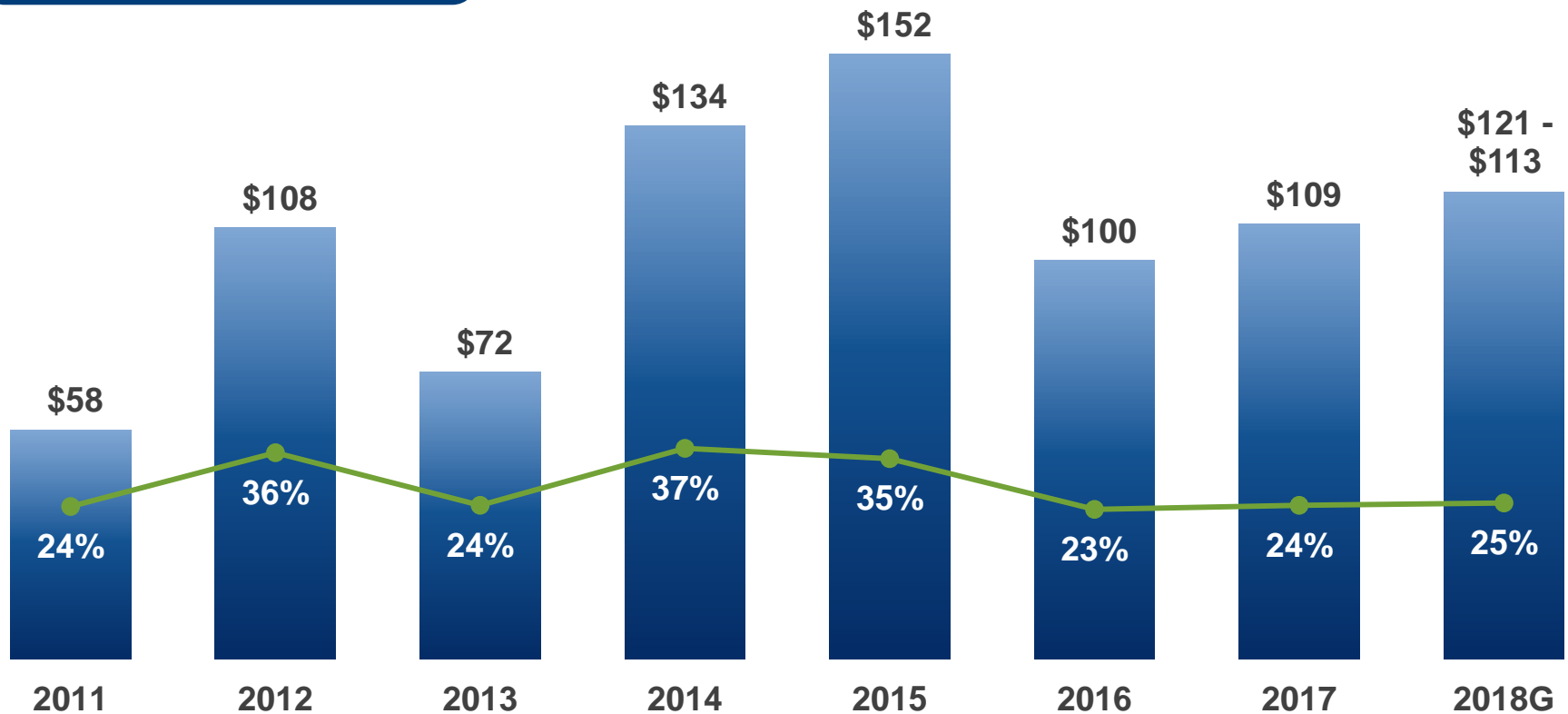
1: Gross Margin defined as Revenue less Cost of Revenue, as a percentage of Revenue.

2: Adjusted EBITDA Margin defined as Adjusted EBITDA as a percentage of Revenue.

Adjusted EBITDA

11%

2011 – 2018G
CAGR



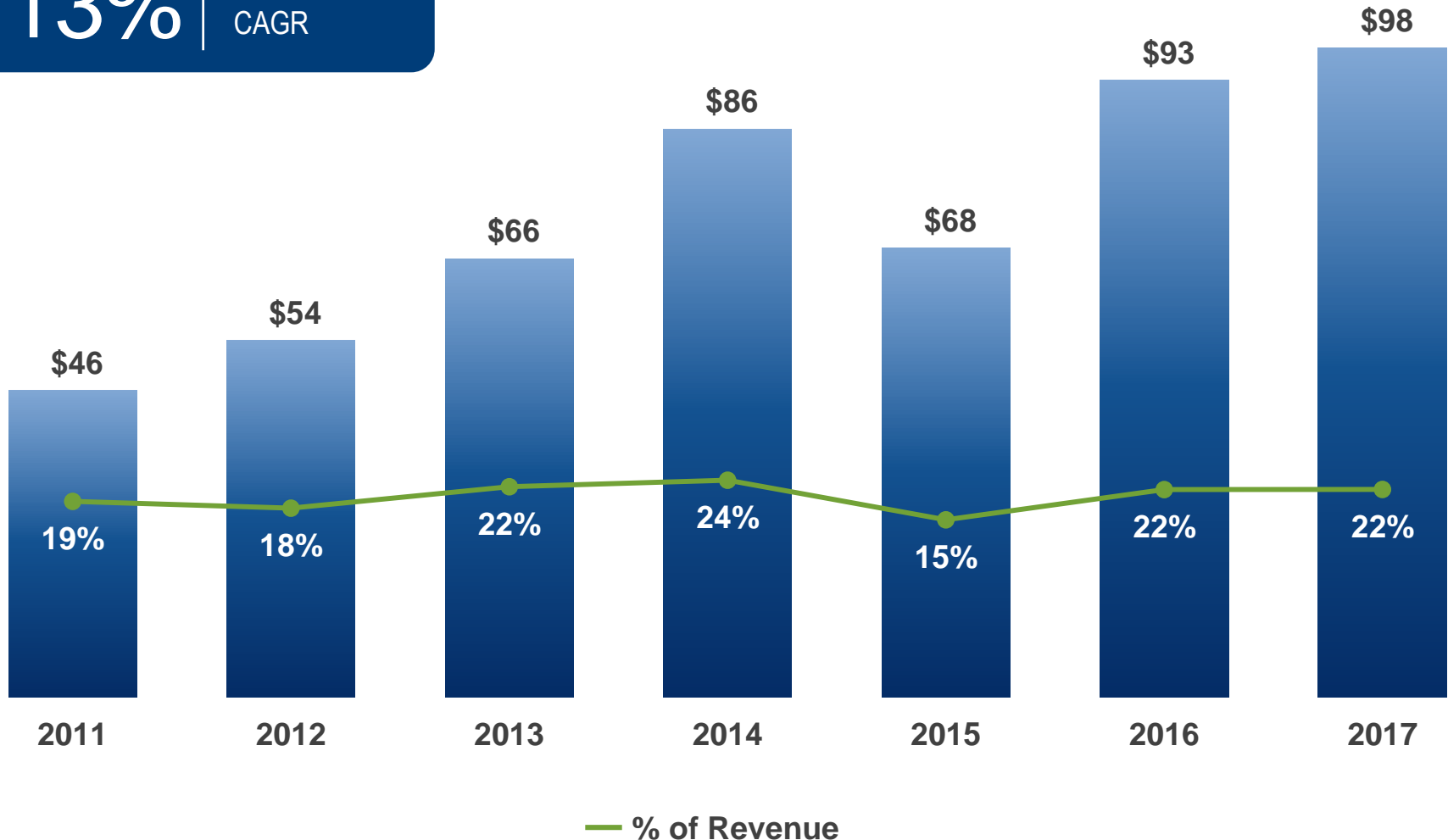
— % of Revenue

All dollars shown in millions. 2018 Guidance is per the Company's press release issued on February 20, 2018. CAGR and 2018 percent of revenue calculations undertaken to the mid-point of 2018 Guidance.

Cash Flow From Operations

13%

2011 – 2017
CAGR

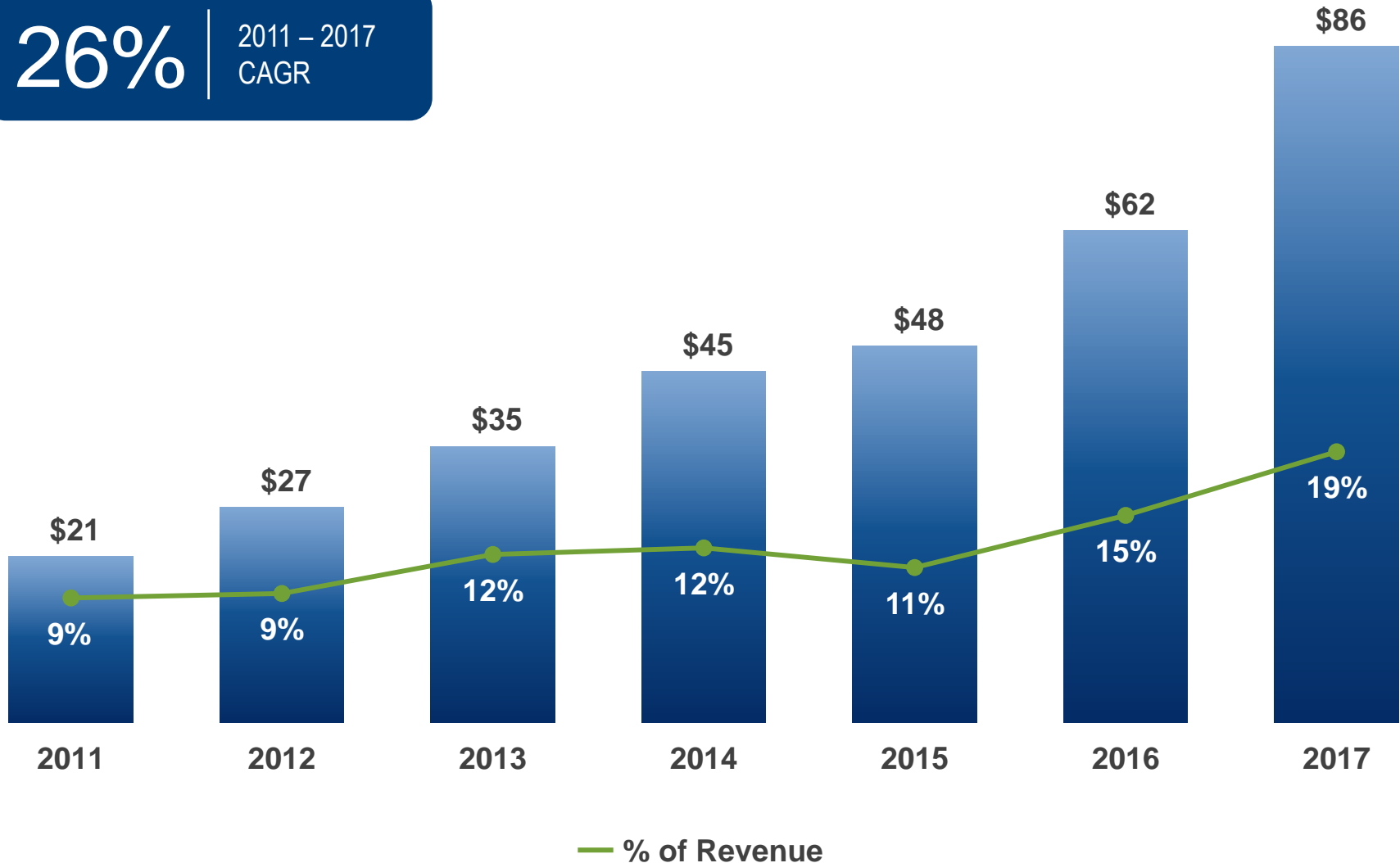


All dollars shown in millions.

Investment in Innovation

26%

2011 – 2017
CAGR



All dollars shown in millions. Investment in Innovation includes research and development expense, capitalized software development costs and research and development infrastructure investments.

- 1 Highly Differentiated Technology Leader**
serving large and growing end-markets in a transformative period
- 2 Executing Platform Capabilities at Scale**
Achieving strong operating leverage, profitability, and cash flow
- 3 Seeing Strong Adoption**
Highly extensible cloud-native implementations with national-scale clients across the healthcare ecosystem

Inovalon believes that healthcare is increasingly becoming data-driven in its nature, transactional in its design, real-time in its speed, and ultimately consumer-centric in its focus. Driven by the first waves of disease-burden based reimbursement models and quality incentive programs, data has gained an increasing role in U.S. healthcare. On the back of this first phase of value-based care transformation, data is increasingly differentiating the leaders from the rest of the pack as its aggregation, analysis, validation, and associated connectivity is increasingly able to identify individual patients' unique needs, refine care plans, speed drug discovery and commercialization, reduce waste, expand the value proposition of medications and medical devices, and streamline healthcare workflows and supply chains. As transparency into the many facets of healthcare increases, the pace of the industry's transformation will accelerate, ultimately placing the consumer at the center as they play an increasingly active role in their care. In this setting, Inovalon has been rapidly expanding connectivity capabilities, the breadth and depth of differentiated datasets, sophistication of native cloud-based platform offerings, and investing in the technology and sales infrastructure to take these capabilities to market to support what is seen as a burgeoning transformation in the marketplace. Inovalon has leveraged the capabilities and expertise developed over a decade in the payer market to successfully expand into large, growing adjacent markets such as pharma, providers, and medical devices. Passionate about its vision, Inovalon is steadfastly focused on empowering the healthcare industry's transformation, serving as an enabling part of the fabric within the industry – serving all participants in the increasingly data-driven ecosystem.



Appendix

Reconciliation of Forward-Looking Guidance Adjusted EBITDA



Inovalon defines Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (Adjusted EBITDA) as net income calculated in accordance with GAAP, adjusted for the impact of depreciation and amortization, realized losses on short-term investments, loss (gain) on disposal of equipment, interest expense, interest income, provision for income taxes, stock-based compensation, acquisition costs, tax on equity exercises, and other non-comparable items. Adjusted EBITDA margin is defined as Adjusted EBITDA as a percentage of revenue. A reconciliation of forward-looking net income to Adjusted EBITDA guidance follows:

(In millions)	Guidance Range	
	Twelve Months Ending December 31, 2018	
	Low	High
Reconciliation of Forward-Looking Guidance Net Income to Adjusted EBITDA:		
Net income	\$ 12	\$ 16
Depreciation and amortization	65	65
Loss (gain) on disposal of equipment	-	-
Interest income	(6)	(5)
Interest expense	6	6
Provision for income taxes (1)	5	7
EBITDA	82	89
Stock-based compensation	18	18
Acquisition costs:		
Transaction costs	-	-
Integration costs	3	3
Contingent consideration accretion	4	4
Compensatory contingent consideration	2	2
Other non-comparable items (2)	4	5
Adjusted EBITDA	\$ 113	\$ 121
Adjusted EBITDA Margin	24.5%	25.1%

(1) A 30% tax rate is assumed in order to approximate the Company's effective corporate tax rate.

(2) Other "non-comparable items" include items that are not comparable across reporting periods or items that do not otherwise relate to the Company's ongoing financial results, such as certain employee related expenses attributable to advancements in automation and operational efficiencies. Non-comparable items are excluded from Adjusted EBITDA in order to more effectively assess the Company's period over period and on going operating performance.

Reconciliation of Forward-Looking Guidance

Non-GAAP Net Income



Inovalon defines Non-GAAP net income as net income calculated in accordance with GAAP, adjusted to exclude tax-affected stock-based compensation expense, acquisition costs, amortization of acquired intangible assets, tax on equity exercises and other non-comparable items. A reconciliation of net income to Non-GAAP net income follows:

(In millions, except per share amounts)	Guidance Range	
	Twelve Months Ending December 31, 2018	
	Low	High
Reconciliation of Forward-Looking Guidance Net Income to Non-GAAP net income:		
Net income	\$ 12	\$ 16
Stock-based compensation	18	18
Acquisition costs:		
Transaction costs	-	-
Integration costs	3	3
Contingent consideration accretion	4	4
Compensatory contingent consideration	2	2
Amortization of acquired intangible assets	15	15
Other non-comparable items (1)	4	5
Tax impact of add-back items (2)	(14)	(14)
Non-GAAP net income	<u>\$ 44</u>	<u>\$ 49</u>
GAAP diluted net income per share	<u>\$ 0.09</u>	<u>\$ 0.11</u>
Non-GAAP diluted net income per share	<u>\$ 0.31</u>	<u>\$ 0.35</u>
Weighted average shares of common stock outstanding - diluted	<u>140</u>	<u>140</u>

(1) Other "non-comparable items" include items that are not comparable across reporting periods or items that do not otherwise relate to the Company's ongoing financial results, such as certain employee related expenses attributable to advancements in automation and operational efficiencies. Non-comparable items are excluded from Non-GAAP net income in order to more effectively assess the Company's period over period and on going operating performance.

(2) A 30% tax rate is assumed in order to approximate the Company's effective corporate tax rate.



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