




Third Quarter 2016 Conference Call

November 1, 2016

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Forward-Looking Statements and Non-GAAP Presentation

2

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements may be affected by many factors, including, among others, those described in the Company's news release dated November 1, 2016 and under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's most recent filings on Form 10-K or 10-Q with the Securities and Exchange Commission. Consequently, actual operations and results may differ materially from those expressed or implied in any forward-looking statements made by us. All forward-looking statements are qualified by those factors and the other information disclosed in the Company's filings with the Securities and Exchange Commission. The Company undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events, or otherwise.

This presentation contains information regarding adjusted revenue, adjusted EBITDA, adjusted net income, non-GAAP earnings per diluted share, adjusted effective tax rate, adjusted weighted average common shares outstanding - diluted, and free cash flows, which are financial measures of performance that are not calculated in accordance with generally accepted accounting principles, or "GAAP." The Appendix presents a reconciliation of each historical non-GAAP financial measure to the most directly comparable GAAP financial measure.

1 Business and Market Update

2 Financial Performance Review and Update

3 Q & A

Q3 2016 Financial Summary

\$200.5 M

Revenue

*(as compared to Q3-15
Revenue of \$200.5 M)*

.....

\$786.2 M

Contract Value

*(as compared to Q3-15
Contract Value of \$760.3 M)*

.....

\$41.0 M

Non-GAAP Adjusted EBITDA

*(as compared to Q3-15
Adjusted EBITDA of \$43.7 M)*

.....

\$0.28

Non-GAAP adjusted EPS

*(as compared to Q3-15
Adjusted EPS of \$0.33)*

.....

*Contract Value is the aggregate annualized revenue attributable to all agreements in effect at any given point in time, without regard to the initial term or remaining duration of any such agreements. For contracts with more than 12-months duration, we include only 12 months in Contract Value.

YTD 2016 Financial Summary*


\$599.6 M

Revenue

4.1% increase

*(as compared to YTD-15
Adjusted Revenue of \$575.9 M)*


\$136.1 M

Non-GAAP Adjusted EBITDA

6.2% increase

*(as compared to YTD-15
Adjusted EBITDA of \$128.2 M)*


\$1.21

Non-GAAP adjusted EPS

18.6% increase

*(as compared to YTD-15
Adjusted EPS of \$1.02)*

* YTD reflects nine-month period ended September 30

Healthcare Business Update

- Continuing change and complexity for members across numerous forces -- migration to value-based reimbursement; more demanding payers and consumers; need to grow and expand in new and unfamiliar ways
 - Members need support navigating dynamic environment over medium- to long-term
 - Near-term presents complex sales environment with no uniform buying behavior
- 2016 organizational changes align with long-term market trends and members' individual strategic priorities
 - Documented member ROI already surpassed \$1.25B this year
- Significant member value being driven through best-practice market insight, data and analytics, and consulting
 - Case study: NJ-based multi-hospital system implemented cardiovascular care coordination, standardization, and quality improvement
 - Resulted in transformation of service line through data-driven management and evidence-based care
 - Produced \$9M annualized reduction in service line costs

Healthcare Market Update

- The Advisory Board's expertise is a true differentiator in complex market
- Market complexity is exemplified by MACRA
 - 2,400-page final rule
 - More health systems are likely to participate in risk-based payment models
 - Health system quality performance and reporting will become more important
 - MACRA creates new market pressure for consolidation, and increases need for a solid physician alignment strategy for health systems
- Numerous medium-term opportunities, as Advisory Board can help:
 - Develop and implement strategy around risk-based payment models
 - Measure, track and improve quality measures
 - Execute an effective physician alignment strategy

Higher Education Update

- Significant market opportunity with offerings driving strong member impact
- Case study: regional university facing poor graduation and student retention rates
 - EAB's technology provided a holistic picture of student success
 - Data and analytics enabled a "population management" approach to student success
 - 4% increase in student retention rates yielding \$1+M in < two years

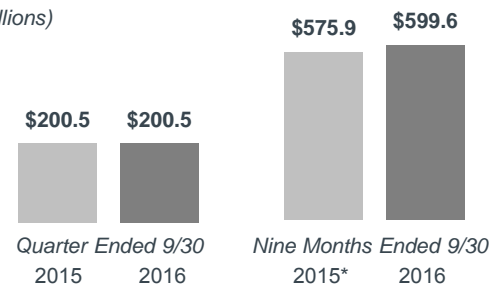
1 Business and Market Update

2 **Financial Performance Review and Update**

3 Q & A

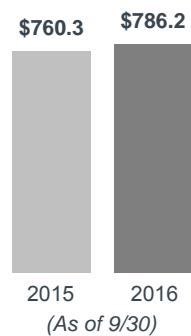
Top-Line Growth

▶ Revenue (millions)



*2015 value is adjusted revenue.

▶ Contract Value (millions)

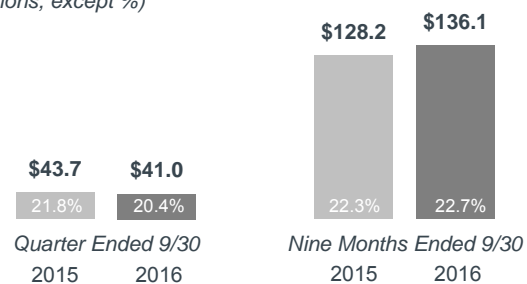


- Q3-16 revenue flat compared to Q3-15
 - Tough comp due to \$7+M of one-time or earlier-than-expected revenue in Q3-15
 - Q3-16 impacted by slower conversion of consulting sales into revenue, and timing of some Royall contracts
- YTD-16 revenue up 4.1% vs. YTD-15
 - Supported by consistently high renewal rates, continued cross selling and new member growth
- Q3-16 contract value growth of 3.4% compared to Q3-15
 - Q3-16 sales strength in research, EMR optimization, revenue cycle and supply chain consulting, and student success technology
 - Lack of uniform buying activity impacting contract value growth

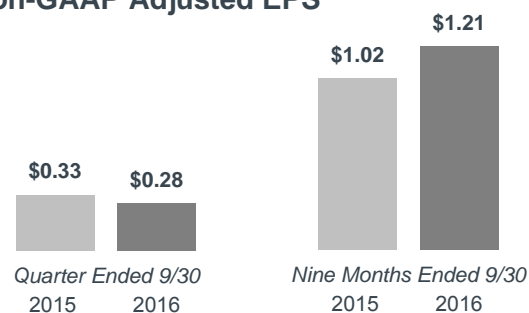
Earnings Growth and Margin Expansion

► Adjusted EBITDA & Margin

(millions, except %)



► Non-GAAP Adjusted EPS



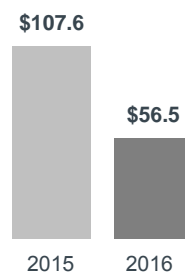
Operating Expense and Margin Drivers

- Higher-than-typical revenue in Q3-15 drove higher Adjusted EBITDA last year
- Q3-16 Gross Margin of 48.0%, down from 49.4% in Q3-15
 - Lower than prior year due to impact of one-time revenue in Q3-15
- YTD-16 Gross Margin increased to 50.5% from 48.6% in YTD-15
 - Scaling revenue over our fixed cost base
- Member Relations and Marketing expense increased to 16.3% of revenue, compared to 15.4% of revenue in Q3-15
- General & Administrative expense increased to 16.1% of revenue, compared to 15.3% of revenue in Q3-15
- YTD-16 Adjusted EPS growth of 18.6% from lower interest expense and share repurchases

Cash Flow and Capital Position

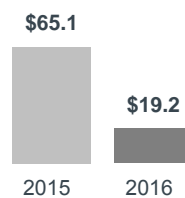
▶ YTD Cash Flow from Operations

(millions)



▶ YTD Free Cash Flow*

(millions)



* Cash Flow From Operations minus capital expenditures.

As of 9/30/16

- Cash and Cash Equivalents: \$55.1 M
(after \$8.0 M of share repurchase in Q3-16)
- Total Outstanding Debt: \$529.0 M
- Debt / Adjusted EBITDA (TTM): 2.9x
(2.6x net of cash)
- Evolent Ownership Value: \$230.0 M
(value not reflected on balance sheet)

Updated Guidance for Calendar Year 2016

	Revised	Prior
Revenue	\$817 - \$819 M (4.6% - 4.9% growth)	\$817 - \$830 M (4.6% - 6.3% growth)
Adjusted EBITDA	\$190 - \$192 M (10.7% - 11.8% growth) (23.2% - 23.5% margin)	\$190 - \$195 M (10.7% - 13.6% growth) (22.9% - 23.9% margin)
Adjusted EPS	\$1.83 - \$1.86 (21.2% - 23.2% growth)	\$1.83 - \$1.90 (21.2% - 25.8% growth)
Stock-based Compensation	\$32 M	\$32 M
Interest Expense	\$19 M	\$19 M
Acquisition-related Amortization	\$29 M	\$29 M
Depreciation & Amortization	\$50 M	\$50 M
Capital Expenditures	\$50 - \$55 M	\$60 M
Share Count	41 M	41 M
Tax Rate	38% - 40%	38% - 40%

Investment Profile

- **Distinctly Positioned in Today's Environment**
 - Insight-driven research, technology (SaaS), consulting, and tech-enabled services
 - C-suite partnerships in two high-demand target markets

- **Powerful Economic Model**
 - High member ROI; on track for \$1.5B in documented member value in 2016
 - 85% recurring revenue (research/technology subscriptions w/ 89-94% renewal rates)
 - Long-term revenue and cash flow growth
 - Scalable solutions/programs drive margin expansion
 - Balanced capital allocation to repurchase shares, reduce debt, and invest in innovation and talent for long-term growth


- **Multiple Avenues for Growth**
 - Execute on compelling cross-selling opportunities
 - Add new members, new programs, and superior integrated solutions
 - Identify and execute on select, strategic M&A

APPENDIX

The best practices are the ones that work for **you.**SM

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Reconciliation of GAAP to Non-GAAP Measures

Adjusted Revenue and Adjusted EBITDA

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Revenue	\$ 200,455	\$ 200,492	\$ 599,572	\$ 563,397
Effect on revenue of fair value adjustments to acquisition-related deferred revenue	-	-	-	12,499
Adjusted revenue	<u>\$ 200,455</u>	<u>\$ 200,492</u>	<u>\$ 599,572</u>	<u>\$ 575,896</u>

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Net income (loss)	\$ 37,538	\$ 672	\$ 55,372	\$ (13,734)
Effect on revenue of fair value adjustments to acquisition-related deferred revenue	-	-	-	12,499
(Gain) loss from equity method investments	(34,729)	3,289	(34,284)	1,668
Provision for income taxes	3,279	8,590	13,812	11,684
Loss on financing activities	-	-	-	17,398
Interest expense	4,530	5,450	13,738	16,333
Other expense, net	1,516	1,150	2,380	2,280
Depreciation and amortization	19,173	18,509	57,857	54,282
Acquisition and similar transaction charges	-	-	-	6,610
Fair value adjustment to acquisition-related earn-out liabilities	788	(1,057)	1,493	(2,140)
Build-to-suit land rent	931	-	2,801	-
Vacation accrual adjustment	-	-	-	(850)
Stock-based compensation expense	7,967	7,094	22,914	22,130
Adjusted EBITDA	<u>\$ 40,993</u>	<u>\$ 43,697</u>	<u>\$ 136,083</u>	<u>\$ 128,160</u>

Reconciliation of GAAP to Non-GAAP Measures

Net Income (Loss) Per Share to Adjusted EPS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income (loss) per share - diluted	\$ 0.93	\$ 0.02	\$ 1.35	\$ (0.33)
Effect on revenue of fair value adjustments to acquisition-related deferred revenue	-	-	-	0.29
(Gain) loss from equity method investments	(0.86)	0.08	(0.84)	0.04
Amortization of acquisition-related intangibles	0.18	0.18	0.52	0.55
Loss on financing activities	-	-	-	0.41
Acquisition and similar transaction charges	-	-	-	0.16
Fair value adjustment to acquisition-related earn-out liabilities	0.02	(0.03)	0.04	(0.05)
Gain on investment in common stock warrants	-	-	-	-
Loss on cost method investment	0.04	-	0.04	-
Build-to-suit land rent	0.02	-	0.07	-
Vacation accrual adjustment	-	-	-	(0.02)
Stock-based compensation expense	0.20	0.16	0.56	0.53
Income tax effects and adjustments	(0.25)	(0.08)	(0.53)	(0.55)
Non-GAAP adjusted earnings per share	<u>\$ 0.28</u>	<u>\$ 0.33</u>	<u>\$ 1.21</u>	<u>\$ 1.03</u>

Reconciliation of GAAP to Non-GAAP Measures

Adjusted Tax Rate and Adjusted Shares Outstanding

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Effective tax rate	53.9%	68.4%	39.6%	-3058.6%
Effect on tax rate of Washington, D.C. tax law change including write-off of DC income tax credits	0%	0%	0%	3241%
Effect on tax rate of loss on financing activities	0%	-9%	0%	-18%
Effect on tax rate of equity method investment related FIN 48 liability	0%	0%	0%	0%
Effect on tax rate of Royall acquisition costs and other tax items	0%	-14%	0%	-120%
Adjusted effective tax rate	<u>53.9%</u>	<u>45.9%</u>	<u>39.6%</u>	<u>44.4%</u>
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Weighted average common shares outstanding - diluted	40,492	42,788	40,977	41,900
Dilutive shares outstanding (1)	-	-	-	525
Adjusted weighted average common shares outstanding - diluted	<u>40,492</u>	<u>42,788</u>	<u>40,977</u>	<u>42,425</u>

(1) For non-GAAP purposes, the Company has net income and, therefore, used adjusted diluted shares in its calculation of non-GAAP adjusted EPS.



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