

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported)

June 7, 2016

Commission File Number: 001-36568

HEALTH EQUITY, INC.

Delaware

(State or other jurisdiction of
incorporation or organization)

7389

(Primary Standard Industrial
Classification Code Number)

52-2383166

(I.R.S. Employer
Identification Number)

15 West Scenic Pointe Drive
Suite 100
Draper, Utah 84020
(801) 727-1000

(Address, including Zip Code, and Telephone Number, including Area Code, of Registrant's Principal Executive Offices)

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition

On June 7, 2016, HealthEquity, Inc. issued a press release announcing its financial results for its first quarter ended April 30, 2016. The full text of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

This information is intended to be furnished under Item 2.02 of Form 8-K, "Results of Operations and Financial Condition" and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|--------------------|
|--------------------|--------------------|

| | |
|------|---|
| 99.1 | Press release issued by HealthEquity, Inc. dated June 7, 2016, announcing financial results for its first quarter ended April 30, 2016. |
|------|---|

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: June 7, 2016

HEALTH EQUITY, INC.

By: /s/ Darcy Mott

Name: Darcy Mott

Title: Executive Vice President and Chief Financial Officer

EXHIBIT INDEX

| Exhibit no. | Description |
|------------------------|---|
| 99.1 | Press release issued by HealthEquity, Inc. dated June 7, 2016, announcing financial results for its first quarter ended April 30, 2016. |

HealthEquity Reports First Quarter Ended April 30, 2016 Financial Results

Highlights of the first quarter include:

- Revenue of \$44.0 million, an increase of 47% compared to Q1 FY16.
- Net income of \$8.1 million, an increase of 62% compared to Q1 FY16.
- Net income per diluted share of \$0.14 compared to \$0.09 in Q1 FY16.
- Adjusted EBITDA of \$18.0 million, an increase of 66% compared to Q1 FY16.
- Non-GAAP EPS of \$0.15 per share, compared to \$0.10 in Q1 FY16.
- HSA Members grew to 2.2 million, an increase of 51% compared to Q1 FY16.
- Total AUM grew to \$4.1 billion, an increase of 61% compared to Q1 FY16.
- Increased FY17 outlook.

Draper, Utah – June 7, 2016 – HealthEquity, Inc. (NASDAQ: HQY), one of the largest health savings account ("HSA") non-bank custodians, today announced financial results for its first quarter ended April 30, 2016.

"We kicked off fiscal 2017 with a very strong first quarter. Once again, we saw acceleration in each of our key business metrics, revenue, adjusted EBITDA, HSAs, and assets under management, all while simultaneously expanding adjusted EBITDA margins to record levels," commented Jon Kessler, President and CEO of HealthEquity.

Mr. Kessler continued, "The platform we've built not only supports our rapid expansion, but it also enables us to drive incremental efficiencies. Our continued growth and solid first quarter performance gives us the confidence to raise our business outlook for the full fiscal year 2017."

First quarter financial results

For the first quarter ended April 30, 2016, HealthEquity reported revenue of \$44.0 million, compared to \$29.9 million for the first quarter ended April 30, 2015, an increase of 47%. Revenue consisted primarily of:

- Service revenue of \$19.0 million, an increase of 30% compared to Q1 FY16.
- Custodial revenue of \$13.8 million, an increase of 64% compared to Q1 FY16.
- Interchange revenue of \$11.2 million, an increase of 64% compared to Q1 FY16.

Net income was \$8.1 million for the first quarter ended April 30, 2016, compared to \$5.0 million for the first quarter ended April 30, 2015.

Net income per diluted share was \$0.14 for the first quarter ended April 30, 2016, compared to \$.09 for the first quarter ended April 30, 2015. Non-GAAP EPS for the first quarter ended April 30, 2016 was \$0.15, compared to \$0.10 for the first quarter ended April 30, 2015.

Adjusted EBITDA was \$18.0 million for the first quarter ended April 30, 2016, an increase of 66% compared to \$10.8 million for the first quarter ended April 30, 2015. Adjusted EBITDA was 41% of revenue for the first quarter ended April 30, 2016, compared to 36% for the first quarter ended April 30, 2015.

As of April 30, 2016, we had \$132.9 million of cash, cash equivalents and marketable securities and no outstanding debt. This compares to \$123.8 million in cash and cash equivalents and no outstanding debt as of January 31, 2016.

HSA Member and AUM metrics

The total number of HSAs for which we serve as a non-bank custodian ("HSA Members") as of April 30, 2016 was 2.2 million, an increase of 51% from 1.5 million as of April 30, 2015.

Total assets under management ("AUM") as of April 30, 2016 was \$4.1 billion, an increase of 61% year over year, comprised of:

- Cash AUM of \$3.6 billion, an increase of 64% compared to Q1 FY16; and
- Investment AUM of \$488.3 million, an increase of 41% compared to Q1 FY16.

Business outlook

For the year ended January 31, 2017, we are increasing our revenue outlook from \$170.0 million and \$174.0 million to a range of \$173.0 million and \$177.0 million and our Adjusted EBITDA from \$56.0 million and \$58.0 million to a range of \$58.0 million and \$60.0 million. We are also increasing our non-GAAP earnings per diluted share from a range of \$0.45 and \$0.47 to a range of \$0.47 and \$0.49 per share. Our non-GAAP earnings per diluted share is based on an estimated 60.5 million weighted-average shares outstanding, and is calculated by adding back to net income all non-cash stock-based compensation expense, net of tax. We expect total stock-based compensation expense, net of tax, for the year ended January 31, 2017 to be between \$5.0 million and \$6.0 million. The business outlook for the year ended January 31, 2017 assumes a projected effective tax rate of approximately 36%.

Conference call

HealthEquity management will host a conference call at 5:00 pm (Eastern Time) on Tuesday, June 7, 2016 to discuss the first quarter financial results. The conference call will be accessible by dialing 888-576-4387, or 719-785-1753 for international callers, and referencing conference ID 2005441. A live webcast of the conference call will also be available on the investor relations section of the company's website at www.HealthEquity.com.

An audio replay will be available following the conclusion of the call through July 7, 2016. The replay can be accessed by dialing 888-203-1112 in the U.S., or 719-457-0820 for international callers. The passcode for the replay is: 2005441.

Non-GAAP financial information

To supplement our financial information presented on a GAAP basis, we disclose Adjusted EBITDA, non-GAAP earnings per diluted share, non-GAAP gross profit, non-GAAP gross margin, non-GAAP income from operations, and non-GAAP operating margin, which are non-GAAP financial measures. We define Adjusted EBITDA as adjusted earnings before interest, taxes, depreciation and amortization, stock-based compensation expense, and other certain non-operating items. We define non-GAAP earnings per diluted share as net income per diluted share, calculated by adding back to net income non-cash stock-based compensation expense, net of tax. Non-GAAP gross profit is calculated by excluding from gross profit stock-based compensation expense attributable to cost of revenue. Non-GAAP gross margin is the ratio calculated by dividing non-GAAP gross profit by revenues. Non-GAAP income from operations is calculated by excluding stock-based compensation expense from operating income. Non-GAAP operating margin is the ratio calculated by dividing non-GAAP operating income by revenues.

These non-GAAP financial measures should be considered in addition to results prepared in accordance with GAAP and should not be considered as a substitute for, or superior to, GAAP results. The company cautions investors that non-GAAP financial information, by its nature, departs from traditional accounting conventions; accordingly, its use can make it difficult to compare current results with results from other reporting periods and with the results of other companies. Whenever we use these non-GAAP financial measures, we provide a reconciliation of the applicable non-GAAP financial measure to the most closely applicable GAAP financial measure. Investors are encouraged to review the related GAAP financial measures and the reconciliation of the non-GAAP financial measures to their most directly comparable GAAP financial measures as detailed in the tables below.

Forward-Looking Statements

This press release contains "forward-looking statements" within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, including but not limited to, statements regarding the company's industry, business strategy, plans, goals and expectations concerning our market position, product expansion, future operations, revenue, margins, profitability, future efficiencies, capital expenditures, liquidity and capital resources and other financial and operating information. When used in this discussion, the words "may," "believes," "intends," "seeks," "anticipates," "plans," "estimates," "expects," "should," "assumes," "continues," "could," "will," "future" and the negative of these or similar terms and phrases are intended to identify forward-looking statements. Forward-looking statements are subject to a number of risks and uncertainties, many of which involve factors or circumstances that are beyond the control of the company. The company's actual results could differ materially from those stated or implied in forward-looking statements due to a number of factors, including but not limited to, the continued availability of tax-advantaged consumer-directed benefits to employers and employees, the company's ability to acquire and retain new network partners and to cross-sell its products to existing network partners and members, the company's ability to successfully identify, acquire and integrate additional portfolio purchases or acquisition targets, the company's ability to raise awareness among employers and employees about the advantages of adopting and participating in consumer-directed benefits programs, and the company's ability to identify and execute on network partner opportunities. For a detailed discussion of these and other risk factors, please refer to the risks detailed in the company's filings with the Securities and Exchange Commission, including, without limitation, the most recent Annual Report on Form 10-K and subsequent periodic and current reports. Past performance is not necessarily indicative of future results. The company undertakes no intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. These forward-looking statements should not be relied upon as representing the company's views as of any date subsequent to the date of this press release.

HealthEquity, Inc. and its subsidiaries
Condensed consolidated balance sheets (unaudited)

| (in thousands, except par value) | April 30, 2016 | January 31, 2016 |
|--|----------------|------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 92,766 | \$ 83,641 |
| Marketable securities, at fair value | 40,159 | 40,134 |
| Total cash, cash equivalents and marketable securities | 132,925 | 123,775 |
| Accounts receivable, net of allowance for doubtful accounts of \$36 as of April 30, 2016 and \$40 as of January 31, 2016 | 15,706 | 14,308 |
| Inventories | 598 | 620 |
| Current deferred tax asset | — | 2,642 |
| Other current assets | 6,300 | 1,703 |
| Total current assets | 155,529 | 143,048 |
| Property and equipment, net | 3,388 | 3,506 |
| Intangible assets, net | 66,454 | 66,840 |
| Goodwill | 4,651 | 4,651 |
| Deferred tax asset | 345 | — |
| Other assets | 1,874 | 1,750 |
| Total assets | \$ 232,241 | \$ 219,795 |
| Liabilities and stockholders' equity | | |
| Current liabilities | | |
| Accounts payable | \$ 1,226 | \$ 2,431 |
| Accrued compensation | 2,603 | 7,776 |
| Accrued liabilities | 3,146 | 1,899 |
| Total current liabilities | 6,975 | 12,106 |
| Long-term liabilities | | |
| Other long-term liability | 819 | 236 |
| Deferred tax liability | 1,711 | 3,996 |
| Total long-term liabilities | 2,530 | 4,232 |
| Total liabilities | 9,505 | 16,338 |
| Commitments and contingencies | | |
| Stockholders' equity | | |
| Preferred stock, \$0.0001 par value, 100,000 shares authorized, no shares issued and outstanding as of April 30, 2016 and January 31, 2016, respectively | — | — |
| Common stock, \$0.0001 par value, 900,000 shares authorized, 57,945 and 57,726 shares issued and outstanding as of April 30, 2016 and January 31, 2016, respectively | 6 | 6 |
| Additional paid-in capital | 211,185 | 199,940 |
| Accumulated other comprehensive loss | (137) | (98) |
| Accumulated earnings | 11,682 | 3,609 |
| Total stockholders' equity | 222,736 | 203,457 |
| Total liabilities and stockholders' equity | \$ 232,241 | \$ 219,795 |

HealthEquity, Inc. and its subsidiaries
Condensed consolidated statements of operations and comprehensive income (unaudited)

| (in thousands, except per share data) | Three months ended April 30, | |
|--|------------------------------|-----------|
| | 2016 | 2015 |
| Revenue: | | |
| Service revenue | \$ 18,994 | \$ 14,614 |
| Custodial revenue | 13,811 | 8,419 |
| Interchange revenue | 11,208 | 6,817 |
| Total revenue | 44,013 | 29,850 |
| Cost of revenue: | | |
| Service costs | 11,257 | 8,419 |
| Custodial costs | 2,356 | 1,423 |
| Interchange costs | 2,719 | 2,102 |
| Total cost of revenue | 16,332 | 11,944 |
| Gross profit | 27,681 | 17,906 |
| Operating expenses: | | |
| Sales and marketing | 4,183 | 2,833 |
| Technology and development | 4,625 | 3,524 |
| General and administrative | 4,574 | 3,158 |
| Amortization of acquired intangible assets | 1,049 | 409 |
| Total operating expenses | 14,431 | 9,924 |
| Income from operations | 13,250 | 7,982 |
| Other expense: | | |
| Other expense, net | (641) | (105) |
| Total other expense | (641) | (105) |
| Income before income taxes | 12,609 | 7,877 |
| Income tax provision | 4,536 | 2,900 |
| Net income | \$ 8,073 | \$ 4,977 |
| Net income per share: | | |
| Basic | \$ 0.14 | \$ 0.09 |
| Diluted | \$ 0.14 | \$ 0.09 |
| Weighted-average number of shares used in computing net income per share: | | |
| Basic | 57,820 | 55,063 |
| Diluted | 59,399 | 57,770 |
| Comprehensive income: | | |
| Net income | \$ 8,073 | \$ 4,977 |
| Other comprehensive loss: | | |
| Unrealized loss on available-for-sale marketable securities, net of tax | (39) | (22) |
| Comprehensive income | \$ 8,034 | \$ 4,955 |

HealthEquity, Inc. and its subsidiaries
Condensed consolidated statements of cashflows (unaudited)

| (in thousands) | Three months ended April 30, | |
|--|------------------------------|-----------|
| | 2016 | 2015 |
| Cash flows from operating activities: | | |
| Net income | \$ 8,073 | \$ 4,977 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 2,947 | 1,750 |
| Amortization of deferred financing costs | 18 | — |
| Deferred taxes | 34 | (2) |
| Stock-based compensation | 1,822 | 1,094 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (1,398) | (1,425) |
| Inventories | 22 | (42) |
| Other assets | (4,739) | (871) |
| Accounts payable | (1,241) | (340) |
| Accrued compensation | (5,173) | (3,260) |
| Accrued liabilities | 1,164 | (99) |
| Other long-term liability | 583 | (11) |
| Net cash provided by operating activities | 2,112 | 1,771 |
| Cash flows from investing activities: | | |
| Purchases of marketable securities | (86) | (40,062) |
| Purchase of property and equipment | (321) | (826) |
| Purchase of software and capitalized software development costs | (2,003) | (1,451) |
| Purchase of other investments | — | — |
| Acquisition of intangible member assets | — | — |
| Net cash used in investing activities | (2,410) | (42,339) |
| Cash flows from financing activities: | | |
| Proceeds from exercise of common stock options | 145 | 493 |
| Tax benefit from exercise of common stock options | 9,278 | 3,931 |
| Net cash provided by financing activities | 9,423 | 4,424 |
| Increase (decrease) in cash and cash equivalents | 9,125 | (36,144) |
| Beginning cash and cash equivalents | 83,641 | 111,005 |
| Ending cash and cash equivalents | \$ 92,766 | \$ 74,861 |
| Supplemental disclosures of non-cash investing and financing activities: | | |
| Purchases of property and equipment included in accounts payable or accrued liabilities at period end | \$ 8 | \$ — |
| Purchases of software and capitalized software development costs included in accounts payable or accrued liabilities at period end | 111 | — |

Stock-based compensation expense

Total stock-based compensation expense included in the condensed consolidated statements of operations and comprehensive income is as follows:

| (in thousands) | Three months ended April 30, | |
|--|------------------------------|----------|
| | 2016 | 2015 |
| Cost of revenue | \$ 375 | \$ 228 |
| Sales and marketing | 213 | 228 |
| Technology and development | 357 | 150 |
| General and administrative | 877 | 488 |
| Total stock-based compensation expense | \$ 1,822 | \$ 1,094 |

The following table presents components of our condensed consolidated statements of operations and comprehensive income, adjusted for stock compensation expense:

| (in thousands, except for percentages) | Three months ended April 30, | |
|--|------------------------------|-----------|
| | 2016 | 2015 |
| Reconciliation of gross profit to non-GAAP gross profit: | | |
| Gross profit | \$ 27,681 | \$ 17,906 |
| Excluding: Stock-based compensation expense attributable to cost of revenue | 375 | 228 |
| Non-GAAP gross profit | \$ 28,056 | \$ 18,134 |
| Reconciliation of gross margin to non-GAAP gross margin: | | |
| GAAP gross margin | 63% | 60% |
| Excluding: Stock-based compensation expense attributable to cost of revenue | 1% | 1% |
| Non-GAAP gross margin | 64% | 61% |
| Reconciliation of income from operations to non-GAAP income from operations: | | |
| Income from operations | \$ 13,250 | \$ 7,982 |
| Excluding: Stock-based compensation expense | 1,822 | 1,094 |
| Non-GAAP income from operations | \$ 15,072 | \$ 9,076 |
| Reconciliation of operating margin to non-GAAP operating margin: | | |
| GAAP operating margin | 30% | 27% |
| Excluding: Stock-based compensation expense | 4% | 3% |
| Non-GAAP operating margin | 34% | 30% |

Net income reconciliation to Adjusted EBITDA

| (in thousands) | Three months ended April 30, | |
|--|------------------------------|-----------|
| | 2016 | 2015 |
| Net income | \$ 8,073 | \$ 4,977 |
| Interest expense | 68 | — |
| Income tax provision | 4,536 | 2,900 |
| Depreciation and amortization | 1,898 | 1,341 |
| Amortization of acquired intangible assets | 1,049 | 409 |
| Stock-based compensation expense | 1,822 | 1,094 |
| Other (1) | 573 | 103 |
| Total adjustments | \$ 9,946 | \$ 5,847 |
| Adjusted EBITDA | \$ 18,019 | \$ 10,824 |

(1) For the three months ended April 30, 2016 and 2015, Other consisted of interest income of \$(120) and \$(76), miscellaneous taxes of \$84 and \$90, acquisition-related costs of \$585 and \$89, and miscellaneous other costs of \$24 and \$0, respectively.

HSA Members

| | April 30, 2016 | April 30, 2015 | % Change | January 31, 2016 |
|---------------------------------------|----------------|----------------|----------|------------------|
| HSA Members | 2,228,041 | 1,474,327 | 51% | 2,140,631 |
| Average HSA Members - Year-to-date | 2,211,860 | 1,459,578 | 52% | 1,600,327 |
| Average HSA Members - Quarter-to-date | 2,211,860 | 1,459,578 | 52% | 1,850,843 |
| HSA Members with investments | 49,761 | 35,699 | 39% | 44,680 |

Assets under management (AUM)

| (in thousands, except percentages) | April 30, 2016 | April 30, 2015 | % Change | January 31, 2016 |
|--|----------------|----------------|----------|------------------|
| Cash AUM | \$ 3,597,111 | \$ 2,198,800 | 64% | \$ 3,278,628 |
| Investment AUM | 488,343 | 345,790 | 41% | 405,878 |
| Total AUM | \$ 4,085,454 | \$ 2,544,590 | 61% | \$ 3,684,506 |
| Average daily cash AUM - Year-to-date | \$ 3,518,081 | \$ 2,139,644 | 64% | \$ 2,326,506 |
| Average daily cash AUM - Quarter-to-date | \$ 3,518,081 | \$ 2,139,644 | 64% | \$ 2,682,827 |

Net income per diluted share reconciliation to non-GAAP earnings per diluted share

| (in thousands, except per share data) | Three months ended April 30, | |
|--|------------------------------|----------|
| | 2016 | 2015 |
| Net income | \$ 8,073 | \$ 4,977 |
| Stock compensation expense, net of tax (1) | 1,130 | 690 |
| Adjusted net income | 9,203 | 5,667 |
| Diluted weighted-average number of shares used in computing net income per diluted share | 59,399 | 57,770 |
| Non-GAAP earnings per diluted share | \$ 0.15 | \$ 0.10 |

(1) The company used an estimated statutory tax rate of 38% to calculate the net impact of non-cash stock-based compensation expense.