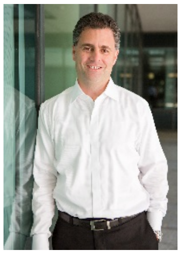
EllieMae Compliance. Quality. Efficiency.



Dear Stockholders,

Ellie Mae delivered another exceptional year as lenders continued to embrace the all-in-one solution of Encompass®. We finished 2016 with excellent growth in users, revenue and profitability while continuing to develop and deploy innovative products directed at advancing our mission to automate the entire industry. These achievements are shared by the entire team at Ellie Mae and their dedication is the foundation of our Company.

For the year, revenue increased by 42% to $360.3 million. Net income grew 70% to $37.8 million, adjusted net income increased by 43% to $74.8 million and adjusted EBITDA improved by 51% to $113.1 million. In a year in which we invested in and advanced new product initiatives, we were particularly pleased with the significant profitability levels we achieved.

Our balance sheet was further strengthened by the generation of $42.4 million of free cash flow and the proceeds of approximately $271.4 million raised in our August follow-on offering. We plan to take advantage of our strong cash position by continuing to invest in research and development and the rollout of new products and services on our next generation platform. Additionally, as we have done in the past, we will evaluate strategic partnerships and acquisition opportunities as integral parts of our long-term growth strategy.

With our value proposition resonating across the mortgage industry, we expanded our user base and drove increased adoption of our offerings. Encompass seat bookings reached a new record of approximately 53,000 and reflected a healthy mix between new customer wins and existing customer seat additions across each of our customer segments: mid-market, strategic and enterprise. We increased our market share and ended the year with nearly 165,000 active Encompass users, a 21% increase from 2015.

In addition to the bookings and financial successes of 2016, the technology team completed significant milestones in the delivery of our Encompass Lending Platform, which I highlighted in last year’s letter. Our progress to date underscores my belief that we have built an incredible ecosystem around Encompass over the last 13 years and an open platform will further extend our leadership position. Expanding the products and services on Encompass NG should unlock exceptional value for our customers and partners.

Along with releasing foundational elements of our next generation platform, we launched initial offerings in our new Encompass Connect solution suite, which helps improve visibility and collaboration between loan officers, third-party originators, developers and homebuyers. In January of 2017, we released Encompass Loan Officer Connect, so that loan officers can originate and move loans forward quickly while gaining instantaneous and secure access to Encompass from any device. This comes on top of Encompass TPO Connect, which provides wholesale and correspondent lenders an easy and collaborative platform to do business with their third party partners.

We believe that by creating an open lending platform we can accelerate the industry's transition to automation, which is essential to reducing the cost and complexity that impacts loan originations today. Lenders realize they need to adopt technology not only to improve margins and efficiency but to become more competitive and responsive to their customers. An increasing number of lenders are turning to Ellie Mae in order to provide their borrowers with better digital tools, an easy-to-use web based experience, and a much smoother and faster closing process.

For the industry, mortgage volume is expected to decline in 2017 with forecasters expecting the percentage of purchase loans to continue to increase. The strength of the value proposition we provide lenders in improving their operating efficiencies gives us confidence that we can expand our footprint despite the industry headwinds. Additionally, our record bookings in 2016 and the ongoing adoption of existing services lay a foundation for solid growth.

We are excited about the year ahead as we continue to deliver innovative technology that allows customers to drive productivity in new and transformative ways. With a healthy new business pipeline, we see the opportunity to further expand our market share and make progress on our vision of automating the entire mortgage industry.

In closing, I would like to extend our gratitude to our customers, partners and more than 1,100 talented employees. Our focus remains squarely on strong execution and positioning Ellie Mae for superior long-term growth and stakeholder value creation.

Sincerely,

Jonathan Corr
President and Chief Executive Officer

Statements in this letter, including those regarding our forecasts, business outlook, expectations and beliefs, among others, are forward-looking statements and actual results could differ materially from our current expectations. Stockholders and investors should review the information set forth under the caption "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2016, filed with the SEC on February 22, 2017.

Use of Non-GAAP Financial Measures

Ellie Mae, Inc. (the "Company") provides investors with the non-GAAP financial measures of adjusted net income, adjusted EBITDA, and free cash flow in addition to the traditional GAAP operating performance measure of net income as part of its overall assessment of its performance. Adjusted net income consists of net income plus stock-based compensation expense, amortization of intangible assets, and impairment loss on intangible assets. EBITDA consists of net income plus depreciation, amortization of intangible assets, impairment loss on intangible assets, and income tax provision, less other income, net. Adjusted EBITDA consists of EBITDA plus stock-based compensation expense. Free cash flow consists of net cash provided by operating activities less acquisition of property and equipment and internal-use software, net. Ellie Mae uses adjusted net income and adjusted EBITDA as measures of operating performance because they enable period to period comparisons by excluding potential differences caused by variations in the age and depreciable lives of fixed assets, the amortization of intangibles related to acquisitions, loss on impairment of intangible assets, and changes in interest expense and interest income that are influenced by capital market conditions. The Company also believes it is useful to exclude stock-based compensation expense from adjusted net income and adjusted EBITDA because the amount of non-cash expense associated with stock-based awards made at certain prices and points in time (a) do not necessarily reflect how the company's business is performing at any particular time and (b) can vary significantly between periods due to the timing of new stock-based awards. These non-GAAP measures are not measurements of the Company's financial performance under GAAP and have limitations as analytical tools. Accordingly, these non-GAAP financial measures should not be considered a substitute for, or superior to, net income or operating income or other financial measures calculated in accordance with GAAP. The Company cautions that other companies in Ellie Mae's industry may calculate adjusted net income, EBITDA, adjusted EBITDA, and free cash flow differently than the Company does, further limiting their usefulness as a comparative measure. A reconciliation of net income to adjusted net income, EBITDA, adjusted EBITDA, and operating cash flow to free cash flow are included in the tables below.

Note Regarding Adjusted Net Income

Recent Compliance and Disclosure Interpretations published by the U.S. Securities and Exchange Commission in May of 2016 (the "May C&DI") related to the use of non-GAAP financial measures would require the Company to include an additional adjustment to adjusted net income to reflect the income tax effects of the adjustments to GAAP net income (the "tax adjustment"), as discussed above. In reporting adjusted net income results for the fourth quarter and full year 2016, the Company has elected to present adjusted net income consistent with its historical practice, excluding the tax adjustment discussed in the May C&DI. The Company believes that maintaining consistency with its historical practice and previously reported 2016 financial outlook better allows the Company's investors to evaluate financial performance. Beginning in 2017, the Company has and will continue to include the tax adjustments in the adjusted net income presentation.

See the following page for our non-GAAP reconciliation table.

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Ellie Mae, Inc.
NON-GAAP RECONCILIATION
(UNAUDITED)
(in thousands, except share and per share amounts)

	Year Ended December 31,	
	2016	**2015**
Net income	$ 37,776	$ 22,258
Depreciation and amortization	20,460	10,842
Amortization of intangible assets	5,521	5,180
Other income, net	(989)	(619)
Impairment loss on intangible assets	—	562
Income tax provision	18,830	12,219
EBITDA	81,598	50,442
Stock-based compensation expense	31,471	24,241
Adjusted EBITDA	$ 113,069	$ 74,683
Net income	$ 37,776	$ 22,258
Stock-based compensation expense	31,471	24,241
Impairment loss on intangible assets	—	562
Amortization of intangible assets	5,521	5,180
Adjusted net income before tax adjustments	$ 74,768	$ 52,241
Income tax effects of adjustments	(14,195)	(11,071)
Adjusted net income with tax adjustments	$ 60,573	$ 41,170
Shares used to compute adjusted net income per share		
Basic	31,179,857	29,179,352
Diluted	32,799,785	30,842,584
Adjusted net income per share before tax adjustments		
Basic	$ 2.40	$ 1.79
Diluted	$ 2.28	$ 1.69
Adjusted net income per share with tax adjustments		
Basic	$ 1.94	$ 1.41
Diluted	$ 1.85	$ 1.33
Net cash provided by operating activities	$ 102,653	$ 87,230
Acquisition of property and equipment and internal-use software, net	(60,288)	(52,318)
Free cash flow	$ 42,365	$ 34,912