

STIFEL

Everyday Health, Inc.
EVDY – NYSE
Buy
Digital Healthcare

Company Update

Understanding the Non-Personal Promotion Opportunity Facing EVDY; Maintain Buy

On February 10, 2015, we hosted Everyday Health at our Stifel Technology Conference. A major topic of discussion revolved around the non-personal promotion (NPP) opportunity, which stems from the Doctor Directory acquisition. Based on our discussions with management, Doctor Directory's NPP solutions should allow Everyday Health to more meaningfully participate in the pre-launch phase of the commercialization life-cycle. In the February 2015 issue of Medical Media and Marketing Magazine, editor James Chase provides a deeper look at the NPP opportunity and current industry trends. We provide our investment implications and key insights from the article, below.

Investment Implications for Everyday Health. We think the NPP opportunity represents a main driver of Everyday Health's purchase of Doctor Directory. The company realizes that each brand represents a different selling opportunity; one size pricing does not fit all. Additionally, shared-risk and the non-personal promotion strategy employed by Doctor Directory may represent a significant long-term monetization opportunity for Everyday Health. We believe in the future, investors may look back at the Doctor Directory acquisition and think this is the reason Everyday Health never hit a revenue growth wall.

Investment Implications for athenahealth's Epocrates. we think the shift to NPP highlights the unique value of biopharma messaging at Epocrates given its position within the physician workflow being embedded within the athenahealth platform. We think Epocrates coupled with athenaCommuniator are uniquely positioned to take advantage of several biopharma messaging trends including NPP, real-time continuing medical education, and most importantly patient support campaigns.

Investment Implications for WebMD. We believe NPP illustrates our problem with WebMD's sales strategy. Each brand today represents a different value proposition or call to action. One size pricing no longer fits all in the biopharma space. Ultimately, we believe WebMD needs to improve its targeting, especially in the non-physician setting, in order to improve advertising revenue growth. We maintain a skeptical view that WebMD has the necessary analytics to meaningfully participate in the coming shift to NPP, and note the episodic nature of consumer interaction with the platform represents an additional concern.

Highlighting Current NPP Trends Based on Comments from Jim Woodland COO of CMI/Compas. According to Mr. Woodland, biopharma companies are preparing to roll-out NPP-led product launches, which represents a significant industry shift. One company is launching a large brand in a large market and 75% of providers will be targeted with NPP only. NPP was chosen by considering factors such as risk tolerance and likelihood of buying into the new brand. Currently, the most progressive NPP clients demand solutions that target the individual prescriber level and demand response behavior at the individual prescriber level, too. **Continued on Page 2.**

Steven A. Rubis
Stifel Equity Trading Desk

rubiss@stifel.com

(202) 778-4780
(800) 424-8870

Changes	Previous	Current
Rating	—	Buy
Target Price	—	\$22.00
FY14E EPS (Net)	—	\$0.44
FY15E EPS (Net)	—	\$0.66
FY14E Rev (net)	—	\$184.3
FY15E Rev (net)	—	\$229.2

Price (02/11/15):	\$13.80
52-Week Range:	\$20 – \$11
Market Cap.(mm):	445.0
Shr.O/S-Diluted (mm):	32.2
Enterprise Val. (mm):	\$490.0
Avg Daily Vol (3 Mo):	198,818
LT Debt/Total Cap.:	28.6%
Net Cash/Share:	\$(1.40)
Book Value/Share:	\$6.97
Cash (mm):	\$0.0
Debt (mm):	\$0.0
Dividend(\$ / %)	\$0.00 / 0.0%
S&P Index	2,068.53
52-week range since first trade 3/28/14.	

EPS (Net)	2013A	2014E	2015E
Q1	\$(0.29)	\$(0.08)A	\$NE
Q2	(0.24)	0.07A	NE
Q3	(0.19)	0.08A	NE
Q4	0.15	0.38	NE
FY Dec	\$(0.56)A	\$0.44	\$0.66
P/E	NM	31.4x	20.9x

Rev (net)	2013A	2014E	2015E
FY Dec	\$155.9A	\$184.3	\$229.2
EV/Revenue	3.1x	2.7x	2.1x
EBITDA	2013A	2014E	2015E
FY Dec	\$21.7A	\$35.4	\$46.6
EV/EBITDA	22.6x	13.8x	10.5x



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All relevant disclosures and certifications appear on pages 4 - 7 of this report.

Liz Cermak Former Chief Marketing Officer at Pozen Pharmaceuticals was a Few Years Too Early. Investors may recall the digital marketing efforts of Pozen's former Chief Marketing Officer circa 2011. Ms. Cermak was an early thought leader around the shift to digital marketing, as she attempted to lead Pozen to a completely digital commercialization and launch strategy. Unless you were a small cap biotech investor, you likely missed Ms. Cermak's unique world view. Nevertheless, we see several trends that make a complete digital commercialization strategy viable today. First, the shift to physician employment by medical groups restricts sales rep visits. Second, the quantification of sales rep performance via platforms such as **Veeva Systems (VEEV, \$29.91, Buy, covered by colleague Tom Roderick)**, and others, helped facilitate a reduction in the number of biopharma sales reps. Ultimately, a completely digital strategy works today because entities such as Everyday Health, Crossix, Doctor Directory, and Veeva Systems among others have been able to significantly improve and develop the analytics necessary to drive a completely digital drug launch.

What is Non Personal Promotion (NPP)? Non-Personal Promotion (NPP) represents an umbrella term for sales and marketing efforts focused on healthcare professionals without being called upon by a sales rep. Currently, NPP refers to a plethora of sales tools across multiple channels including: e-mail, direct marketing, digital content, drug reference databases, web ads, journals, e-sampling, and mobile apps among many others. According to Medical Marketing and Media, NPP was originally used to complement sales rep efforts, but today continues to take a more primary role in biopharma commercialization.

Target Price Methodology/Risks

Our \$22 12-month target price equates to an enterprise multiple of 3.3x our 2015 revenue estimate of \$229.2 million, and an enterprise multiple of 16.2x our 2015 adjusted EBITDA estimate of \$46.6 million. On an FY16 basis, our 12-month target price equates to an enterprise multiple of 2.9x our 2016 revenue estimate of \$262.2 million and an enterprise value multiple of 12.3x our 2016 adjusted EBITDA estimate of \$61.3 million.

We believe Everyday Health deserves a premium valuation given its significant competitive advantages around advertising and ROI analytics. The company intends to invest in developing and improving the advertising and ROI analytics obtained in the Doctor Directory acquisition. We believe the strategy will drive strong performance over the long term.

Risks:

- Advertiser mix shift away from biopharmaceutical advertising
- Inability to demonstrate or prove out advertising ROI
- Changes in the macro environment for biopharma, CPG, and OTC advertising
- Patent cliff expirations
- Acquisition integration issues

Company Description

Everyday Health, Inc. is a leading provider of digital health & wellness solutions. The company operates a portfolio of 25 branded websites and 26 mobile apps to allow patients and physicians to engage with health & wellness. Everyday Health provides personalized curated health & wellness content through sophisticated data analytics and technology. The company is based in New York, New York.

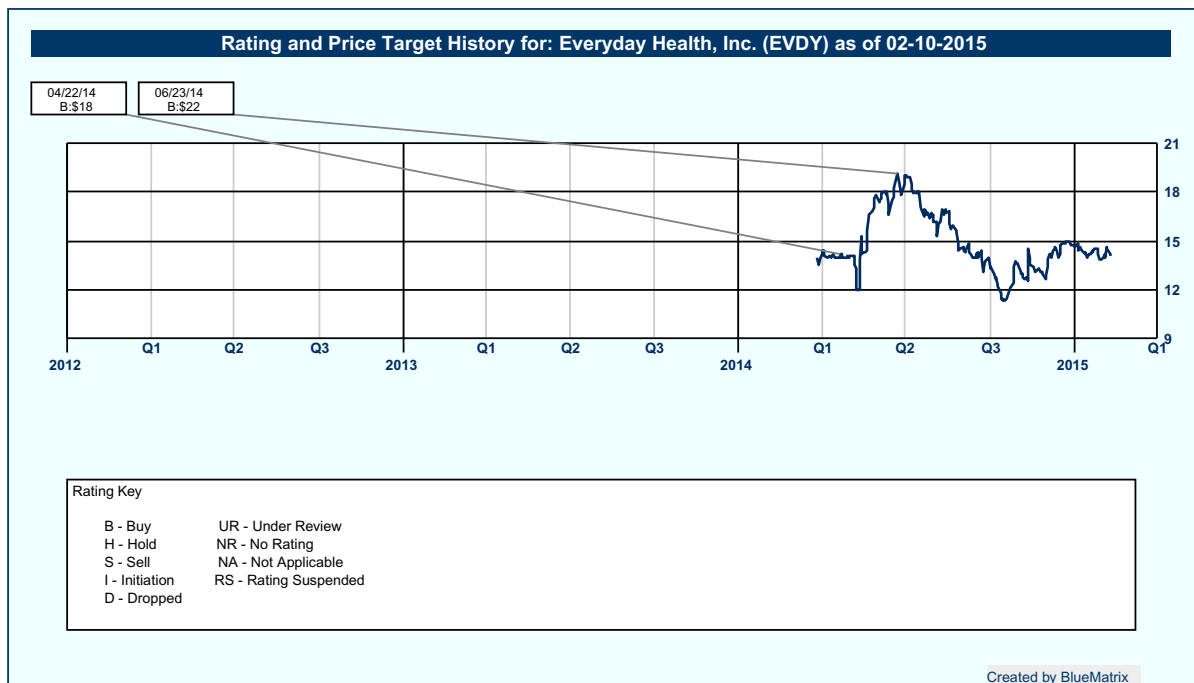
Everyday Health (EVDY)**Statement of Income**

(\$ in 000s, except per share) FY Ends Dec	FY 2013	FYE 2014	FYE 2015	FYE 2016	1Q13 Mar-13	2Q13 Jun-13	3Q13 Sep-13	4Q13 Dec-13	1Q14 Mar-14	2Q14 Jun-14	3Q14 Sep-14	4Q14 E Dec-14
Advertising and Sponsorship	134,893	166,491	212,798	247,909	25,380	31,819	29,662	48,032	32,692	36,882	37,910	59,007
Premium services revenues	20,957	17,791	16,416	14,314	5,124	5,379	5,392	5,062	4,813	4,565	4,414	3,999
TOTAL REVENUE	155,850	184,282	229,213	262,224	30,504	37,198	35,054	53,094	37,505	41,447	42,324	63,006
Cost of revenues	43,338	48,383	59,391	66,613	9,835	10,826	9,620	13,057	11,421	10,961	11,006	14,995
Gross Profit	112,512	135,899	169,822	195,611	20,669	26,372	25,434	40,037	26,084	30,486	31,318	48,011
Sales and marketing	44,385	52,175	61,602	62,960	9,061	11,860	10,814	12,650	10,970	13,069	13,014	15,122
Product development	44,496	44,094	59,166	64,907	10,344	10,884	10,841	12,427	10,196	9,952	10,085	13,861
General and administrative	26,725	29,988	34,254	35,672	6,355	6,007	6,277	8,086	6,411	7,126	7,504	8,947
Operating Income (Loss)	(3,094)	9,642	14,801	32,071	(5,091)	(2,379)	(2,498)	6,874	(1,493)	339	715	10,081
Interest expense	8,442	4,579	6,525	6,525	2,129	2,015	2,125	2,173	1,863	585	500	1,631
Other expense	359	4,114	0	0	0	0	0	359	4,114	0	0	0
Pretax income	(11,895)	949	8,276	25,546	(7,220)	(4,394)	(4,623)	4,342	(7,470)	(246)	215	8,450
Income Taxes	1,102	1,288	1,180	1,475	264	247	311	280	289	349	365	285
Tax Rate	NM	135.8%	14.3%	5.8%	NM	NM	NM	6.4%	NM	NM	NM	NM
Profit (loss) from continuing operations	(12,997)	(339)	7,096	24,071	(7,484)	(4,641)	(4,934)	4,062	(7,759)	(595)	(150)	8,165
Loss from discontinued operations	(5,239)	0	0	0	(1,745)	(1,596)	(397)	(1,501)	0	0	0	0
Series G Ratchet	0	8,079	0	0	0	0	0	0	0	8,079	0	0
Net Income	(18,236)	(8,418)	7,096	24,071	(9,229)	(6,237)	(5,331)	2,561	(7,759)	(8,674)	(150)	8,165
Net Income, Pro Forma	(18,236)	(339)	7,096	24,071	(9,229)	(6,237)	(5,331)	2,561	(7,759)	(595)	(150)	8,165
Basic EPS, Pro Forma	\$ (0.77)	\$ (0.28)	\$ 0.23	\$ 0.77	\$ (0.39)	\$ (0.26)	\$ (0.22)	\$ 0.11	\$ (0.26)	\$ (0.29)	\$ 0.00	\$ 0.27
Diluted EPS, Pro Forma	\$ (0.77)	\$ (0.01)	\$ 0.21	\$ 0.71	\$ (0.39)	\$ (0.26)	\$ (0.22)	\$ 0.11	\$ (0.26)	\$ (0.02)	\$ 0.00	\$ 0.25
Shares outstanding												
Basic	23,710	30,168	30,790	31,230	23,847	23,847	23,847	23,847	29,950	29,803	30,405	30,515
Diluted	23,710	32,248	33,520	33,960	23,847	23,847	23,847	23,847	29,950	32,663	33,135	33,245
Cash EPS (before stock comp)	\$ (0.56)	\$ 0.44	\$ 0.66	\$ 1.04	\$ (0.29)	\$ (0.24)	\$ (0.19)	\$ 0.15	\$ (0.08)	\$ 0.07	\$ 0.08	\$ 0.38
Adjusted EBITDA	21,742	35,431	46,589	61,328	166	4,030	3,330	14,216	3,217	6,932	7,123	18,159
Percentage of Revenues												
Gross profit, pro forma	72.2%	73.7%	74.1%	74.6%	67.8%	70.9%	72.6%	75.4%	69.5%	73.6%	74.0%	76.2%
Sales and marketing	28.5%	28.3%	26.9%	24.0%	29.7%	31.9%	30.8%	23.8%	29.2%	31.5%	30.7%	24.0%
Product development	28.6%	23.9%	25.8%	24.8%	33.9%	29.3%	30.9%	23.4%	27.2%	24.0%	23.8%	22.0%
General and administrative	17.1%	16.3%	14.9%	13.6%	20.8%	16.1%	17.9%	15.2%	17.1%	17.2%	17.7%	14.2%
Adjusted EBITDA	14.0%	19.2%	20.3%	23.4%	0.5%	10.8%	9.5%	26.8%	8.6%	16.7%	16.8%	28.8%
Year / Year Growth Rate												
Net Sales	12.5%	18.2%	24.4%	14.4%	6.9%	9.0%	10.4%	20.4%	23.0%	11.4%	20.7%	18.7%
Advertising and Sponsorship	22.7%	23.4%	27.8%	16.5%	18.2%	27.7%	21.7%	22.5%	28.8%	15.9%	27.8%	22.9%
Premium Services	-11.0%	-15.1%	-7.7%	-12.8%	-19.0%	-16.6%	-8.5%	3.9%	-6.1%	-15.1%	-18.1%	-21.0%
Adjusted EBITDA	192.6%	63.0%	31.5%	31.6%		129.1%	170.1%	140.7%	1838.0%	72.0%	113.9%	27.7%
Guidance from Company												
Total Revenues		\$180.2M to \$181.8M										\$59.8M to \$60.7M
Total Revenues (Revised)		\$184.1M to \$184.9M										\$62.8M to \$63.6M
Advertising and Sponsorship Revenues		\$162.0M to \$164.0M										\$55.4M to \$56.6M
Advertising and Sponsorship Revenues (Revised)		\$165.9M to \$167.1M										\$58.4M to \$59.6M
Adjusted EBITDA		\$34.2M to \$34.7M										\$17.3M to \$17.7M
Adjusted EBITDA (Revised)		\$35.3M to \$35.7M										\$18.1M to \$18.5M

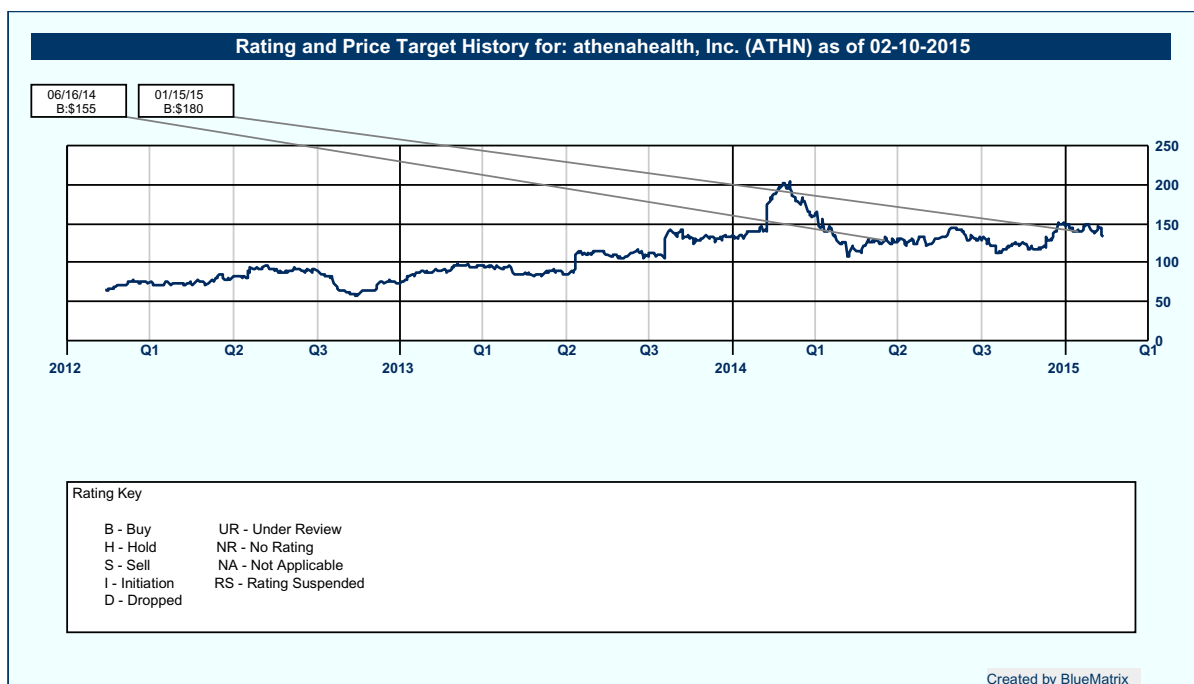
Source: Company Reports and Stifel estimates

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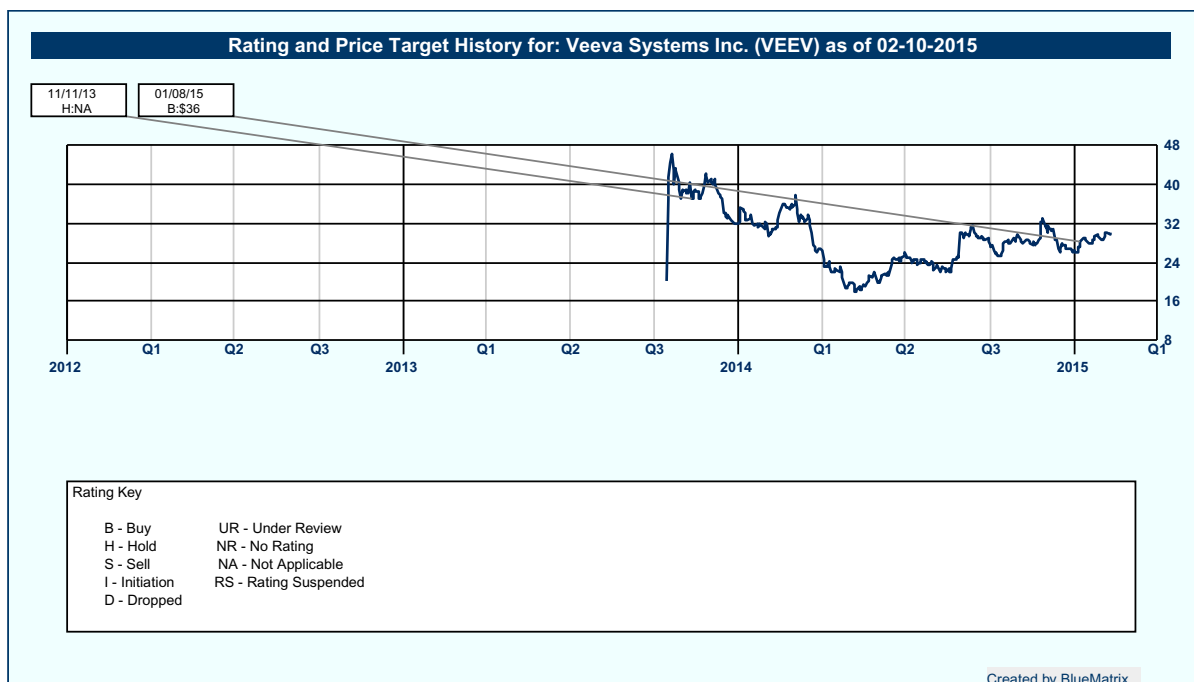
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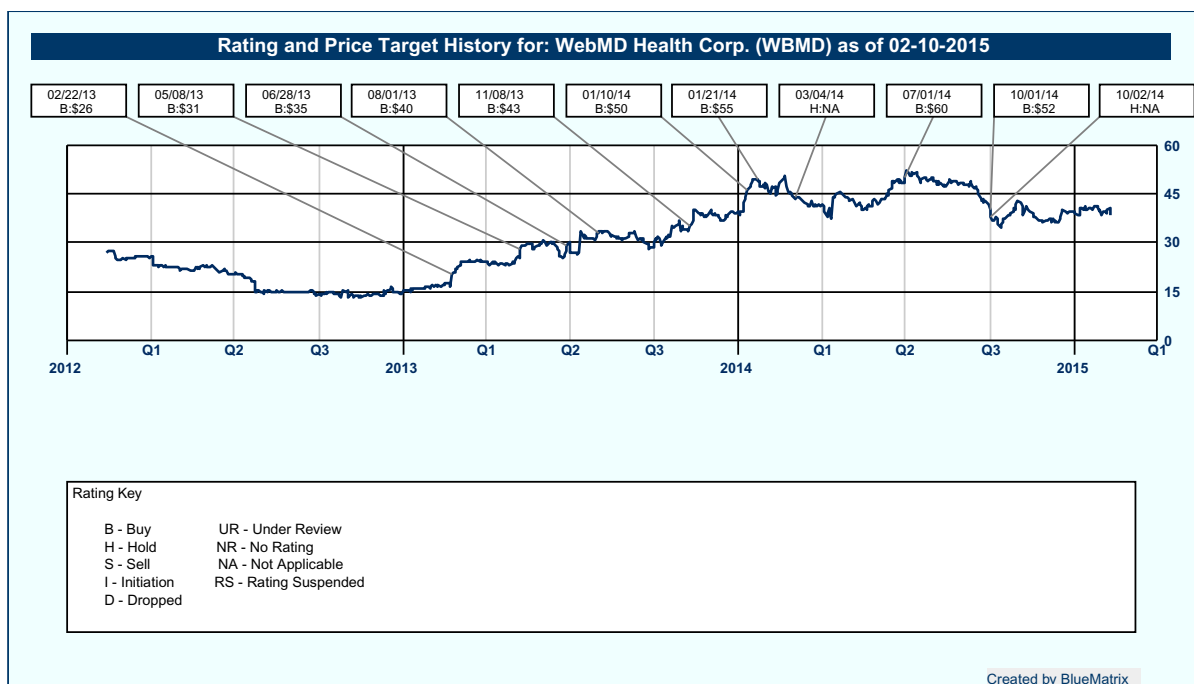
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