Dear Stockholders,

Ellie Mae delivered another strong year as lenders continued to embrace the Encompass® Digital Mortgage Solution amid the digital transformation occurring across the mortgage industry. We finished 2017 with solid growth in market share, revenue and profitability while continuing to develop and deploy innovative products directed at advancing our mission to automate the entire origination process.

For the year, revenue increased by 16% to $417.0 million, despite industry volumes declining 12% year-over-year. Net income grew 40% to $52.9[1] million and adjusted EBITDA improved by 8% to $122.6 million. We generated $28 million of free cash flow, and finished the year with cash and investments of $348.4 million on our balance sheet. In a year in which we extended our leadership by completing an acquisition, continued the rollout of our next generation platform, and invested in research and development, we were particularly pleased with the strength of our operating results.

Throughout 2017 we continued to see strong interest in our platform, as we expanded our Encompass lender base and drove increased adoption of our offerings. Encompass seat bookings totaled nearly 41,000 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 active Encompass users by 12% and expanded our market share of U.S. loan volume.

We also announced that the fourth largest correspondent investor in the US adopted Encompass and Third Party Originator (TPO) Connect as its correspondent acquisition platform. By being on Encompass and our correspondent portal, the customer can provide a seamless user experience for their correspondent lenders, many of whom use Encompass themselves, to deliver high-quality loans at volume into their system of record.

In addition to the customer successes of 2017, the technology team completed significant milestones in the delivery of our Encompass NG Lending Platform. To date, we have released a number of next generation solutions such as Encompass Developer Connect, Encompass Consumer Connect, Encompass TPO Connect and Encompass Loan Officer Connect. Further, interest in our Encompass NG Lending Platform and its open API architecture has been strong. With open APIs, lenders can achieve more comprehensive integration with other business systems as well as benefit from a broader ecosystem of innovation on top of the platform.

The Encompass NG Lending Platform also lays the foundation to leverage data and analytics to drive greater efficiency. We've released our initial Encompass Data Connect solution on a limited basis for select customers and plan to make it generally available later in the first half of 2018.

As part of our comprehensive strategy to deliver a true digital mortgage to the industry, in October we completed our acquisition of Velocify, a leading provider of lead-management and distribution software, for approximately $130 million. Velocify's solutions help sales teams keep pace with the speed of opportunity by driving rapid-lead-response, improving productivity and offering actionable selling insights.

We are incorporating Velocify's lead management, engagement and distribution capabilities with Encompass, Encompass CRM and Encompass Consumer Connect. The robust solution will meet the needs of today's lenders by delivering a complete digital lead generation and conversion solution for creating interest, turning that interest into an application and then funding that loan quickly at a low cost. Integrating Velocify's solution will accelerate our delivery of the most robust digital mortgage solution in the market.

As we enter 2018, we believe the need for automation is greater than ever. Not only are lenders contending with increasing origination costs, but they are operating in a much more competitive purchase-driven market. For the industry, mortgage volume is still expected to decline, albeit at a more moderate rate compared to 2017.

The strength of the value proposition we provide lenders in improving their operating efficiencies gives us confidence that we can expand our footprint despite modest industry headwinds. And, with this strong footprint established and the investments we've made in our next generation lending platform, we believe we are well positioned to increase the loan volume on our platform, expand our revenue per loan and resume stronger growth in 2018.

In closing, I would like to extend our gratitude to our customers and partners, as well as our 1,500 talented employees who contributed to Ellie Mae being recognized as a Best Place to Work by the San Francisco Business Times/Silicon Valley Business Journal and Glassdoor. Our success is a result of their dedication. 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

| 4420 Rosewood Drive | Suite 500 | Pleasanton, CA 94588 | 925-227-7000 | www.elliemae.com |

Use of Non-GAAP Financial Measures

Ellie Mae provides investors with the non-GAAP financial measures of adjusted net income, adjusted EBITDA, adjusted gross profit, 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, acquisition-related costs, and the non-GAAP income tax adjustments. EBITDA consists of net income plus depreciation and amortization, amortization of intangible assets, and income tax provision, less other income, net. Adjusted EBITDA consists of EBITDA plus stock-based compensation expense. Adjusted gross profit consists of gross profit plus stock-based compensation and amortization of intangible assets that are included in cost of revenues. Free cash flow consists of net cash provided by operating activities less acquisition of property and equipment and internal-use software. Ellie Mae uses adjusted net income, adjusted EBITDA, and adjusted gross profit 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, amortization of intangible assets, acquisition-related costs, 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, adjusted EBITDA, and adjusted gross profit 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. The non-GAAP income tax adjustments are calculated based on the annual non-GAAP effective tax rate, which quantifies the tax effects of the non-GAAP adjustments and reverses the one-time measurement of the tax impact from the enactment of the Tax Cuts and Jobs Act, and the excess tax benefits from the adoption of ASU 2016-09 for GAAP purposes. These non-GAAP financial 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, operating income, gross profit, operating cash flow 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, adjusted gross profit, and free cash flow differently than the Company does, further limiting their usefulness as comparative measures. A reconciliation of net income to adjusted net income, EBITDA and adjusted EBITDA, gross profit to adjusted gross profit, and operating cash flow to free cash flow is included in the tables below.

(1) Note Regarding Employee Share-Based Payment Accounting Standard

Ellie Mae adopted an accounting standard issued in 2016 whereby excess tax benefit generated upon the settlement or exercise of stock awards are no longer recognized as additional paid-in capital but are instead recognized as an income tax benefit. The adoption was effective January 1, 2017, and the Company recognized a benefit to GAAP net income of $15.9 million for the year ended December 31, 2017. This also had the accounting effect of increasing net cash provided by operating activities by $10.2 million and a corresponding $10.2 million decrease in net cash provided by financing activities for the full year ended December 31, 2016.

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

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

	Year Ended December 31,	
	2017	**2016**
Net income	$ 52,850	$ 37,776
Depreciation and amortization	36,482	20,460
Amortization of intangible assets	9,515	5,521
Other income, net	(3,256)	(989)
Income tax provision (benefit)	(7,456)	18,830
EBITDA	88,135	81,598
Stock-based compensation expense	34,467	31,471
Adjusted EBITDA	$ 122,602	$ 113,069
Gross profit	$ 256,132	$ 240,140
Stock-based compensation expense	6,786	4,835
Amortization of intangible assets	7,739	4,255
Adjusted gross profit	$ 270,657	$ 249,230
Net income	$ 52,850	$ 37,776
Stock-based compensation expense	34,467	31,471
Amortization of intangible assets	9,515	5,521
Acquisition-related costs	1,282	—
Non-GAAP income tax adjustments	(39,254)	(14,195)
Adjusted net income	$ 58,860	$ 60,573
Shares used to compute adjusted net income per share		
Basic	34,056,962	31,179,857
Diluted	35,805,524	32,799,785
Adjusted net income per share		
Basic	$ 1.73	$ 1.94
Diluted	$ 1.64	$ 1.85
Net cash provided by operating activities	$ 116,221	$ 112,899
Acquisition of property and equipment and internal-use software	(87,869)	(60,288)
Free cash flow	$ 28,352	$ 52,611