

CASTLIGHT HEALTH, INC.  
Form 10-K  
March 01, 2019  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the year ended December 31, 2018

or

TRANSITION REPORT PURSUANT TO SECTION 13 OF 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-36330

CASTLIGHT HEALTH, INC.

(Exact name of registrant as specified in its charter)

Delaware 26-1989091

(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification Number)

150 Spear Street, Suite 400

San Francisco, CA 94105

(Address of principal executive offices)

(415) 829-1400

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
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Class B Common Stock, par value \$0.0001 per share	New York Stock Exchange
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Securities registered pursuant to section 12(g) of the Act:

Not applicable

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check-mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer	Non-accelerated filer	[ Smaller reporting	Emerging growth
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	company <input type="checkbox"/>	company <input checked="" type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No   
Based on the closing price of the Registrant's Common Stock on the last business day of the Registrant's most recently completed second quarter, which was June 30, 2018, the aggregate market value of its shares (based on a closing price of \$4.25 per share) held by non-affiliates was approximately \$515.5 million. As of February 25, 2019, there were 37,173,783 shares of the Registrant's Class A common stock outstanding and 106,350,417 shares of the Registrant's Class B common stock outstanding.

#### DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement for its 2019 Annual Meeting of Stockholders (the "Proxy Statement"), to be filed within 120 days of the Registrant's year ended December 31, 2018, are incorporated by reference in Part III of this Report on Form 10-K. Except with respect to information specifically incorporated by reference in this Form 10-K, the Proxy Statement is not deemed to be filed as part of this Form 10-K.

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Special Note Regarding Forward Looking Statements and Industry Data

This Annual Report on Form 10-K includes forward-looking statements. All statements, other than statements of historical fact, contained in this Annual Report on Form 10-K, including statements regarding our future results of operations, financial position and cash flows, our business strategy and plans and our objectives for future operations, are forward-looking statements. The words “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “would,” “could,” “s” “intend” and “expect” and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in Part I, Item 1A “Risk Factors.” Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our 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 we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this Annual Report on Form 10-K may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We are under no duty to update any of these forward-looking statements after the date of this Annual Report on Form 10-K or to conform these statements to actual results or revised expectations.

PART I

Item 1. Business

Overview

Castlight Health, Inc. (“Castlight”, “the Company” or “we”) offers a comprehensive software-as-a-service (“SaaS”) platform that simplifies health benefits navigation for millions of employees. Our platform matches employees to the best resources their employers make available to them - whether they are healthy, actively seeking medical care, or managing a condition - and motivates them to take the best steps for their health. Castlight helps employers generate more value from their benefits investments by helping to improve outcomes, lower health care costs, and increase benefits satisfaction.

Castlight’s platform solution supports strong employee engagement and satisfaction through two foundational components: an ecosystem of deep integrations across an employer’s various health and wellbeing partners, and a predictive analytics “engine” that uses claims, demographic and user data and machine learning to personalize clinical options, benefit programs, wellbeing incentives, communications, and educational content, based on each employee’s specific health and wellbeing needs.

This unique combination of data integrations and personalization puts Castlight in a position to deliver value to employees and their employers. For employees, our platform improves their health benefits experience, with a highly-engaging, seamless mobile application and web experience, which are coupled with multi-channel communications. In addition, the platform’s rewards feature is designed to incentivize individuals to participate in health programs, optimize their care utilization, and improve their daily habits. For employers, Castlight provides a simplified, cost-effective, and flexible way to help manage health benefits: helping them to procure, deploy, manage, and measure healthcare and wellbeing program vendors through a single platform.

Castlight was incorporated in the State of Delaware in January 2008. Its first generation care guidance solutions addressed the needs of employees actively seeking care or managing a chronic condition and serve as the foundation

of our current care guidance offering. In 2015, we launched Castlight Action, our data-driven personalization benefits content and recommendations platform, which has been integrated into all of our products and re-branded as Castlight Genius. In April 2017, we acquired Jiff, Inc. Jiff provided an enterprise health benefits platform that served as a central hub for employee wellbeing and employee benefit programs and is the foundation for our wellbeing offering. In 2018, Castlight launched two offerings that deliver health care and wellbeing benefits navigation in a single user experience: Engage (January) and Castlight Complete (September). The Company's principal executive offices are located in San Francisco, California.

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### Our Opportunity

Health benefits is one of the largest categories of spend for U.S. employers, and is also an area of increasing complexity for employers and employees:

According to The Centers for Medicare and Medicaid Services (“CMS”), U.S. private health insurance spending is estimated to be \$1.24 trillion in 2018 and is expected to grow at a compound annual growth rate of 4.4% through 2022.

Employers seek to deploy more digital health offerings to improve employee satisfaction and outcomes but are faced with evaluating and managing an ever-increasing number of digital health point solutions for their employees. Rock Health estimates that more than \$29 billion was invested in U.S. digital health companies from 2013 to 2018, across more than 1,800 funding rounds. While this explosion in digital health options has been overwhelming for human resource executives responsible for health benefits evaluation, selection and spend, these solutions are seen as key drivers of employee engagement.

- The proliferation of so many healthcare and wellbeing offerings has also led to another problem for employees: underutilization of the benefits actually provided to employees. A March 2017 study by NBGH and Fidelity has shown utilization rates that are less than 20% for key benefits offerings like financial wellness, weight management, condition management, and resilience.

As a result of these factors, we believe there is a significant, long-term market opportunity for us to offer a technology-based solution that helps increase financial and management efficiencies for employers in providing benefits, while improving employee benefit utilization.

### Our Solution

We have developed a comprehensive health navigation platform that utilizes an ecosystem approach and data-driven personalization to match individual employees to the best resources available to them, and motivate them to take action. This, in turn, helps employers manage their benefits more effectively, and generate more value from their benefits investments.

Key factors that allow us to provide our solution in a unique way include the following:

Depth and Breadth of Data Integrations, including Health Plans. Our data and point solution partner integrations provide us with access to valuable data assets that we leverage to personalize our users’ experience which helps drive engagement, close gaps in care, and steer employees to the right providers based on their specific health needs and plan design. Our systems are designed to deliver these services in compliance with HIPAA and other applicable regulations.

Our data integrations include:

- access to claims data and other data through all major health plans and many of the largest pharmacy benefits managers and dental carriers;
- demographic information from employer eligibility files;
- real-time employee search and benefit utilization information through integrations with point solution partners;
-

connection to an employer's plan design, including understanding each employee's selected health plan, their network configuration, and their real-time deductible status;

• data from numerous validated and nationally recognized provider quality sources;

• Health Savings Accounts;

• biometric data.

The Castlight Ecosystem. The Castlight Ecosystem leverages an open architecture to simplify benefit vendor integration and management for the employer. We can integrate our platform with nearly any vendor to create one seamless experience, and employers can use our Preferred Partners to purchase and manage third-party digital health applications and services across categories such as: activity and fitness tracking; biometrics; financial wellbeing; health risk assessment; mental health; nutrition management; second opinion; sleep management; smoking cessation; weight management; and areas of condition management in areas like cardiovascular, diabetes, maternal health, and musculoskeletal.

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**Data-Driven Personalization.** Castlight Genius ("Genius"), previously marketed as Castlight Action, is an intelligent personalization engine that leverages our vast data resources and helps guide employees to the right benefits resource. Starting with new sales in 2018, Genius is now embedded into all Castlight packages described below. Castlight utilizes a variety of data sources to build employee segments, each with unique health needs and opportunities. Example data sources we use to power Genius include: search data, claims data, ecosystem partner data, employee interests and preferences, and demographic data from an employer's eligibility file. Based upon its analysis of these data categories, Castlight Genius can deliver relevant content and recommendations to each population segment through communications channels, such as in-app and website content, email, and mobile push notifications. Recommendations categories include specific programs for those at risk for depression or anxiety; encouraging behaviors such as identifying and recommending a primary care physician; care options such as back pain care based on claims data; predictive content such as those who are at-risk for back surgery; and engagement incentives to encourage utilization of an available diabetes management program for those with the condition.

**Comprehensive Employee Experience.** We deliver a user experience that is designed to be the first place employees go whenever they have a health benefits related need. We believe we are uniquely positioned in the market, given the breadth of features and capabilities we have developed, our ecosystem partners; and our unique integrations with all the major health plans. Whether an employee is healthy, accessing care, or managing a condition, we can engage them with personalized content and deliver valuable employer communications. We deliver these all through an engaging website and mobile applications.

### Our Products

We sell our health navigation platform primarily through three available packages:

**Care Guidance Navigator:** Our Care Guidance Navigator provides employees with what they need to make better care decisions and navigate an employer's programs through an experience that is tailored specifically for an employer's networks, health plans, care options, and programs. By helping employees choose the right benefit and right care option at the right time, we can improve their satisfaction with benefits while helping their employer achieve costs savings.

**Wellbeing Navigator:** Our personalized, incentivized Wellbeing Navigator helps drive engagement across an employer's entire benefits program. Wellbeing Navigator leverages a robust data set, advanced personalization and incentives to drive engagement, improve health and increase employee satisfaction.

**Complete Health Navigator:** Castlight Complete Navigator is configured to address the unique needs of an organization and guides employees through the complete health journey in a single platform. Whether they are working to stay healthy, accessing care or managing a condition, we can serve them with personalized content and communications through a single user experience. This package combines the full functionality of the Wellbeing Navigator and Care Guidance Navigator packages.

All the above Navigator packages include ecosystem integrations, the Castlight Genius personalization engine, and an engagement hub that aggregates all employee benefits, personalized recommendations and communications into one central location.

We offer each of our three Navigator packages in two versions: Enterprise and Express. The Enterprise versions are configurable for larger employers with more complex benefit designs and larger numbers of vendor integrations. For



mid-size employers, we offer Express versions of our packages, which are pre-configured to facilitate faster implementation and more streamlined management, providing the same base functionality, but no custom integrations.

In addition to the above three packages, we offer Elevate as a buy-up product and Engage through Anthem Inc., both of which are described below:

**Elevate:** All customers may purchase our behavioral health module, Castlight Elevate, which guides users to the available behavioral health resources such as employee assistance programs, cognitive behavioral therapy and teletherapy.

**Engage:** In addition to the three Navigator packages we sell directly, we also use our platform to power an offering sold through Anthem, Inc. called Engage. Engage delivers the power and personalized user experience of the Castlight platform to Anthem members with additional features available through deep integrations with Anthem's own assets, such as

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the Anthem Health Guide concierge, Anthem's clinical and care management programs, and Anthem's gaps-in-care and clinical analytics. Engage is offered in multiple packages, including a more streamlined version that can be offered by Anthem to its smaller size clients. As of December 31, 2018, Engage was available to Anthem, Inc. national accounts and large group accounts in eleven states. See "Strategic Relationships" under the caption "Anthem, Inc." elsewhere in Item 1 to this Form 10-K for additional information on Engage.

### Our Services

We provide a range of services to help employers implement and maximize the value of our offering, including:

**Implementation Services.** We provide implementation services to our customers to help ensure successful deployment of our offering, including executing required data feeds, loading customer data, configuring products, integrating with third-party and other applications, communication and comprehensive testing. We also offer communications services to drive employee engagement with our offering that span educational presentations, email campaigns, print collateral and employer-specific media. Communications initiatives are typically run during open enrollment, time of product launch and periodically post launch, and are designed to drive employee engagement and change management. The fees for these services are included as part of our contracts.

**User and Customer Support.** We offer end user support to help ensure effective employee use of our platform. We provide telephonic, live chat and email support for employees and their families in the areas of account maintenance, technical issue resolution, and navigation of online services. In addition, we assist employees with finding care, understanding their benefits, and interpreting past claims, bills, and total spend. We also enable employees who may have limited computer access to obtain their personalized health care information using our customer support personnel. We offer interactive sessions to our customers that help them understand impact of our product through various standard and customized reporting and provide deeper insights about their employee population with a focus on employee engagement. The fees for these services are included as part of our subscription contracts.

**Marketplace: Store and Rewards Center.** To help employers drive employee engagement with their benefits, we offer an online store where employers can offer third-party health products and services (e.g. fitness trackers) to their employees for use with Wellbeing Navigator's activity tracking functionality. Additionally, we power a Rewards Center where employees can redeem incentive points for items such as contributions to the HSA accounts, gift cards, and donations to charity. Revenues from products sold through our online market place is recognized on a net basis principally because we are not the primary obligor to the end-customers.

### Customers

As of December 31, 2018, we had \$150.5 million in signed annual recurring revenue ("ARR"). Together, our customers encompass millions of eligible employees and their families. Our customers consist primarily of large self-insured employers, representing a wide range of industries, such as education, manufacturing, retail, technology and government, and includes some of the largest employers in the United States. We define a customer as a separate and distinct buying entity, such as a company, an educational or government institution, or a distinct business unit of a large corporation, which has entered into a master subscription agreement with us to access our platform, including customers that are in the process of deploying our platform to employee populations.

### Employees and Culture

We view our employees and company culture as critical assets for our business and a source of competitive strength. Our leadership team is focused on supporting our employees and fostering our unique culture. We believe this has

enabled us to attract and retain some of the best minds in technology and health care to build and advance our platform.

As of December 31, 2018, we had a total of 470 full-time employees. We also engage contractors and consultants. None of our employees are represented by a labor union or covered by a collective bargaining agreement. We have not experienced any work stoppages, and we consider our relations with our employees to be good.

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### Sales and Marketing

We have a hybrid sales model that leverages a national direct sales organization and strong channel partner relationships.

Our direct sales team comprises enterprise-focused field sales professionals who are organized into geography-based teams. Our field professionals target large, self-insured U.S. employers and are supported by a sales operations staff, including product technology experts, lead generation professionals and sales data experts.

We have also increased our focus on indirect sales through a variety of channels, most notably through our go-to-market relationship with Anthem, Inc. (See "Strategic Relationships" below.) We also maintain relationships with key industry participants including benefit consultants, brokers, group purchasing organizations, and health plan partners. These channel partners can support our sales efforts to varying degrees by sourcing prospects, and working in collaboration with our direct sales team during the sales process. Through these relationships, we believe we are able to reach a broader set of potential customers and leverage existing relationships to promote our health benefits platform and products.

We also generate customer leads, accelerate sales opportunities and build brand awareness through our marketing programs and strategic relationships. Our marketing programs target human resource executives and benefits leaders in addition to senior business leaders and health care and benefits channel partners. Our principal marketing programs include value-add research and learning opportunities for potential customers, channel marketing, demand generation activities, field marketing events, direct e-mail campaigns and participation in user conferences, industry events, trade shows and customer conferences.

### Technology and Operations

We have designed our technology infrastructure to provide a highly available and secure multi-tenant cloud-based offering. Our multi-tenant platforms allow us to use a standard data model and consistent management practices for all customers with multiple possible configurations, while securely partitioning each customer's application data. This approach provides significant operating leverage and improved efficiency as it helps us reduce our fixed cost base and minimize unused capacity on our hardware.

The architecture, deployment and management of our technology are focused on:

**Scalability.** We have developed a robust and scalable data architecture infrastructure, which allows for automated loading and normalization of numerous data sources, including billions of claim transactions in our data warehouse.

**Standardization.** Our technology assimilates structured and unstructured data from disparate sources, and employs unique algorithms to convert these data into user-friendly information for our users. Additionally, we operate using Services Oriented Architecture principles, with a platform of services that serve to deliver the application in a scalable and standardized way.

**Security.** We maintain a formal and comprehensive security program designed to ensure the security and integrity of customer data, protect against security threats or data breaches and prevent unauthorized access to our data or the data of our customers. We strictly regulate and limit all access to on-demand servers and networks at our production and remote backup facilities. All users are validated, authenticated and authorized before they can access our system.

Users must have a valid user ID and associated password to log on to our services. We require Transport Layer Security between the user's browser and our servers to protect data in transit. Encrypted backup files are transmitted over secure connections to redundant storage in a secondary data center.

We currently host our products from regionally dispersed data centers and lease third-party industry-class data center hosting facilities throughout the United States. We rely on third-party vendors to provide infrastructure support for our data centers, which are designed to host computer systems that require high levels of availability and have redundant subsystems and compartmentalized security zones. We utilize commercially available hardware for our data center servers. Our data center

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facilities employ advanced measures to ensure physical integrity, including redundant power and cooling systems and advanced fire and flood prevention.

### Compliance and Certifications

Our software services and data are located at independently managed and third-party data center hosting facilities. We require those vendors to obtain third-party security examinations relating to security and data privacy such as Service Organization Controls (SOC) SOC 1 or SOC 2 reports. Our vendors' examinations are conducted at least every 12 months by an independent third-party auditor, and address, among other areas, physical and environmental safeguards for production data centers, data availability and integrity procedures, change management procedures and logical security procedures. An independent auditor conducts an annual SOC 2 Type II audit of our operating processes and procedures and HITRUST certifications of our security controls. Our annual internal audits are based upon the international standard ISO/IEC 27001 that addresses, among other things, security, data privacy and operational controls.

### Strategic Relationships

**Data Collaborations.** We have relationships with many national and regional health plans, pharmacy benefit managers (PBMs), dental insurers, behavioral health plans, and health savings plans to support our mutual customers. These collaborations provide us with claims, balance integrations and other data on behalf of our employer customers. We have developed technologies in collaboration with several payers including real-time integrated APIs. The increasing number of data integrations we have in place is helping to position us as a health navigation platform for our customers, and enables employers to consolidate many of their myriad sources of benefits information toward a single point of reference.

**Channel Relationships.** We have relationships with channel partners, which complement our direct sales capabilities. These relationships and strategies include a focus on brokers, consultants, health plans and enterprise software providers. Through these relationships, we gain the leverage to reach a broader set of potential customers and leverage existing relationships to promote our health benefits platform and products to cross-pollinate customer opportunities.

**Anthem, Inc.** We continue to expand our ongoing relationship with Anthem to deliver greater shared value to our customers and Anthem's members. In 2017, Anthem began selling Engage, a Castlight-powered health navigation platform branded by Anthem and deeply integrated with Anthem's own programs and benefits. Today, Anthem is marketing Engage as a highly integrated mobile-first personalized health assistant for new and existing Anthem clients in its national accounts business segment as well as in its large group businesses in eleven states. Additionally, we have developed and continue to support the base technology underlying Anthem's core care guidance offering, which Anthem is rolling out to its book of business in a phased approach.

**Ecosystem Vendors.** Castlight's ecosystem provides access to more than 30 pre-integrated digital health partners that we can resell to provide a more integrated and streamlined experience for our users. In addition to our sales partnerships, Castlight also has performed over 1,000 third-party benefit integrations for our customers that deliver effortless access to these programs for our users.

### Competition

Our market is in an early stage of development, but is rapidly evolving and competitive. We currently face competition from both existing and emerging vendors across a variety of categories, from specialists in the care

guidance and wellbeing areas of the market, to broader offerings that compete with our full health navigation platform. A listing of some of our common competitors, grouped by major category, includes:

Care guidance competitors, which include: independent vendors such as ClearCost Health, Compass, Healthcare Bluebook, Accolade, HealthAdvocate, and Quantum Health; and U.S. health plans such as Aetna Inc., Cigna Corporation, and United Healthcare Group, Inc., and Health Services Corporation that bundle basic care guidance functionality into their offering;

- Wellbeing competitors, which include: Limeade, VirginPulse and Vitality; and

Platform competitors, which include: United Healthcare Group's Optum/Rally offering, and emerging competitors such as Evive, Welltok, and Sharecare.

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The principal competitive factors in our industry include:

- ability to curate complex data from multiple sources and present it through an easy to navigate user interface;
- capability for customization through configuration, integration, security, scalability and reliability of products;
- ease of use and rates of user engagement;
- complimentary technology platform and high touch services;
- breadth and depth of application functionality;
- competitive and understandable pricing;
- size of customer base and level of user engagement;
- depth of access to third-party data sources;
- ability to integrate with legacy enterprise infrastructures and third-party applications;
- ability to innovate and respond rapidly to customer needs and regulatory changes;
- domain expertise in benefits and health care consumerism;
- accessibility on any browser or mobile device;
- clearly defined implementation timeline; and
- customer branding and styling.

While we believe that we compete favorably on the basis of these factors, many of our competitors have longer operating histories, significantly greater financial, technical, marketing, distribution or other resources and greater name recognition than we do. In addition, many of our competitors have strong relationships with current and potential customers and extensive knowledge of the health care industry. We also may face competition from new entrants to the field as healthcare delivery and services continue to evolve. As a result, we may not always compare favorably with respect to certain of the above factors. We may not be able to compete successfully against current and future competitors, and our business, results of operations and financial condition may be harmed if we fail to meet these competitive pressures.

## Intellectual Property

We rely on a combination of patent, trademark, copyright and trade secret laws, as well as confidentiality procedures and contractual restrictions, to establish, maintain and protect our proprietary rights. These laws, procedures and restrictions provide only limited protection and any of our intellectual property rights may be challenged, invalidated, circumvented, infringed or misappropriated. In addition, we may not be able to prevent others from developing technology that is similar to, but not the same as our proprietary technology. We generally require employees, consultants, customers, suppliers and partners to execute confidentiality agreements with us that restrict the disclosure of our intellectual property. We also require our employees and consultants to execute invention assignment agreements with us that protect our intellectual property rights.

As of December 31, 2018, we had one issued patent and three patent applications pending in the United States. Our issued patent expires on July 27, 2031. We own and use trademarks on or in connection with our products and services, including both unregistered common law marks and issued trademark registrations in the United States and elsewhere. We have trademark applications pending to register marks in the United States. We have also registered numerous Internet domain names. Although we rely on intellectual property rights, including trade secrets, patents, copyrights and trademarks, as well as contractual protections to establish and protect our proprietary rights, we believe that factors such as the technological and creative skills of our personnel, creation of new modules, features and functionality, and frequent enhancements to our products are more essential to establishing and maintaining our technology leadership position.



Despite our efforts to protect our proprietary technology and our intellectual property rights, unauthorized parties may attempt to copy or obtain and use our technology to develop products with the same functionality as our offering. In addition, policing unauthorized use of our technology and intellectual property rights is difficult and may not be effective.

We expect that we and others in our industry may be subject to third-party infringement claims as the number of competitors grows and the functionality of products in different industry segments overlaps. Any of these third parties might make a claim of infringement against us at any time. Any such claim could pose a substantial distraction to the management of the company. A successful claim of this type may be costly and could require us to spend substantial time and effort in making our offering non-infringing.

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Strategic Acquisition

On April 3, 2017, we completed our acquisition of Jiff, Inc. Jiff provided an enterprise health benefits platform that served as a central hub for employee wellbeing and employee benefit programs and is the foundation for our Wellbeing Navigator. The acquisition enabled us to develop a product offering that provides the full spectrum of wellbeing, healthcare decision support and an engagement hub all in one complete package.

Regulatory Environment

Participants in the health care industry are required to comply with extensive and complex laws and regulations in the U