

## DEAR STOCKHOLDERS,

2013 was a successful year for Ellie Mae on a number of fronts. We grew revenues by 26% in the face of the continued mortgage origination headwind. We increased our cash and investments balance by \$32 million at December 31, 2013 compared to a year earlier. We expanded the audience for our products to include some of the largest lenders in the country. And, by expanding our sales and marketing efforts as well as our implementation and customer support teams, we continued to press for market share growth and extended our leadership position.

### 26% ANNUAL REVENUE INCREASE

Annual revenues rose 26% to \$128.5 million. We increased our recurring revenue base and in the fourth quarter nearly 70% of total revenues were derived from contracted revenues.<sup>1</sup> While investing in our growth strategy, we also maintained solid levels of profitability: Net income for 2013 was \$12.6 million and adjusted net income was \$28.3 million.<sup>2</sup>

Our revenue growth was driven by our successful strategy to aggressively pursue market share in the face of the downward cycle in the mortgage industry. We knew 2013 would be a challenging year for lenders with the decline in mortgage origination volume and new regulations stressing their operations at every level. And we also believed that our Encompass<sup>®</sup> solution could help lenders comply with ever changing regulations, and create efficiencies that would be especially attractive as volumes declined. We were right.

### GROWING OUR CUSTOMER BASE

We grew our customer base at an impressive pace, booking over 39,000 new Encompass seats in 2013, up from 27,000 new Encompass seats in 2012. Although many of these seats have not yet become active, we still ended the year with 92,000 active Encompass users, a 25% increase from 2012. Of these users, approximately 64,000, or 69%, subscribe to our Software-as-a-Service (SaaS) offering, an increase of 54% year over year.

During 2013, we continued to expand our infrastructure to support our growth and accommodate our growing user base. We added to our research and development to assure that we stay ahead of the technology and compliance curve for our clients, and doubled the size of our implementation and customer support teams to handle the increase in new Encompass subscribers and the expected growth in users over the next few years.

### FURTHERING THE ELLIE MAE VISION

The vision I had when I founded Ellie Mae, a vision our 450 employees now share with me, is that the mortgage origination process will someday be entirely automated and that we will be the automation infrastructure for the mortgage industry. And that we will automate everything that is automatable in the business of originating loans. And that our Encompass solution will not only be used by our customers, but will also define best practices in the industry, enabling mortgage originators to produce a quality, fully compliant loan respected by not only lenders and investors, but also everyone else in the value chain, including those who service and securitize mortgages.

Extending our drive toward automation, we continued to gain traction with our Total Quality Loan<sup>™</sup> (TQL) initiative. When we introduced this program in 2011, it was very investor-specific. Over the past year, we continued to enhance the TQL program and, working with our top lender clients, refined TQL to make it a uniform, best practices lender-centric program. TQL was expanded to include streamlined workflows and processing rules, and to make the ordering settlement

services needed to fund a loan even easier. TQL now results in more efficient loan processing, and, as a byproduct of the higher loan quality, faster purchase by investors and quicker turnover of a lender's warehouse line. The reception among our lender customers has been promising.

We also continued to expand the audience for Encompass as we garnered interest from some of the largest lenders in America. We are pleased with the progress we have made, with six of the top 25 and two of the top ten lenders using our solution to originate and fund their mortgages. We believe this speaks to the scalability and demand for our end-to-end solution.

In keeping with our strategy to pursue acquisitions as a means to accelerate our growth strategy, in November we announced an agreement to acquire MortgageCEO. The company offers an all-in-one Customer Relationship Management (CRM) and marketing platform that automates sales and marketing functions for mortgage professionals. CRM is viewed as a key functionality by our customers, and the acquisition furthers our drive toward penetrating our \$500 per loan Total Available Market. We completed the purchase in early 2014.

#### CONTINUED GROWTH IN 2014

We are excited about our prospects for 2014. With the increasing demands for quality, compliance and efficiency in the mortgage origination process, we remain confident in the long-term prospects for Ellie Mae and in our ability to continue to grow regardless of the mortgage market's cyclical ups and downs.

Looking ahead, we believe our growth will continue to be fueled by the addition of new users, the upgrading of licensed users to our SaaS offering and increased adoption of our on-demand solutions – both those currently in our product mix and those to be added in the future. We believe our technology leadership, scale and commitment to compliance excellence provide significant strategic advantages. We are confident these competencies, combined with our company's strong cash flow, will create long-term value for our stockholders.

We are grateful for the hard work and dedication of our employees. We also want to thank our stockholders, customers and suppliers for their continued support.

Sincerely,



Sig Anderman  
Founder and Chief Executive Officer

<sup>1</sup> Contracted revenues consist of SaaS base fees, Compliance and other subscriptions and all on-premise revenues.

<sup>2</sup> A reconciliation of the non-GAAP financial measures to their related GAAP financial measures is available in the Company's press release related to fourth quarter and fiscal year 2013 financial results, which was furnished on a Current Report on Form 8-K with the Securities Exchange Commission on February 13, 2014. A copy of the press release can also be found at: <http://ir.elliemae.com>.