

**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)

February 13, 2020

HEALTH EQUITY, INC.

Delaware
(State or other jurisdiction of
incorporation or organization)

001-36568
(Commission File 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))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$0.0001 per share	HQY	The NASDAQ Global Select Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company

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.

Item 2.02. Results of Operations and Financial Condition

On February 18, 2020, HealthEquity, Inc. (the "Company") issued the press release attached as Exhibit 99.1 to this current report on Form 8-K.

The information in Exhibit 99.1 is being furnished to the Securities and Exchange Commission and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(e) On December 26, 2019, we filed a Form 8-K announcing Ashley Dreier's voluntarily resignation as the Executive Vice President, Chief Technology Officer and Chief Information Officer of the Company, effective as of June 1, 2020. On February 13, 2020, the Company and Ms. Dreier entered into a Transition, Separation and Release Agreement (the "Transition Agreement") memorializing the terms of her transition, eventual separation of employment and certain consulting services to be provided by Ms. Dreier to the Company following her separation of employment.

The Transition Agreement provides that Ms. Dreier will continue to serve as our Chief Technology Officer and Chief Information Officer through on or about June 1, 2020 (the "Transition Date"), and will continue to receive her base salary and benefits through the Transition Date. In addition, in order to further ease the transition, following the Transition Date and through January 31, 2021, Ms. Dreier has agreed to provide consulting and advisory services to the Company (the "Consulting Period"). The Company will provide Ms. Dreier, as severance and as compensation for the consulting services to be provided during the Consulting Period (i) the right to retain and continue to vest in each of the restricted stock unit and restricted stock awards granted to Ms. Dreier pursuant to the Company's 2014 Equity Incentive Plan that are subject to solely service based vesting conditions, the vesting of each such award to fully accelerate upon the expiration of the Consulting Period, and (ii) subject to the achievement of applicable performance conditions, a pro-rata bonus for fiscal year 2021, pro-rated based on the number of days in such fiscal year preceding Ms. Dreier's last date of employment with the Company, and payable at the same time the annual bonus would have been paid had no termination occurred, but in no event later than April 15, 2021. If during the Consulting Period, Ms. Dreier is asked to provide more than five (5) hours of consulting services in any one (1) week, the Company will compensate Ms. Dreier for such additional time at a rate of \$300 per hour.

The Transition Agreement also includes a release, as well as a non-disparagement provision, and ratifies the confidentiality, non-competition, and non-solicitation covenants in Ms. Dreier's restrictive covenant agreements with the Company, provided that Ms. Dreier's post-termination non-competition and non-solicitation obligations therein have been extended to May 26, 2023.

The foregoing is a summary only and does not purport to be a complete description of all of the terms, provisions, covenants and agreements contained in the Transition Agreement, and is subject to and qualified in its entirety by reference to the complete text of the Transition Agreement, a copy of which will be filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ending April 30, 2020, and is incorporated herein in its entirety by reference.

Item 8.01. Other Events.

The Company intends to appoint Rebecca Whitehead, currently Senior Vice President of Technology Development, as the Company's Chief Technology Officer following Ms. Dreier's departure in June. Ms. Whitehead currently leads all customer-facing platform development, delivery, and support for the organization, including our full organization agile transformation and platform modernization projects.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

Exhibit No. Description

99.1 [Press release issued by HealthEquity, Inc. dated February 18, 2020](#)

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: February 18, 2020

HEALTH EQUITY, INC.

By: /s/ Darcy Mott
Name: Darcy Mott
Title: Executive Vice President and Chief Financial Officer

HealthEquity Reports Year-End Sales Metrics

HSA Assets of \$11.5 billion, up 43% year-over-year, Total Accounts up 8.2 million

Draper, Utah – February 18, 2020 – HealthEquity, Inc. (NASDAQ: HQY) ("HealthEquity" or the "Company"), the nation's largest health savings account ("HSA") non-bank custodian, today announced Total Accounts and HSA Assets as of its fiscal year ended January 31, 2020.

The total number of HSAs for which it serves as a non-bank custodian as of January 31, 2020 was 5.3 million, an increase of 34%, from 4.0 million as of January 31, 2019. The Company closed its fiscal year 2020 with 12.8 million Total Accounts, an increase of 180%, from 4.6 million as of January 31, 2019. HSA Assets grew to \$11.5 billion as of January 31, 2020, an increase of 43% from \$8.1 billion a year earlier.

"Our newly expanded footprint began to drive year-end sales results, including a remarkable record setting 724,000 new HSA openings and 24 additional network partners in fiscal 2020," said Jon Kessler, President and CEO of HealthEquity. "HSAs topped 5.3 million and Total Accounts reached 12.8 million. We enter fiscal 2021 with our largest balance of HSA assets ever, as they grew by \$3.4 billion in fiscal 2020. We are well positioned to continue outpacing the market and providing remarkable purple service to our partners and members in fiscal 2021 and beyond."

Total Accounts (unaudited)

(in thousands, except percentages)	January 31, 2020	January 31, 2019	% change from 2019 to 2020
HSAs	5,344	3,994	34 %
Average HSAs - Year-to-date	4,517	3,608	25 %
Average HSAs - Quarter-to-date	5,179	3,813	36 %
New HSAs from Sales - Year-to-date	724	674	7 %
New HSAs from Acquisitions - Year-to-date	757	5	n/a
New HSAs from Sales - Quarter-to-date	379	341	11 %
Active HSAs	4,348	3,241	34 %
HSAs with investments	220	163	35 %
CDBs	7,437	572	n/a
Total Accounts	12,781	4,566	180 %
Average Total Accounts - Year-to-date	8,013	4,194	91 %
Average Total Accounts - Quarter-to-date	12,603	4,402	186 %

HSA Assets (unaudited)

(in millions, except percentages)	January 31, 2020	January 31, 2019	% change from 2019 to 2020
HealthEquity HSA cash (custodial revenue) (1)	\$ 7,244	\$ 6,428	13 %
WageWorks HSA cash (custodial revenue) (2)	1,057	—	n/a
WageWorks HSA cash (no custodial revenue) (3)	383	—	n/a
Total HSA cash	8,684	6,428	35 %
HealthEquity HSA investments (custodial revenue) (1)	2,495	1,670	49 %
WageWorks HSA investments (no custodial revenue) (3)	362	—	n/a
Total HSA investments	2,857	1,670	71 %
Total HSA Assets	11,541	8,098	43 %
Average daily HealthEquity HSA cash - Year-to-date	6,523	5,586	17 %
Average daily HealthEquity HSA cash - Quarter-to-date	\$ 6,788	\$ 5,837	16 %

(1) HSA Assets administered by HealthEquity that generate custodial revenue

(2) HSA Assets administered by WageWorks that generate custodial revenue

(3) HSA Assets administered by WageWorks that do not currently generate custodial revenue

Business outlook

For the year ended January 31, 2020, the Company revised its previously provided outlook as follows:

- Revenue in the range of \$530 million and \$532 million;
- Net income in the range of \$39 million and \$41 million;
- Adjusted EBITDA in the range of \$194 million and \$196 million;
- Non-GAAP net income in the range of \$117 million and \$119 million; and
- Non-GAAP net income per diluted share range between \$1.71 and \$1.73.

Our non-GAAP net income is calculated by adding back to net income amortization of acquired intangible assets, stock-based compensation expense, and integration and acquisition-related costs, net of an estimated statutory tax rate of 24%, subtracting the excess tax benefits due to the adoption of Accounting Standards Update ("ASU") 2016-09, and adjusting for gains and losses on marketable equity securities, net of an estimated statutory tax rate of 24%. Non-GAAP net income per diluted share outlook is based on an estimated 68.5 million diluted weighted-average shares outstanding.

The Company also provided fiscal year 2021 revenue guidance in the range of \$812 million to \$820 million.

A reconciliation of the non-GAAP financial measures used throughout this release to the most comparable GAAP financial measures is included with the financial table at the end of this release.

Conference call

HealthEquity management will host a conference call at 4:30 pm (Eastern Time) on Tuesday, February 18, 2020 to discuss the fiscal 2020 sales metrics. The conference call will be accessible by dialing 844-791-6252, or 661-378-9636 for international callers, and referencing conference ID 3450549. A live audio webcast of the call will also be available on the investor relations section of our website at <http://ir.healthequity.com>.

About HealthEquity

HealthEquity administers Health Savings Accounts (HSAs) and other consumer-directed benefits for our more than 12 million accounts in partnership with employers, benefits advisors, and health and retirement plan providers who share our mission to connect health and wealth and value our culture of remarkable "Purple" service. For more information, visit www.healthequity.com.

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 our industry, business strategy, plans, goals and expectations concerning our markets and market position, product expansion, future operations, expenses and other results of operations, revenue, margins, profitability, future efficiencies, tax rates, 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 in this press release.

Forward-looking statements reflect our current expectations regarding future events, results or outcomes. These expectations may or may not be realized. Although we believe the expectations reflected in the forward-looking statements are reasonable, we can give you no assurance these expectations will prove to be correct. Some of these expectations may be based upon assumptions, data or judgments that prove to be incorrect. Actual events, results and outcomes may differ materially from our expectations due to a variety of known and unknown risks, uncertainties and other factors. Although it is not possible to identify all of these risks and factors, they include, among others, risks related to the following:

- our ability to realize the anticipated financial and other benefits from combining the operations of WageWorks with our business in an efficient and effective manner;
- our ability to compete effectively in a rapidly evolving healthcare and benefits administration industry;
- our dependence on the continued availability and benefits of tax-advantaged health savings accounts;
- our ability to successfully identify, acquire and integrate additional portfolio purchases or acquisition targets;

- the significant competition we face and may face in the future, including from those with greater resources than us;
- our reliance on the availability and performance of our technology and communications systems;
- recent and potential future cybersecurity breaches of our technology and communications systems and other data interruptions, including resulting costs and liabilities, reputational damage and loss of business;
- the current uncertain healthcare environment, including changes in healthcare programs and expenditures and related regulations;
- our ability to comply with current and future privacy, healthcare, tax, investment advisor and other laws applicable to our business;
- our reliance on partners and third party vendors for distribution and important services;
- our ability to develop and implement updated features for our technology and communications systems and successfully manage our growth;
- our ability to protect our brand and other intellectual property rights; and
- our reliance on our management team and key team members.

For a detailed discussion of these and other risk factors, please refer to the risks detailed in our filings with the Securities and Exchange Commission, including, without limitation, our most recent Annual Report on Form 10-K and subsequent periodic and current reports. Past performance is not necessarily indicative of future results. We undertake no intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Forward-looking statements should not be relied upon as representing our views as of any date subsequent to the date of this press release.

Investor Relations Contact

Richard Putnam
801-727-1209
rputnam@healthequity.com

Reconciliation of net income outlook to Adjusted EBITDA outlook

(in millions)	Outlook for the year ending January 31, 2020
Net income	\$39 - 41
Interest income	~(6)
Interest expense	~25
Income tax provision (benefit)	~3
Depreciation and amortization	~20
Amortization of acquired intangible assets	~35
Stock-based compensation expense	~30
Merger integration expenses	~32
Acquisition costs	~41
Gain on marketable equity securities	~(28)
Other	~3
Adjusted EBITDA	\$194 - 196

Reconciliation of net income outlook to non-GAAP net income outlook and non-GAAP net income per diluted share outlook (unaudited)

(in millions, except per share data)	Outlook for the year ending January 31, 2020
Net income	\$39 - 41
Amortization of acquired intangible assets, net of tax (1)	-26
Stock-based compensation expense, net of tax (1)	-23
Excess tax benefit due to adoption of ASU 2016-09	-(5)
Merger integration expenses, net of tax (1)	-24
Acquisition costs, net of tax (1)	-31
Gain on marketable equity securities, net of tax (1)	~(21)
Non-GAAP net income	\$117 - 119
Diluted weighted-average shares used in computing GAAP and Non-GAAP per share amounts	68.5
Non-GAAP net income per diluted share (2)	\$1.71 - 1.73

(1) The Company used an estimated statutory tax rate of 24% to calculate the net impact of the expense.

Certain terms

Term	Definition
HSA	A financial account through which consumers spend and save long-term for healthcare on a tax-advantaged basis.
CDB	Consumer-directed benefits offered by employers, including flexible spending and health reimbursement arrangements ("FSAs" and "HRAs"), Consolidated Omnibus Budget Reconciliation Act ("COBRA") administration, commuter and other benefits.
HSA member	Consumers with HSAs that we serve.
Active HSA member	An HSA member that (i) is associated with a Network Partner or a Client, in each case as of the end of the applicable period; or (ii) has held a custodial balance at any point during the previous twelve month period.
CDB member	Consumers with CDBs that we serve.
Total HSA Assets	HSA members' deposits with our federally-insured custodial depository partners and custodial cash deposits invested in an annuity contract with our insurance company partner. Total HSA Assets also includes HSA members' investments in mutual funds through our custodial investment fund partner.
Client	Our employer clients.
Total Accounts	The sum of HSAs and CDBs on our platforms.
Client-held funds	Pre-funds held on behalf of our Clients to facilitate administration of our CDBs
Network Partner	Our health plan partners, benefits administrators, and retirement plan recordkeepers.
Adjusted EBITDA	Adjusted earnings before interest, taxes, depreciation and amortization, amortization of acquired intangible assets, stock-based compensation expense, gains and losses on marketable equity securities, acquisition and integration-related costs, and other certain non-operating items.
Non-GAAP net income	Calculated by adding back to net income amortization of acquired intangible assets, stock-based compensation expense, and integration and acquisition-related costs, net of an estimated statutory tax rate, subtracting the excess tax benefits due to the adoption of ASU 2016-09, and adjusting for gains and losses on marketable equity securities, net of an estimated statutory tax rate.
Non-GAAP net income per diluted share	Calculated by dividing non-GAAP net income by diluted weighted-average shares outstanding.