



## Accolade Announces Results for Fiscal Second Quarter 2021

October 14, 2020

- Fiscal second quarter 2021 revenue of \$36.8 million, a 24% increase compared to fiscal second quarter 2020 revenue of \$29.7 million, driven primarily by strength in new customer adds across segments and offerings
- Continued bookings momentum driving strength in new customer adds across segments and offerings

SEATTLE, Oct. 14, 2020 (GLOBE NEWSWIRE) -- Accolade, Inc. (NASDAQ: ACCD), which provides personalized, technology-enabled solutions that help people better understand, navigate, and utilize the healthcare system and their workplace benefits, today announced financial results for the fiscal second quarter ended August 31, 2020.

"Accolade is built on the fundamental belief that we can improve health outcomes for our members while at the same time lowering total healthcare costs for their employers. While the current COVID-19 crisis has exacerbated the challenges facing the healthcare industry, our strong financial results and continuing momentum demonstrate that we can achieve these objectives, even in a difficult economic environment and healthcare crisis," said Rajeev Singh, Accolade CEO.

Mr. Singh continued, "Our dedicated frontline healthcare team is a differentiator in the market and is responsible for our incredible customer engagement and satisfaction. Their success is underpinned by our innovative platform that allows us to flex our capabilities to the needs of the market, as seen by the rapid delivery of Accolade COVID Response Care last quarter and our launch of Mental Health Integrated Care with our partner, Ginger, announced last month. Our ability to innovate quickly is drawing more partners to our platform and fueling our sales momentum across all our customer segments. We are delighted to build on our success in the first half of fiscal 2021 and raise our outlook for the full year."

### Financial Highlights for Fiscal Second Quarter 2021 ended August 31, 2020

|   | Three months ended August 31,     |           | %    |
|---|-----------------------------------|-----------|------|
|   | 2020                              | 2019      |      |
|   | (in millions, except percentages) |           |      |
| <b>GAAP Financial Data:</b>                   |                                   |           |      |
| Revenue                                       | \$ 36.8                           | \$ 29.7   | 24 % |
| Net loss                                      | \$ (15.4)                         | \$ (15.0) | (2)% |
| <b>Non-GAAP Financial Data<sup>(1)</sup>:</b> |                                   |           |      |
| Adjusted EBITDA                               | \$ (8.7)                          | \$ (9.6)  | 9 %  |
| Adjusted Gross Profit                         | \$ 15.9                           | \$ 13.0   | 23 % |
| Adjusted Gross Margin                         | 43.3 %                            | 43.8 %    |      |

(1) A reconciliation of GAAP to non-GAAP results has been provided in this press release in the accompanying Financial Tables. An explanation of these measures is also included below under the heading "Non-GAAP Financial Measures."

(2) Percentages are calculated from accompanying Financial Tables and may differ from percentage change of numbers in Financial Highlights table due to rounding.

### Financial Outlook

Accolade provides forward-looking guidance on Revenue and Adjusted EBITDA.

For the fiscal third quarter ending November 30, 2020, we expect:

- Revenue between \$36.0 million and \$37.0 million
- Adjusted EBITDA, a non-GAAP measure, between \$(12.0) million and \$(14.0) million

For the full fiscal year ending February 28, 2021, we are revising our initial guidance and now expect:

- Revenue between \$159.0 million and \$162.0 million, up from our initial range of \$158.0 to \$161.0 million
- Adjusted EBITDA, a non-GAAP measure, between \$(32.0) million and \$(36.0) million, unchanged from our initial guidance.

We have not reconciled guidance for Adjusted EBITDA to net loss, the most directly comparable GAAP measure, and have not provided forward-looking guidance for net loss, because there are items that may impact net loss, including stock-based compensation, that are not within our control or cannot be reasonably predicted.

#### Quarterly Conference Call Details

The company will host a conference call today, Wednesday, October 14, 2020 at 5:00 p.m. E.T. to discuss its financial results. The call can be accessed by dialing 1-833-519-1281 for U.S. participants, or 1-914-800-3853 for international participants, referencing conference ID #9551629; or via a live audio webcast that will be available online at <http://ir.accolade.com>. A replay of the call will be available via webcast for on-demand listening shortly after the completion of the call, at the same web link, and will remain available for approximately 90 days.

#### Forward-Looking Statements

This release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995, as amended. These forward-looking statements include statements regarding our future growth and our financial outlook. Forward-looking statements are subject to risks and uncertainties and are based on potentially inaccurate assumptions that could cause actual results to differ materially from those expected or implied by the forward-looking statements. Actual results may differ materially from the results predicted, and reported results should not be considered as an indication of future performance.

Important risks and uncertainties that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the following: (i) changes in laws and regulations applicable to our business model; (ii) changes in market or industry conditions, regulatory environment and receptivity to our technology and services; (iii) results of litigation or a security incident; (iv) the loss of one or more key customers or partners; (v) the impact of COVID-19 on our business and results of operation; and (vi) changes to our abilities to recruit and retain qualified team members. For a detailed discussion of the risk factors that could affect our actual results, please refer to the risk factors identified in our SEC reports, including, but not limited to our prospectus filed with the SEC on July 1, 2020 and the Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2020 expected to be filed with the SEC on or about October 14, 2020. All information provided in this release and in the attachments is as of the date hereof, and we undertake no duty to update or revise this information unless required by law.

#### About Accolade, Inc.

Accolade provides personalized health and benefits solutions designed to empower every person to live their healthiest life. Using a blend of cloud-based technologies, specialized support from Accolade Health Assistants® and Clinicians, and integrated data and programs across mobile, online and phone, Accolade navigates people through the healthcare system with trust, empathy and ease. Employers offer Accolade to employees and their families as the single place to turn for all health, healthcare, and benefits questions or concerns, increasing their engagement in benefits and connecting them to high-quality providers and care. By empowering members to make better decisions about their health, Accolade can support members in lowering the cost and complexity of healthcare while achieving consumer satisfaction ratings over 90 percent and an NPS of 60.

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Source: Accolade

#### Financial Tables

**Accolade, Inc. and Subsidiaries**  
**Condensed Consolidated Balance Sheets (unaudited)**  
(In thousands, except share and per share data)

|  | August 31,<br>2020 | February 29,<br>2020 |
|--|--------------------|----------------------|
| <b>Assets</b>  |                    |                      |
| Current assets:  |                    |                      |
| Cash and cash equivalents                              | \$ 222,111         | \$ 33,155            |
| Accounts receivable, net                               | 10,661             | 294                  |
| Unbilled revenue                                       | 109                | 895                  |
| Current portion of deferred contract acquisition costs | 1,709              | 1,368                |
| Current portion of deferred financing fees             | 233                | 279                  |
| Prepaid and other current assets                       | 8,014              | 12,944               |
| Total current assets                                   | 242,837            | 48,935               |
| Property and equipment, net                            | 11,728             | 13,625               |
| Goodwill   | 4,013              | 4,013                |
| Acquired technology, net                               | 1,329              | 2,054                |
| Deferred contract acquisition costs                    | 5,607              | 3,876                |

|   |  |                   |                  |
|---|--|-------------------|------------------|
| Other assets  |  | 1,363             | 745              |
| Total assets  |  | <u>\$ 266,877</u> | <u>\$ 73,248</u> |
| <b>Liabilities, convertible preferred stock and stockholders' equity (deficit)</b>  |  |                   |                  |
| Current liabilities:  |  |                   |                  |
| Accounts payable  |  | \$ 3,811          | \$ 5,273         |
| Accrued expenses  |  | 2,631             | 6,580            |
| Accrued compensation  |  | 24,488            | 23,838           |
| Deferred rent and other current liabilities   |  | 491               | 674              |
| Due to customers  |  | 4,741             | 4,674            |
| Current portion of deferred revenue   |  | 32,773            | 28,919           |
| Total current liabilities   |  | <u>68,935</u>     | <u>69,958</u>    |
| Loans payable, net of unamortized issuance costs  |  | —                 | 21,144           |
| Deferred rent and other noncurrent liabilities  |  | 5,516             | 5,523            |
| Deferred revenue  |  | 322               | 396              |
| Total liabilities   |  | <u>74,773</u>     | <u>97,021</u>    |
| Convertible preferred stock :   |  |                   |                  |
| Preferred stock par value \$0.0001; 25,000,000 shares authorized; 0 and 19,513,939 issued and outstanding at August 31, 2020 and February 29, 2020, respectively              |  | —                 | 233,022          |
| Commitments (note 11)   |  |                   |                  |
| Stockholders' equity (deficit)  |  |                   |                  |
| Common stock par value \$0.0001; 500,000,000 shares authorized; 49,269,342 and 6,033,450 shares issued and outstanding at August 31, 2020 and February 29, 2020, respectively |  | 5                 | 2                |
| Additional paid-in capital  |  | 542,298           | 64,071           |
| Accumulated deficit   |  | (350,199)         | (320,868)        |
| Total stockholders' equity (deficit)  |  | <u>192,104</u>    | <u>(256,795)</u> |
| Total liabilities, convertible preferred stock and stockholders' equity (deficit)   |  | <u>\$ 266,877</u> | <u>\$ 73,248</u> |

**Accolade, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Operation (unaudited)**

(In thousands, except share and per share data)

|   | <u>Three months ended August 31,</u> |                    | <u>Six months ended August 31,</u> |                    |
|---|--------------------------------------|--------------------|------------------------------------|--------------------|
|   | <u>2020</u>                          | <u>2019</u>        | <u>2020</u>                        | <u>2019</u>        |
| Revenue   | \$ 36,788                            | \$ 29,651          | \$ 72,682                          | \$ 58,414          |
| Cost of revenue, excluding depreciation and amortization      | 21,071                               | 16,764             | 43,310                             | 34,199             |
| Operating expenses:   |                                      |                    |                                    |                    |
| Product and technology  | 12,236                               | 11,303             | 23,606                             | 22,549             |
| Sales and marketing   | 7,881                                | 7,616              | 15,196                             | 15,278             |
| General and administrative                                    | 6,453                                | 6,011              | 12,120                             | 11,574             |
| Depreciation and amortization                                 | 2,049                                | 2,222              | 3,977                              | 4,382              |
| Total operating expenses                                      | <u>28,619</u>                        | <u>27,152</u>      | <u>54,899</u>                      | <u>53,783</u>      |
| Loss from operations  | (12,902)                             | (14,265)           | (25,527)                           | (29,568)           |
| Interest expense, net   | (2,347)                              | (701)              | (3,629)                            | (1,244)            |
| Other expense   | (104)                                | (46)               | (119)                              | (80)               |
| Loss before income taxes                                      | (15,353)                             | (15,012)           | (29,275)                           | (30,892)           |
| Income tax expense  | (18)                                 | (14)               | (56)                               | (37)               |
| Net loss  | <u>\$ (15,371)</u>                   | <u>\$ (15,026)</u> | <u>\$ (29,331)</u>                 | <u>\$ (30,929)</u> |
| Net loss per share, basic and diluted                         | <u>\$ (0.47)</u>                     | <u>\$ (2.82)</u>   | <u>\$ (1.45)</u>                   | <u>\$ (6.02)</u>   |
| Weighted-average common shares outstanding, basic and diluted | <u>33,029,147</u>                    | <u>5,336,501</u>   | <u>20,277,416</u>                  | <u>5,141,047</u>   |

The following table summarizes the amount of stock-based compensation included in the consolidated statements of operations:

|                                | Three months ended August 31, |                 | Six months ended August 31, |                 |
|--------------------------------|-------------------------------|-----------------|-----------------------------|-----------------|
|                                | 2020                          | 2019            | 2020                        | 2019            |
| Cost of revenue                | \$ 218                        | \$ 103          | \$ 327                      | \$ 175          |
| Product and technology         | 718                           | 491             | 1,152                       | 852             |
| Sales and marketing            | 490                           | 475             | 792                         | 822             |
| General and administrative     | 679                           | 826             | 1,093                       | 1,482           |
| Total stock-based compensation | <u>\$ 2,105</u>               | <u>\$ 1,895</u> | <u>\$ 3,364</u>             | <u>\$ 3,331</u> |

**Accolade, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Cash Flows (unaudited)**  
(In thousands)

|  | Six months ended August 31, |                  |
|--|-----------------------------|------------------|
|  | 2020                        | 2019             |
| Cash flows from operating activities:  |                             |                  |
| Net loss   | \$ (29,331)                 | \$ (30,929)      |
| Adjustments to reconcile net loss to net cash used in Operating activities:          |                             |                  |
| Depreciation and amortization expense  | 3,977                       | 4,382            |
| Amortization of deferred contract acquisition costs                                  | 740                         | 460              |
| Noncash interest expense   | 1,316                       | 265              |
| Stock-based compensation expense   | 3,364                       | 3,331            |
| Changes in operating assets and liabilities:   |                             |                  |
| Accounts receivable and unbilled revenue   | (9,581)                     | 149              |
| Accounts payable and accrued expenses  | (806)                       | 409              |
| Deferred contract acquisition costs  | (2,812)                     | (712)            |
| Deferred revenue and due to customers  | 3,847                       | 4,824            |
| Accrued compensation   | 6,580                       | (1,439)          |
| Deferred rent and other liabilities  | (212)                       | (157)            |
| Other assets   | (437)                       | (985)            |
| Net cash used in operating activities  | <u>(23,355)</u>             | <u>(20,402)</u>  |
| Cash flows from investing activities:  |                             |                  |
| Capitalized software development costs   | (374)                       | —                |
| Purchases of property and equipment  | (981)                       | (1,064)          |
| Net cash acquired in acquisition of MD Insider                                       | —                           | (206)            |
| Earnout payments to MD Insider   | (58)                        | —                |
| Net cash used in investing activities  | <u>(1,413)</u>              | <u>(1,270)</u>   |
| Cash flows from financing activities:  |                             |                  |
| Proceeds from IPO, net of underwriters' discounts and commissions and offering costs | 231,675                     | —                |
| Proceeds from stock option and warrant exercises                                     | 4,802                       | 1,241            |
| Proceeds from borrowings on debt   | 51,166                      | 1,660            |
| Repayments of debt principal   | (73,166)                    | —                |
| Payments related to debt retirement  | (753)                       | —                |
| Net cash provided by financing activities  | <u>213,724</u>              | <u>2,901</u>     |
| Net increase (decrease) in cash and cash equivalents                                 | 188,956                     | (18,771)         |
| Cash and cash equivalents, beginning of period                                       | 33,155                      | 42,701           |
| Cash and cash equivalents, end of period   | <u>\$ 222,111</u>           | <u>\$ 23,930</u> |
| Supplemental cash flow information:  |                             |                  |
| Interest paid  | \$ 2,194                    | \$ 1,201         |
| Fixed assets included in accounts payable  | \$ 48                       | \$ 248           |
| Other receivable related to stock option exercises                                   | \$ 108                      | \$ 543           |
| Income taxes paid  | \$ 105                      | \$ 55            |
| Offering costs included in accounts payable and accrued expenses                     | \$ 312                      | \$ —             |
| Bonus settled in the form of stock options   | \$ 5,735                    | \$ —             |

**Non-GAAP Financial Measures**

In addition to our financial results determined in accordance with GAAP, we use the following non-GAAP financial measures to help us evaluate

trends, establish budgets, measure the effectiveness and efficiency of our operations, and determine employee incentives. We believe that non-GAAP financial information, when taken collectively, may be helpful to investors because it provides consistency and comparability with past financial performance. However, non-GAAP financial information is presented for supplemental informational purposes only, has limitations as an analytical tool and should not be considered in isolation or as a substitute for financial information presented in accordance with GAAP. In addition, other companies, including companies in our industry, may calculate similarly-titled non-GAAP measures differently or may use other measures to evaluate their performance. A reconciliation is provided below for each non-GAAP financial measure to the most directly comparable financial measure stated in accordance with GAAP. Investors are encouraged to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures, and not to rely on any single financial measure to evaluate our business.

### **Adjusted Gross Profit and Adjusted Gross Margin**

Adjusted Gross Profit is a non-GAAP financial measure that we define as revenue less cost of revenue, excluding depreciation and amortization, and excluding stock-based compensation. We define Adjusted Gross Margin as our Adjusted Gross Profit divided by our revenue. We believe Adjusted Gross Profit and Adjusted Gross Margin are useful to investors, as they eliminate the impact of certain noncash expenses and allow a direct comparison of these measures between periods without the impact of noncash expenses and certain other nonrecurring operating expenses.

### **Adjusted EBITDA**

Adjusted EBITDA is a non-GAAP financial measure that we define as net loss adjusted to exclude interest expense (net), income tax expense (benefit), depreciation and amortization, stock-based compensation, and acquisition and integration-related costs. We believe Adjusted EBITDA provides investors with useful information on period-to-period performance as evaluated by management and comparison with our past financial performance. We believe Adjusted EBITDA is useful in evaluating our operating performance compared to that of other companies in our industry, as this measure generally eliminates the effects of certain items that may vary from company to company for reasons unrelated to overall operating performance.

Adjusted Gross Profit, Adjusted Gross Margin and Adjusted EBITDA have certain limitations, including that they exclude the impact of certain non-cash charges, such as depreciation and amortization, whereas underlying assets may need to be replaced and result in cash capital expenditures, and stock-based compensation expense, which is a recurring charge. These non-GAAP financial measures may also not be comparable to similarly titled measures of other companies because they may not calculate such measures in the same manner, limiting their usefulness as comparative measures. In evaluating these non-GAAP financial measures, you should be aware that in the future we expect to incur expenses similar to the adjustments in this presentation. Our presentation of non-GAAP financial measures should not be construed as an inference that our future results will be unaffected by these expenses or any unusual or nonrecurring items. When evaluating our performance, you should consider these non-GAAP financial measures alongside other financial performance measures, including the most directly comparable GAAP measures set forth in the reconciliation tables below and our other GAAP results. The following table presents, for the periods indicated, a reconciliation of our revenue to Adjusted Gross Profit:

|  | For the three months ended         |                  | For the six months ended           |                  |
|--|------------------------------------|------------------|------------------------------------|------------------|
|  | August 31,                         |                  | August 31,                         |                  |
|  | 2020                               | 2019             | 2020                               | 2019             |
|  | (in thousands, except percentages) |                  | (in thousands, except percentages) |                  |
| Revenue  | \$ 36,788                          | \$ 29,651        | \$ 72,682                          | \$ 58,414        |
| Less:  |                                    |                  |                                    |                  |
| Cost of revenue, excluding depreciation and amortization | (21,071)                           | (16,764)         | (43,310)                           | (34,199)         |
| Gross profit, excluding depreciation and amortization    | 15,717                             | 12,887           | 29,372                             | 24,215           |
| Add:   |                                    |                  |                                    |                  |
| Stock-based compensation, cost of revenue                | 218                                | 103              | 327                                | 175              |
| Adjusted Gross Profit                                    | <u>\$ 15,935</u>                   | <u>\$ 12,990</u> | <u>\$ 29,699</u>                   | <u>\$ 24,390</u> |
| Gross margin, excluding depreciation and amortization    | <u>42.7 %</u>                      | <u>43.5 %</u>    | <u>40.4 %</u>                      | <u>41.5 %</u>    |
| Adjusted Gross Margin                                    | <u>43.3 %</u>                      | <u>43.8 %</u>    | <u>40.9 %</u>                      | <u>41.8 %</u>    |

The following table presents, for the periods indicated, a reconciliation of our Adjusted EBITDA to our net loss:

|   | For the three months ended |             | For the six months ended |             |
|---|----------------------------|-------------|--------------------------|-------------|
|   | August 31,                 |             | August 31,               |             |
|   | 2020                       | 2019        | 2020                     | 2019        |
|   | (in thousands)             |             | (in thousands)           |             |
| Net Loss                                  | \$ (15,371)                | \$ (15,026) | \$ (29,331)              | \$ (30,929) |
| Adjusted for:                             |                            |             |                          |             |
| Interest expense, net                     | 2,347                      | 701         | 3,629                    | 1,244       |
| Income tax provision                      | 18                         | 14          | 56                       | 37          |
| Depreciation and amortization             | 2,049                      | 2,222       | 3,977                    | 4,382       |
| Stock-based compensation                  | 2,105                      | 1,895       | 3,364                    | 3,331       |
| Acquisition and integration-related costs | —                          | 552         | —                        | 552         |

Other expense  
Adjusted EBITDA

|  |                   |                   |                    |                    |
|--|-------------------|-------------------|--------------------|--------------------|
|  | 104               | 46                | 119                | 80                 |
|  | <u>\$ (8,748)</u> | <u>\$ (9,596)</u> | <u>\$ (18,186)</u> | <u>\$ (21,303)</u> |