

# CHANGE HEALTHCARE

THIRD QUARTER FISCAL 2022 EARNINGS CONFERENCE CALL

02.03.22

# Legal

## **FORWARD LOOKING STATEMENT:**

This presentation contains “forward-looking statements” within the meaning of federal securities laws. Any statements made in this presentation that are not statements of historical fact, including statements about our beliefs and expectations, are forward-looking statements. Forward-looking statements include information concerning possible or assumed future results of operations, including, but not limited to, information and assumptions regarding fiscal year 2022, the continued length and impact of COVID-19 (including the impact of COVID-19 variant strains such as the Omicron variant), our pending merger with UnitedHealth Group and descriptions of our business plans and strategies. These statements often include words such as “anticipate,” “expect,” “suggest,” “plan,” “believe,” “intend,” “estimate,” “target,” “project,” “should,” “could,” “would,” “may,” “will,” “forecast,” “outlook,” “potential,” “continues,” “seeks,” “predicts,” and the negatives of these words and other similar expressions. Forward-looking statements involve known and unknown risks, uncertainties, including, but not limited to, the ongoing length and impact of the COVID-19 pandemic (including the impact of COVID-19 variant strains such as the Omicron variant) on our operations and financial results, on our customers and on national, state and local economies; new risks that may arise due to responses to the pandemic by the government, our customers and us; risks related to our pending merger with UnitedHealth Group and other factors disclosed in our most recent Annual Report on Form 10-K in the section entitled “Risk Factors,” as such factors may be updated from time to time in our periodic filings with the SEC, and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Given these uncertainties, you should not place undue reliance on any forward-looking statements in this presentation. All forward-looking statements are based on information currently available to Change Healthcare and are qualified in their entirety by this cautionary statement. The statements herein speak only as of the date such statements were first made. Except to the extent required by law, Change Healthcare assumes no obligation to update any such forward-looking statements or other statements included in this presentation.

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In the Company’s earnings releases, prepared remarks, conference calls, slide presentations and webcasts, there may be use or discussion of non-GAAP financial measures. We believe such measures provide supplemental information to investors with regards to our operating performance and assist investors’ ability to compare our financial results to those of other companies in the same industry. The GAAP financial measure most directly comparable to each non-GAAP financial measure used or discussed, and a reconciliation of the differences between the comparable GAAP financial measure and each non-GAAP financial measure are included in this presentation after the consolidated financial statements. These non-GAAP financial measures are calculated and presented on the basis of methodologies other than in accordance with GAAP. These non-GAAP financial measures should be considered only as supplemental to, and not as superior to, financial measures prepared in accordance with GAAP and may be defined and calculated differently by others in the same industry.

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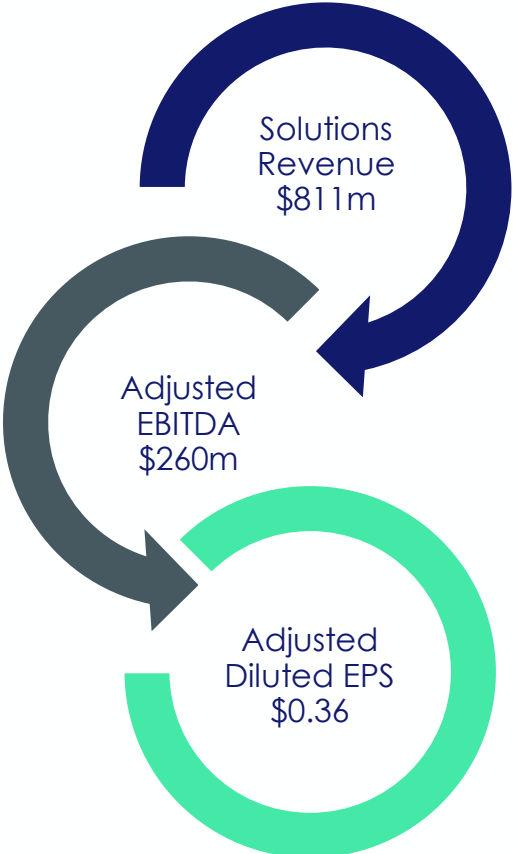
# Overview and Business Update

Neil de Crescenzo  
President and CEO

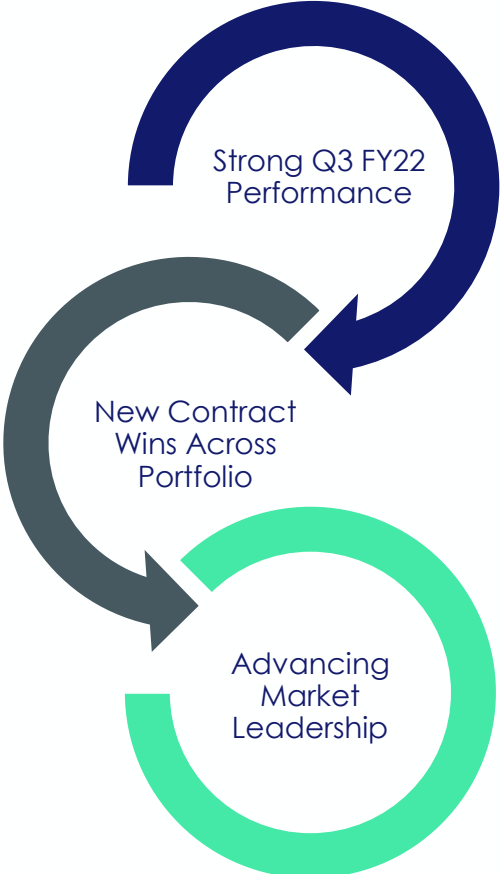


# Change Healthcare – Third Quarter FY22 CEO Summary

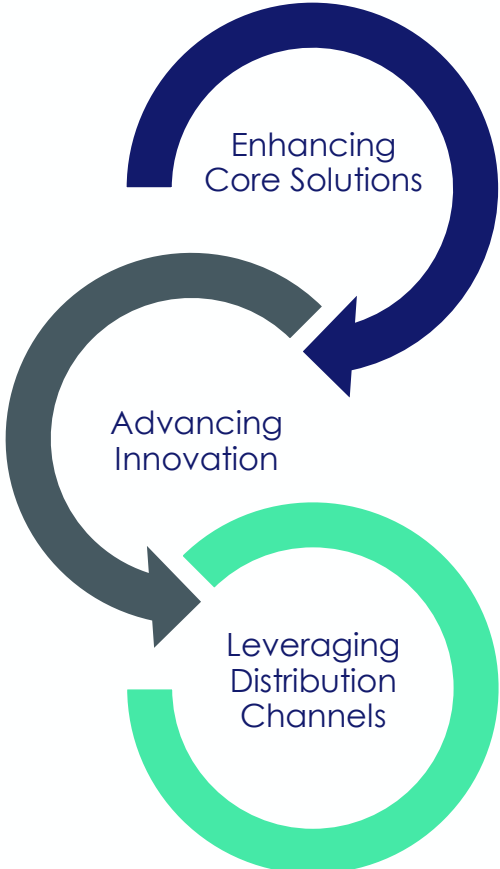
## Financial Results Q3 FY2022



## Business Highlights



## Accelerating Market Potential



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# Financial Performance

Fredrik Eliasson  
EVP and Chief Financial Officer



# Q3 FY'22 Performance

In millions except EPS	Q3 FY'22	Q3 FY'21	% Change <sup>(1)</sup>
Consolidated Revenue	\$ 866	\$ 785	10.3%
Solutions Revenue	811	735	10.3%
EBITDA	196	211	(7.2%)
Net Income	(24)	2	NMF
Diluted EPS	(0.08)	0.01	NMF
Adjusted EBITDA	260	233	11.2%
Adjusted Net Income	117	110	6.0%
Adjusted Diluted EPS	0.36	0.34	6.2%
Diluted Number of Shares	324	325	(0.1%)

Note 1: Percentage change does not reflect rounding of the numbers.

## Q3 FY'22 Business Highlights

- **Solutions Revenue and Adjusted EBITDA growth of 10.3% and 11.2%, respectively, driven by:**
  - Strong volume growth and new business wins across portfolio
  - Revenue negatively impacted by \$24 million in prior year due to deferred revenue fair value adjustments
  - Solutions revenue, net of deferred revenue impact and net of M&A activity, increased 7.5%
  - Continued investment to support business initiatives
- **Adjusted Net Income of \$117 million and Adjusted Diluted EPS \$0.36 growth of 6.0% and 6.2%, respectively**
  - Driven by Adjusted EBITDA growth and lower interest expense partially offset by higher depreciation and amortization and higher tax rate

# Q3 FY'22 Segment Performance

In millions	Q3 FY'22	Q3 FY'21	% Change <sup>(1)</sup>
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## Segment Revenue

S&A	\$ 386	\$ 372	3.7%
Network	227	193	17.8%
TES	233	223	4.6%
Postage and Elimination	20	22	(7.7%)
Purchase Accounting Adj.	-	(24)	0.0%
<b>Total Net Revenue</b>	<b>866</b>	<b>785</b>	<b>10.3%</b>

## Segment Adjusted EBITDA

S&A	\$ 125	\$ 121	3.6%
Network	121	104	16.3%
TES	14	9	55.4%
Postage and Elimination	-	0	0.0%
<b>Total Adjusted EBITDA</b>	<b>260</b>	<b>233</b>	<b>11.2%</b>

Note 1: Percentage change does not reflect rounding of the numbers.

## Q3 FY'22 Business Highlights

### • S&A: Execution Across Segment

- Excluding the impact of divestitures, revenue grew 5.1%
- Strong overall pipeline activity and continued volume recovery
- Increased product investment

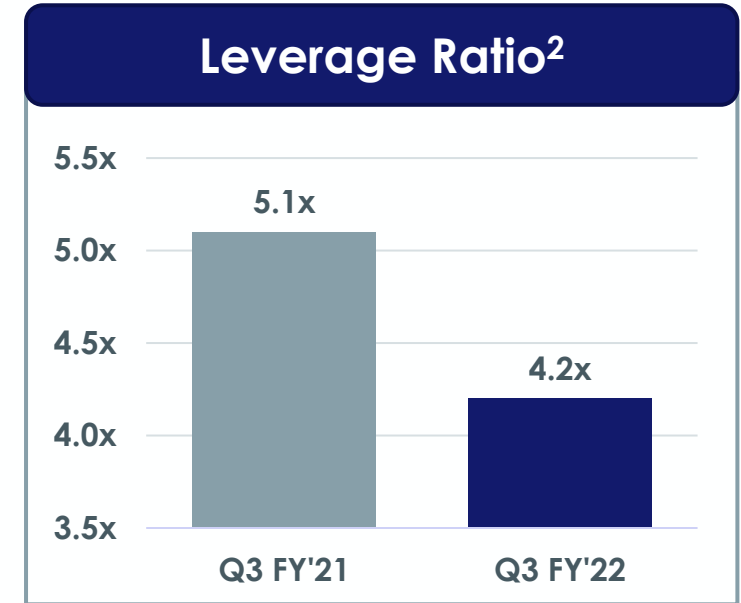
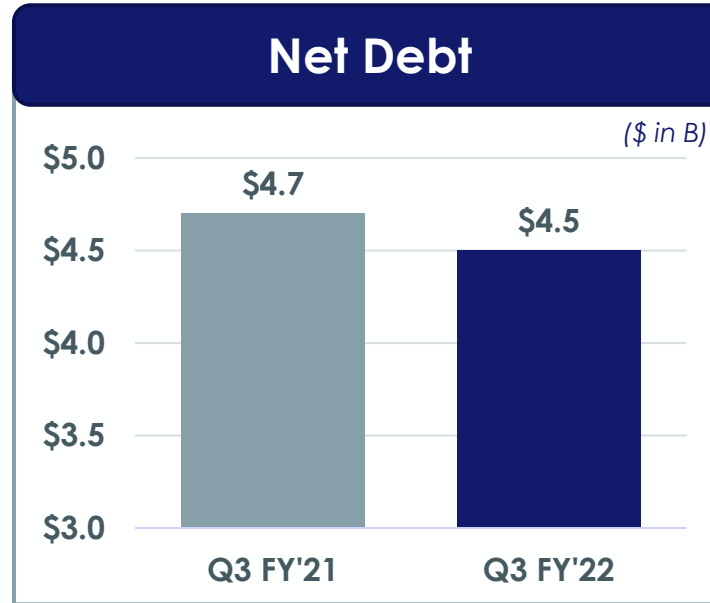
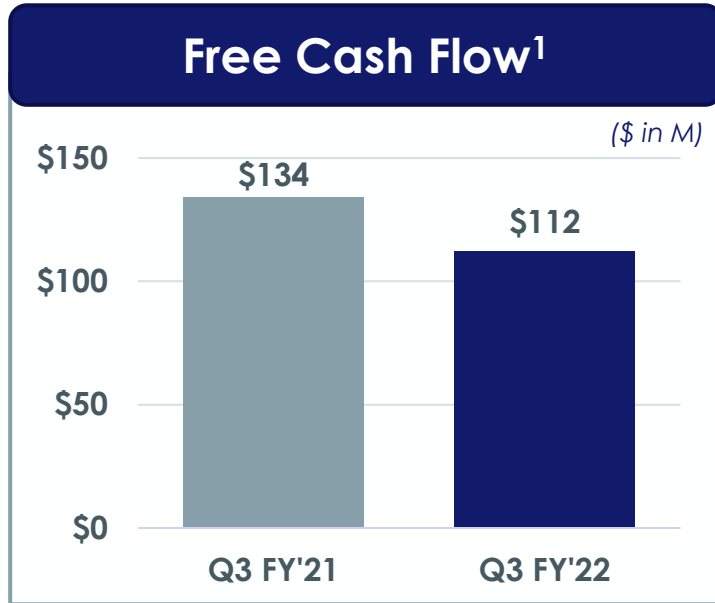
### • Network: Strength in Payments Business

- Increased volume from COVID-19 vaccines, volume growth and new solution offerings/customers
- Double digit growth in Data Solutions and B2B Payments
- Continued investments to expand market opportunities

### • TES: Underlying RCM Transformation Remains Intact

- Positive trends in both RCM win rates and deal size
- Continued execution of transformation initiatives

# Q3 FY'22 Cash Generation & Liquidity



- **Liquidity: \$874 million**
  - Cash and cash equivalents of approx. \$96 million; \$779 million undrawn secured credit facility (maturity July 2024) at quarter end
- **Net Debt and Liquidity include the impact of an additional \$80 million term loan facility repayment during Q3**
- **No maintenance covenants; earliest debt maturity Term Loan B – March 2024**

Note 1: Refer to slide 18 for details on Free Cash Flow.

Note 2: Based on Adjusted EBITDA as of December 31, 2021 in accordance with the Credit Agreement.



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# Appendix

Q3 FY'22 Financial Statements

Q3 FY'22 and FY'21 Non-GAAP Reconciliations

# Change Healthcare Inc.

**Consolidated Statements of Operations**  
(unaudited and amounts in thousands, except share and per share amounts)

	<b>Three Months Ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Revenue:</b>		
Solutions revenue	\$ 811,148	\$ 735,264
Postage revenue	54,917	49,877
Total revenue	<u>866,065</u>	<u>785,141</u>
<b>Operating expenses:</b>		
Cost of operations (exclusive of depreciation and amortization below)	354,107	332,373
Research and development	67,314	58,323
Sales, marketing, general and administrative	187,275	161,959
Customer postage	54,917	49,877
Depreciation and amortization	170,782	151,143
Accretion and changes in estimate with related parties, net	2,960	956
Gain on sale of businesses	—	(32,217)
<b>Total operating expenses</b>	<u>837,355</u>	<u>722,414</u>
<b>Operating income (loss)</b>	<u>28,710</u>	<u>62,727</u>
<b>Non-operating (income) and expense</b>		
Interest expense, net	58,433	61,439
Loss on extinguishment of debt	1,653	6,145
Other, net	3,211	(2,491)
<b>Total non-operating (income) and expense</b>	<u>63,297</u>	<u>65,093</u>
<b>Income (loss) before income tax provision (benefit)</b>	<u>(34,587)</u>	<u>(2,366)</u>
<b>Income tax provision (benefit)</b>	<u>(10,115)</u>	<u>(4,562)</u>
<b>Net income (loss)</b>	<u>\$ (24,472)</u>	<u>\$ 2,196</u>
<b>Net income (loss) per common share:</b>		
Basic	\$ (0.08)	\$ 0.01
Diluted	\$ (0.08)	\$ 0.01
<b>Weighted average common shares outstanding:</b>		
Basic	324,381,353	321,013,595
Diluted <sup>(1)</sup>	324,381,353	324,815,524

<sup>(1)</sup> For the three months ended December 31, 2020, diluted shares outstanding includes the dilutive impact of tangible equity units and equity compensation arrangements.

# Change Healthcare Inc.

**Consolidated Statements of Operations**  
(unaudited and amounts in thousands, except share and per share amounts)

	Nine Months Ended December 31,	
	2021	2020
<b>Revenue:</b>		
Solutions revenue	\$ 2,402,009	\$ 2,089,589
Postage revenue	158,675	145,672
Total revenue	2,560,684	2,235,261
<b>Operating expenses:</b>		
Cost of operations (exclusive of depreciation and amortization below)	1,052,802	977,568
Research and development	205,624	168,110
Sales, marketing, general and administrative	548,272	499,039
Customer postage	158,675	145,672
Depreciation and amortization	502,463	436,552
Accretion and changes in estimate with related parties, net	8,867	10,414
Gain on sale of businesses	—	(60,487)
<b>Total operating expenses</b>	2,476,703	2,176,868
<b>Operating income (loss)</b>	83,981	58,393
<b>Non-operating (income) and expense</b>		
Interest expense, net	177,284	185,733
Loss on extinguishment of debt	3,885	7,634
Other, net	2,605	(4,443)
<b>Total non-operating (income) and expense</b>	183,774	188,924
<b>Income (loss) before income tax provision (benefit)</b>	(99,793)	(130,531)
<b>Income tax provision (benefit)</b>	(35,313)	(31,411)
<b>Net income (loss)</b>	\$ (64,480)	\$ (99,120)
<b>Net income (loss) per common share:</b>		
Basic and diluted	\$ (0.20)	\$ (0.31)
<b>Weighted average common shares outstanding:</b>		
Basic and diluted	323,668,343	320,570,092

# Change Healthcare Inc.

## Consolidated Balance Sheets (unaudited and amounts in thousands, except share and per share amounts)

	December 31, 2021	March 31, 2021
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 96,011	\$ 113,101
Accounts receivable, net	781,530	732,614
Contract assets, net	126,487	132,856
Prepaid expenses and other current assets	149,234	140,258
<b>Total current assets</b>	<b>1,153,262</b>	<b>1,118,829</b>
Property and equipment, net	144,179	174,370
Operating lease right-of-use assets, net	72,374	93,412
Goodwill	4,114,682	4,108,792
Intangible assets, net	3,821,383	4,187,072
Other noncurrent assets, net	542,100	430,141
<b>Total assets</b>	<b>\$ 9,847,980</b>	<b>\$ 10,112,616</b>
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 87,477	\$ 57,449
Accrued expenses	473,470	484,293
Deferred revenue	431,239	436,666
Due to related parties, net	11,392	10,766
Current portion of long-term debt	15,009	27,339
Current portion of operating lease liabilities	24,513	30,608
<b>Total current liabilities</b>	<b>1,043,100</b>	<b>1,047,121</b>
Long-term debt, excluding current portion	4,572,865	4,734,775
Long-term operating lease liabilities	56,956	75,396
Deferred income tax liabilities	563,828	605,291
Tax receivable agreement obligations to related parties	100,565	103,151
Tax receivable agreement obligations	198,210	229,082
Other long-term liabilities	64,861	65,572
<b>Total liabilities</b>	<b>6,600,385</b>	<b>6,860,388</b>
<b>Commitments and contingencies</b>		
<b>Stockholders' Equity</b>		
Common Stock (par value, \$0.001), 9,000,000,000 and 9,000,000,000 shares authorized and 311,716,514 and 306,796,076 shares issued and outstanding at December 31, 2021 and March 31, 2021, respectively	312	307
Preferred stock (par value, \$0.001), 900,000,000 shares authorized and no shares issued and outstanding at both December 31, 2021 and March 31, 2021	—	—
Additional paid-in capital	4,333,371	4,283,391
Accumulated other comprehensive income (loss)	21,084	11,221
Accumulated deficit	(1,107,172)	(1,042,691)
<b>Total stockholders' equity</b>	<b>3,247,595</b>	<b>3,252,228</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 9,847,980</b>	<b>\$ 10,112,616</b>

# Change Healthcare Inc.

## Consolidated Statements of Cash Flows (unaudited and amounts in thousands)

	Nine Months Ended December 31,	
	2021	2020
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ (64,480)	\$ (99,120)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	502,463	436,552
Amortization of capitalized software developed for sale	2,510	550
Accretion and changes in estimate, net	13,570	8,429
Equity compensation	74,718	34,858
Deferred income tax expense (benefit)	(41,357)	(33,905)
Amortization of debt discount and issuance costs	23,563	24,587
Loss on extinguishment of debt	3,885	7,634
Non-cash lease expense	20,440	21,930
Gain on sale of businesses	—	(60,487)
Other, net	14,235	4,681
Changes in operating assets and liabilities:		
Accounts receivable, net	(49,081)	28,331
Contract assets, net	8,118	5,201
Prepaid expenses and other assets	(50,602)	(69,609)
Accounts payable	24,008	(15,785)
Accrued expenses and other liabilities	(37,159)	68,708
Deferred revenue	(6,039)	124,679
<b>Net cash provided by (used in) operating activities</b>	<b>438,792</b>	<b>487,234</b>
<b>Cash flows from investing activities:</b>		
Capitalized expenditures	(192,629)	(182,929)
Acquisitions, net of cash acquired	—	(439,483)
Proceeds from sale of businesses	—	117,124
Other, net	(662)	1,100
<b>Net cash provided by (used in) investing activities</b>	<b>(193,291)</b>	<b>(504,188)</b>
<b>Cash flows from financing activities:</b>		
Payments on Term Loan Facility	(180,000)	(265,000)
Payments under tax receivable agreements	(21,537)	(20,691)
Receipts (payments) on derivative instruments	(22,255)	(22,255)
Employee tax withholding on vesting of equity compensation awards	(23,320)	(3,425)
Payments on deferred financing obligations	(10,125)	(9,081)
Payment of senior amortizing notes	(12,188)	(11,599)
Proceeds from exercise of equity awards	6,812	4,158
Payments on Revolving Facility	—	(250,000)
Proceeds from issuance of Senior Notes	—	325,000
Other, net	(310)	(6,650)
<b>Net cash provided by (used in) financing activities</b>	<b>(262,923)</b>	<b>(259,543)</b>
Effect of exchange rate changes on cash and cash equivalents	332	3,449
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(17,090)</b>	<b>(273,048)</b>
Cash and cash equivalents at beginning of period	113,101	410,405
<b>Cash and cash equivalents at end of period</b>	<b>\$ 96,011</b>	<b>\$ 137,357</b>

# Change Healthcare Inc.

## Reconciliation of Net Income (Loss) to Adjusted EBITDA (unaudited and amounts in thousands)

	Three Months Ended December 31,	
	2021	2020
<b>Net income (loss)</b>	\$ (24,472)	\$ 2,196
Income tax provision (benefit)	(10,115)	(4,562)
Income (loss) before income tax provision (benefit)	(34,587)	(2,366)
Amortization of capitalized software developed for sale	935	460
Depreciation and amortization	170,782	151,143
Interest expense, net	58,433	61,439
Equity compensation	24,807	10,944
Acquisition accounting adjustments	(4,864)	20,601
Acquisition and divestiture-related costs	8,707	2,661
Integration and related costs	5,894	9,688
Strategic initiatives, duplicative and transition costs	13,492	4,324
Severance costs	2,640	2,591
Accretion and changes in estimate, net	4,482	(2,759)
Impairment of long-lived assets and other	2,537	658
Loss on extinguishment of debt	1,653	6,145
Gain on sale of business	—	(32,217)
Other non-routine, net	4,628	112
<b>Adjusted EBITDA</b>	<b>\$ 259,539</b>	<b>233,424</b>

# Change Healthcare Inc.

## Reconciliation of Net Income (Loss) to Adjusted EBITDA (unaudited and amounts in thousands)

	Nine Months Ended December 31,	
	2021	2020
<b>Net income (loss)</b>	\$ (64,480)	\$ (99,120)
Income tax provision (benefit)	(35,313)	(31,411)
Income (loss) before income tax provision (benefit)	(99,793)	(130,531)
Amortization of capitalized software developed for sale	2,510	550
Depreciation and amortization	502,463	436,552
Interest expense, net	177,284	185,733
Equity compensation	74,718	34,858
Acquisition accounting adjustments	(7,077)	103,826
Acquisition and divestiture-related costs	28,867	10,119
Integration and related costs	23,195	27,581
Strategic initiatives, duplicative and transition costs	38,064	13,169
Severance costs	14,663	10,467
Accretion and changes in estimate, net	13,570	8,429
Impairment of long-lived assets and other	4,230	14,418
Loss on extinguishment of debt	3,885	7,634
Gain on sale of business	—	(60,487)
Contingent consideration	—	(3,000)
Other non-routine, net	12,149	2,801
<b>Adjusted EBITDA</b>	<b>\$ 788,728</b>	<b>\$ 662,119</b>

# Change Healthcare Inc.

## Reconciliation of Net Income (Loss) to Adjusted Net Income (Loss) (unaudited and amounts in thousands, except share and per share amounts)

	Three Months Ended December 31,	
	2021	2020
<b>Net income (loss)</b>	\$ (24,472)	\$ 2,196
Amortization expense resulting from acquisition method adjustments	124,833	117,075
EBITDA adjustments	63,976	22,748
Tax effect of EBITDA adjustments and amortization	(47,680)	(31,945)
<b>Adjusted net income (loss)</b>	<u>\$ 116,657</u>	<u>110,074</u>
<b>Adjusted net income (loss) per diluted share</b>	<u>\$ 0.36</u>	<u>0.34</u>

	Nine Months Ended December 31,	
	2021	2020
<b>Net income (loss)</b>	\$ (64,480)	\$ (99,120)
Amortization expense resulting from acquisition method adjustments	373,612	345,972
EBITDA adjustments	206,264	169,815
Tax effect of EBITDA adjustments and amortization expense	(151,491)	(121,911)
<b>Adjusted net income (loss)</b>	<u>\$ 363,905</u>	<u>294,756</u>
<b>Adjusted net income (loss) per diluted share</b>	<u>\$ 1.12</u>	<u>0.92</u>



# Change Healthcare Inc.

## Segment Results (unaudited and amounts in thousands)

	Three Months Ended December 31,	
	2021	2020
<b>Segment revenue</b>		
Software and Analytics	\$ 386,020	372,212
Network Solutions	226,963	192,588
Technology-Enabled Services	232,760	222,514
Postage and Eliminations <sup>(1)</sup>	20,322	22,006
Purchase Accounting Adjustment <sup>(2)</sup>	—	(24,179)
Net revenue	<u>\$ 866,065</u>	<u>785,141</u>
<b>Segment adjusted EBITDA</b>		
Software and Analytics	\$ 125,131	120,779
Network Solutions	120,735	103,847
Technology-Enabled Services	13,673	8,798
Postage and Eliminations	—	—
Total adjusted EBITDA	<u>\$ 259,539</u>	<u>233,424</u>

	Nine Months Ended December 31,	
	2021	2020
<b>Segment revenue</b>		
Software and Analytics	\$ 1,169,760	1,118,661
Network Solutions	652,023	519,509
Technology-Enabled Services	690,210	642,037
Postage and Eliminations <sup>(1)</sup>	56,431	73,142
Purchase Accounting Adjustment <sup>(2)</sup>	(7,740)	(118,088)
Net revenue	<u>\$ 2,560,684</u>	<u>2,235,261</u>
<b>Segment adjusted EBITDA</b>		
Software and Analytics	\$ 397,814	382,103
Network Solutions	343,208	268,858
Technology-Enabled Services	47,706	11,158
Postage and Eliminations	—	—
Total adjusted EBITDA	<u>\$ 788,728</u>	<u>662,119</u>

<sup>(1)</sup> Revenue for Postage and Eliminations includes postage revenue of \$54.9 million for the three months ended December 31, 2021 and \$49.9 million for the three months ended December 31, 2020. Revenue for Postage and Eliminations includes postage revenue of \$158.7 million for the nine months ended December 31, 2021 and \$145.7 million for the nine months ended December 31, 2020.

<sup>(2)</sup> Amount reflects the impact to deferred revenue resulting from the McKesson exit which reduced revenue recognized during the nine months ended December 31, 2021 and the three and nine months ended December 31, 2020.

# Change Healthcare Inc.

**Reconciliation of Cash Provided by (Used in) Operating Activities to Free Cash Flow and Adjusted Free Cash Flow**  
(unaudited and amounts in thousands)

	Nine Months Ended December 31,	
	2021	2020
<b>Cash provided by (used in) operating activities</b> <sup>(1)</sup>	\$ 438,792	\$ 487,234
Capital expenditures	<u>(192,629)</u>	<u>(182,929)</u>
<b>Free cash flow</b>	246,163	304,305
<b>Adjustments to free cash flow</b> <sup>(2)</sup> :		
Integration and related costs	23,195	27,581
Strategic initiatives, duplicative and transition costs	38,064	13,169
Severance costs	14,663	10,467
Integration and strategic capital expenditures	<u>22,942</u>	<u>9,494</u>
<b>Adjusted free cash flow</b>	<u>\$ 345,027</u>	<u>\$ 365,016</u>

<sup>(1)</sup> Includes cash provided by pass-thru funds of \$16.1 million for the nine months ended December 31, 2021 and cash used by pass-thru funds of \$10.1 million for the nine months ended December 31, 2020.

<sup>(2)</sup> All operating costs and integration and strategic capital expenditures are presented on an as-incurred basis.

# CHANGE HEALTHCARE

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