

A LETTER FROM THE CEO

KEITH R. DUNLEAVY, M.D.



Dear Fellow Stockholders,

2015 was a busy and exciting year for Inovalon. With our ongoing focus on execution and investment in people and capabilities, we continued to deliver meaningful and differentiated value for our clients, partners and their constituents, significant advancements in our technology capabilities, and strong progress against our long-term strategic goals.

Examining the Company at a high level, 2015 witnessed another year of solid top-line growth with record revenue of \$437.3 million, a 21% year-over-year increase. Our client base expanded from just over 100 at the end of 2014, to more than 400 by the close of 2015. And the breadth and depth of the Company's unique data assets, principally represented within the MORE² Registry[®], expanded materially, with the medical event count rising to more than 11 billion, a 19.5% increase over 2014. Despite the many investments made by the Company and new expenses associated with being a publicly traded company, a continued demonstration of the Company's strong operational leverage enabled by our expanding connectivity, automation, and the growing application of our cloud-based platform, empowered the realization of \$151.6 million in Adjusted EBITDA, or 35% of revenue. Additionally, in the setting of a long history of profitability, proceeds from the Company's IPO, and continued strong positive cash flow from operations of more than \$67 million, the Company ended the year with a tremendously strong balance sheet, highlighted by cash and short term investments of more than \$728 million.

While acknowledging the strength in Inovalon's high-level performance numbers, diving deeper into the Company's 2015 growth reveals a significant number of additional meaningful successes and advancements which not only reflect what are believed to be key demonstrations of Inovalon's differentiation, but also position Inovalon to continue its innovation, leadership, and growth for years to come.

The first of many possible examples is Inovalon's QSI-XL™ platform. During 2015, Inovalon materially expanded its application of this industry-leading big data platform which enables the achievement of clinical quality outcomes analyses at speeds which reduce processing times for large datasets by a factor of 10x. In the setting of the healthcare marketplace's transformation from volume-driven financial models to those defined by value, the capability to process massive volumes of clinical data to determine clinical quality outcomes is seen as critical to many across the healthcare landscape.

A second example of Inovalon's ongoing success and technology leadership in 2015 was the launch of Data Diagnostics™. This technology provides for a suite of hundreds of analytics which are able to be ordered by a clinician on demand, at the point of care, returning patient-specific results in real-time. Together with our partner, Quest Diagnostics, Data Diagnostics™ are able to be ordered within Care360®, the industry's most widely used laboratory order entry platform, and within nearly 600 EHR platforms, enabling the accessing and use of advanced analytics by clinicians within the existing workflow, at the point of care across hundreds of thousands of physicians.

And a third example of Inovalon's execution in 2015 was the acquisition of Avalere Health. As a leading provider of data-driven advisory services and business intelligence solutions to hundreds of pharmaceutical and life sciences organizations, as well as an extensive number of payor and provider organizations, Avalere highly complements Inovalon's business model.

Avalere brings additional subject matter expertise to aid in the achievement of Inovalon's product development and expansion initiatives, extensive industry relationships to deepen our business development reach, and substantive insight and client base in the highly valuable adjacent markets of pharmaceuticals, life sciences, and provider markets.

As we look forward, we see the accomplishments of 2015 both demonstrating success, and supporting ongoing achievement. It is our core belief that the application and implementation of our innovative technologies will have a transformative impact on healthcare. Central to this is our belief that real-time, transaction-based applications of data will replace today's industry-norm of high latency batch processing-based operating models. Inovalon is highly focused on being a key leader in this transition – bringing the power and benefits of transaction-based processing and real-time analytics to the healthcare ecosystem.

The future opportunity is massive, with transformative technologies that can meet the challenges of aging populations and ballooning costs of healthcare. We see our addressable market, which is presently estimated to be more than \$80 billion annually in size, continuing to grow due to the underlying expansion of patient populations, rising costs, the increasing complexity of healthcare, and the ongoing shift from volume- to value-based healthcare paradigms.

As we move forward in the next five years, we will continue to balance innovation, growth and profitability to maintain a sustainable competitive differentiation within the marketplace, meaningful value for our clients, and profitable growth for our stockholders. At our December, 2015 Investor Day, we articulated four specific goals for the next five years. First, to grow at a rate more than twice that of our market, achieving revenue of more than \$1 billion by 2020. Second, to expand margin at an average rate of more than 100 basis points per year, achieving EBITDA margins of more than 40% by 2020. Third, to further diversify our client base, achieving customer de-concentration by 2020. And fourth, to drive continuous innovation to empower healthcare's data-driven transformation from volume to value by 2020.

We are confident that our platforms will continue to drive success for our clients, as we continue to innovate and our solutions continue to be in demand. We are resolute in our strategy to invest in our business and drive returns for our clients as well as our stockholders. We look forward to reporting our progress along the way, and we appreciate your interest and your support as stockholders.

I would like to take this opportunity to thank all Inovalon employees and our newly joined Avalere colleagues for being leaders in innovation and for their contribution to driving transformative value for our clients and meaningful change in the healthcare industry at large.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Keith R. Dunleavy". The signature is fluid and cursive, written over a white background.

KEITH R. DUNLEAVY, M.D.

Chief Executive Officer and Chairman of the Board
April, 2016