

CHANGE HEALTHCARE

THIRD QUARTER FISCAL 2021 EARNINGS CONFERENCE CALL



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, our third quarter fiscal year 2021 guidance, the supplemental information and assumptions regarding fiscal year 2021, the potential length and impact of COVID-19 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 uncertainty around the length and severity of the COVID-19 pandemic; the ongoing impact of the COVID-19 pandemic on our operations and financial results, on our customers and on national, state and local economies; and new risks that may arise due to responses to the pandemic by the government, our customers and us, and other factors disclosed in our Annual Report on Form 10-K for the fiscal year ended March 31, 2020 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.

NON-GAAP MEASURES DISCLOSURE:

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 regard 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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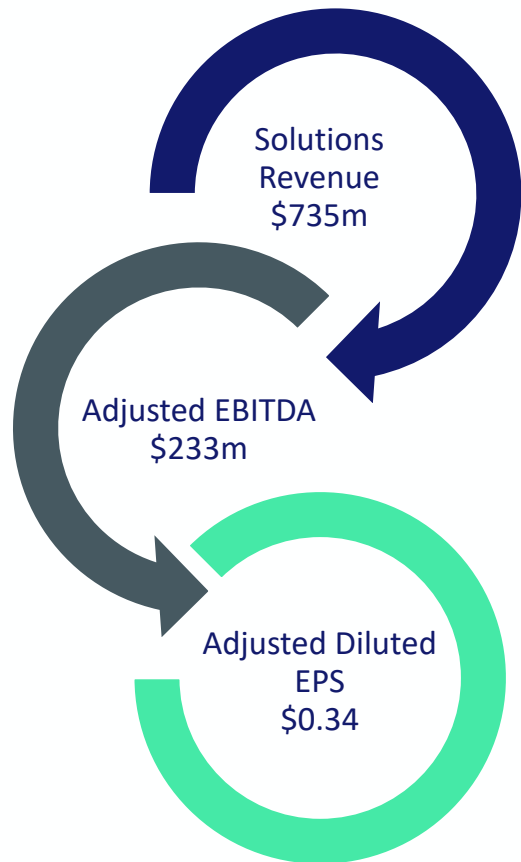
Overview and Business Update

Neil de Crescenzo
President and CEO



Change Healthcare – Third Quarter FY21 CEO Summary

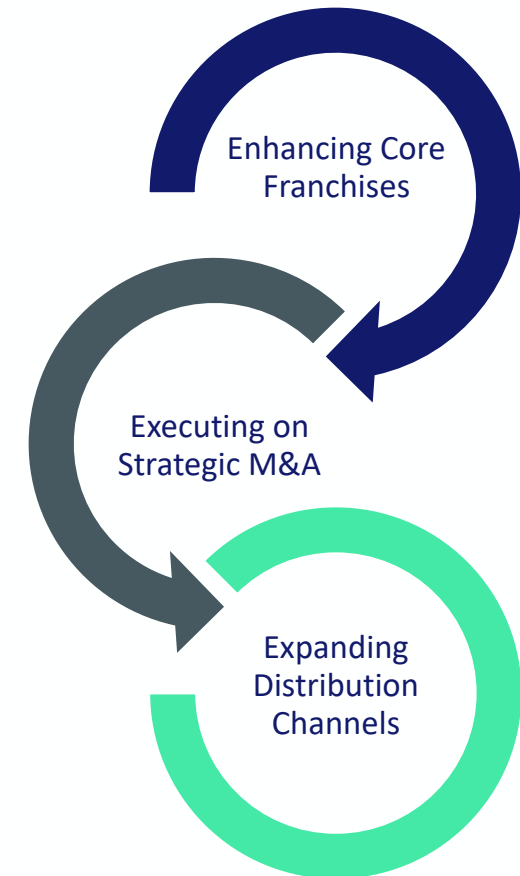
Financial Results Q3 FY2021



Business Highlights



Accelerating Market Potential



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Financial Performance

Fredrik Eliasson
EVP and Chief Financial Officer



Q3 FY'21 Performance

In millions except EPS	CH Inc. Q3 FY'21	CH LLC Q3 FY'20	% Change ⁽²⁾
Consolidated Revenue	\$ 785	\$ 808	(2.9%)
Solutions Revenue	735	753	(2.3%)
EBITDA	211	177	19.3%
Net Income	2	31	(93.0%)
Diluted EPS ⁽¹⁾	0.01	0.10	(93.0%)
Adjusted EBITDA	233	233	0.3%
Adjusted Net Income	110	106	3.5%
Adjusted Diluted EPS	0.34	0.33	2.7%
Diluted Number of Shares ⁽¹⁾	325	322	0.8%

Q3 FY'21 Business Highlights

- **Solutions Revenue and Adjusted EBITDA include:**
 - New business wins across portfolio partially offset by COVID-19 impact
 - Revenue negatively impacted by \$24 million due to lower deferred revenue as part of fair value adjustments
 - Solutions revenue, net of deferred revenue impact and performance of M&A activity, declined 1.7%
 - Execution of synergy realization and business optimization
 - Continued investment in R&D and enterprise sales
- **Adjusted Net Income of \$110 million or \$0.34 per diluted share**
 - Lower interest expense due to reduction in YoY average long-term debt outstanding and lower interest rates

Note 1: Prior to the McKesson exit, common units of Change Healthcare LLC are equivalent to the number of outstanding common shares of Change Healthcare Inc. and membership interests of Change Healthcare LLC held by subsidiaries of McKesson.

Note 2: Percentage change does not reflect rounding of the numbers.

Q3 FY'21 Segment Performance

In millions	CH Inc. Q3 FY'21	CH LLC Q3 FY'20	% Change ⁽²⁾
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Segment Revenue

S&A	\$ 372	\$ 387	(3.9%)
Network	193	151	27.8%
TES	223	241	(7.8%)
Postage and Elimination	22	29	(23.4%)
Purchase Accounting Adj.	(24)	-	-
Total Net Revenue	785	808	(2.9%)

Segment Adjusted EBITDA - New Methodology⁽¹⁾

S&A	\$ 121	\$ 128	(5.5%)
Network	104	88	18.6%
TES	9	17	(49.0%)
Postage and Elimination	(0)	(0)	0.0%
Total Adjusted EBITDA	233	233	0.3%

Note 1: CH LLC reflects incorporation of new allocation methodology; reconciliation is provided in the appendix.
 Note 2: Percentage change does not reflect rounding of the numbers.

Q3 FY'21 Business Highlights

• S&A: Execution Across Segment

- Revenue Flat Year over Year as a result of:
 - Low single digit growth in subscription revenue offset by mid-single digit COVID-19 related impact on contingency/renewal-based revenue
 - Impact from Connected Analytics and Capacity Management sale of ~\$17 million
- Increased pipeline activity across the segment
- Implementations and new wins in cloud-based EI solution

• Network: Strength in Data Solutions

- Excluding the impact of acquisitions, revenue grew 4.4%
- Double digit growth in Data Solutions and B2B Payments
- Increased volume from new solution offerings/customers
- Continued investments to expand market opportunities

• TES: Underlying RCM transformation remains intact

- Continued positive trends in RCM win rates and deal size
- COVID-19 revenue impact of low single digit decline in RCM and (10%) CPS
- Executing on accelerated and expanded transformation initiatives

Q3 FY'21 Cash Generation & Liquidity

- **Free Cash Flow for Q3 FY'21 of \$134.2 million, YTD \$304.3 million ⁽¹⁾**
- **Adjusted Free Cash Flow for Q3 FY'21 of \$154.4 million, YTD \$365.0 million ⁽¹⁾**
- **Net Debt \$4.7 billion⁽²⁾; Leverage Ratio 5.2x⁽²⁾**
- **Liquidity: \$916.2 million**
 - Cash and cash equivalents of approx. \$137.4 million; \$778.8 million undrawn secured credit facility (maturity July 2024) at quarter end
- **Net Debt and Liquidity include the impact of an additional \$215 million term loan facility repayment during Q3 FY21.**
- **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, 2020 in accordance with the Credit Agreement.

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Appendix

Q3 FY'21 Financial Statements

Q3 FY'21 and FY'20 Non-GAAP Reconciliations

Change Healthcare Inc.

Consolidated Statements of Operations – Quarter to Date

(unaudited and amounts in thousands, except share and per share amounts)

Consolidated Statements of Operations
Quarter to Date
(unaudited and amounts in thousands, except share and per share amounts)

	Three Months Ended December 31,		
	2020	2019	2019
	Change Healthcare Inc.		Change Healthcare LLC
Revenue:			
Solutions revenue	\$ 735,264	\$ —	\$ 752,533
Postage revenue	49,877	—	55,693
Total revenue	<u>785,141</u>	<u>—</u>	<u>808,226</u>
Operating expenses:			
Cost of operations (exclusive of depreciation and amortization below)	332,373	—	339,413
Research and development	58,323	—	50,618
Sales, marketing, general and administrative	161,959	1,115	185,661
Customer postage	49,877	—	55,693
Depreciation and amortization	151,143	—	77,330
Accretion and changes in estimate with related parties, net	956	(1,191)	3,245
Gain on sale of businesses	(32,217)	—	—
Total operating expenses	<u>722,414</u>	<u>(76)</u>	<u>711,960</u>
Operating income (loss)	<u>62,727</u>	<u>76</u>	<u>96,266</u>
Non-operating (income) and expense			
Interest expense, net	61,439	1	66,353
Contingent consideration	—	—	900
Loss on extinguishment of debt	6,145	—	2,514
Loss from Equity Method Investment in the Joint Venture	—	8,764	—
(Gain) loss on forward purchase contract	—	(74,084)	—
Other, net	(2,491)	(580)	(2,718)
Total non-operating (income) and expense	<u>65,093</u>	<u>(65,899)</u>	<u>67,049</u>
Income (loss) before income tax provision (benefit)	<u>(2,366)</u>	<u>65,975</u>	<u>29,217</u>
Income tax provision (benefit)	<u>(4,562)</u>	<u>15,240</u>	<u>(1,974)</u>
Net income (loss)	<u>\$ 2,196</u>	<u>\$ 50,735</u>	<u>\$ 31,191</u>
Net income (loss) per common share:			
Basic	\$ 0.01	\$ 0.35	\$ 0.10
Diluted	\$ 0.01	\$ 0.35	\$ 0.10
Weighted average common shares outstanding: ⁽¹⁾			
Basic	321,013,595	143,392,295	319,387,487
Diluted ⁽²⁾	324,815,524	146,201,860	322,197,051

⁽¹⁾ Prior to the McKesson exit, common units of Change Healthcare LLC were equivalent to the number of outstanding common shares of Change Healthcare Inc. and membership interests of Change Healthcare LLC held by subsidiaries of McKesson.

⁽²⁾ Diluted shares outstanding includes the dilutive impact of tangible equity units and equity compensation arrangements.

Change Healthcare Inc.

Consolidated Statements of Operations – Year to Date

(unaudited and amounts in thousands, except share and per share amounts)

Consolidated Statements of Operations
Year to Date
(unaudited and amounts in thousands, except share and per share amounts)

	Nine Months Ended December 31,		
	2020	2019	2019
	Change Healthcare Inc.		Change Healthcare LLC
Revenue:			
Solutions revenue	\$ 2,089,589	\$ —	\$ 2,288,305
Postage revenue	145,672	—	171,288
Total revenue	2,235,261	—	2,459,593
Operating expenses:			
Cost of operations (exclusive of depreciation and amortization below)	977,568	—	998,943
Research and development	168,110	—	151,778
Sales, marketing, general and administrative	499,039	2,504	567,586
Customer postage	145,672	—	171,288
Depreciation and amortization	436,552	—	226,094
Accretion and changes in estimate with related parties, net	10,414	47,172	10,339
Gain on sale of businesses	(60,487)	—	—
Total operating expenses	2,176,868	49,676	2,126,028
Operating income (loss)	58,393	(49,676)	333,565
Non-operating (income) and expense			
Interest expense, net	185,733	1	219,661
Contingent consideration	(3,000)	—	1,809
Loss on extinguishment of debt	7,634	—	19,414
Loss from Equity Method investment in the Joint Venture	—	104,497	—
(Gain) loss on forward purchase contract	—	(71,649)	—
Other, net	(1,443)	(1,245)	(10,881)
Total non-operating (income) and expense	188,924	31,604	230,003
Income (loss) before income tax provision (benefit)	(130,531)	(81,280)	103,562
Income tax provision (benefit)	(31,411)	(564)	589
Net income (loss)	\$ (99,120)	\$ (80,716)	\$ 102,973
Net income (loss) per common share:			
Basic	\$ (0.31)	\$ (0.67)	\$ 0.35
Diluted	\$ (0.31)	\$ (0.67)	\$ 0.34
Weighted average common shares outstanding: ⁽¹⁾			
Basic	320,570,092	120,657,859	296,653,051
Diluted	320,570,092	120,657,859	300,058,108

⁽¹⁾ Prior to the McKesson exit, common units of Change Healthcare LLC were equivalent to the number of outstanding common shares of Change Healthcare Inc. and membership interests of Change Healthcare LLC held by subsidiaries of McKesson.

Change Healthcare Inc.

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

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

	December 31, 2020	March 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 137,357	\$ 410,405
Accounts receivable, net	697,948	740,105
Contract assets, net	125,509	132,704
Prepaid expenses and other current assets	127,442	117,967
Total current assets	1,088,256	1,401,181
Property and equipment, net	183,843	206,196
Operating lease right-of-use assets, net	99,258	—
Goodwill	4,105,413	3,795,325
Intangible assets, net	4,302,594	4,365,806
Investment in business purchase option	—	146,500
Other noncurrent assets, net	368,448	192,372
Total assets	\$ 10,147,812	\$ 10,107,380
Liabilities		
Current liabilities:		
Accounts payable	\$ 59,664	\$ 68,169
Accrued expenses	502,992	390,294
Deferred revenue	393,823	302,313
Due to related parties, net	11,606	20,234
Current portion of long-term debt	37,019	278,779
Current portion of operating lease liabilities	30,813	—
Total current liabilities	1,035,917	1,059,789
Long-term debt, excluding current portion	4,780,828	4,710,294
Long-term operating lease liabilities	80,789	—
Deferred income tax liabilities	618,397	615,904
Tax receivable agreement obligations to related parties	99,614	177,826
Tax receivable agreement obligations	228,294	164,633
Other long-term liabilities	70,235	93,487
Total liabilities	6,914,074	6,821,933
Commitments and contingencies		
Stockholders' Equity		
Common Stock (par value, \$.001), 9,000,000,000 and 9,000,000,000 shares authorized and 304,656,863 and 303,428,142 shares issued and outstanding at December 31, 2020 and March 31, 2020, respectively	305	303
Preferred stock (par value, \$.001), 900,000,000 and 900,000,000 shares authorized and no shares issued and outstanding at December 31, 2020 and March 31, 2020, respectively	—	—
Additional paid-in capital	4,253,567	4,222,580
Accumulated other comprehensive income (loss)	9,467	(7,372)
Accumulated deficit	(1,029,601)	(930,064)
Total stockholders' equity	3,233,738	3,285,447
Total liabilities and stockholders' equity	\$ 10,147,812	\$ 10,107,380

Change Healthcare Inc.

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

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

	Nine Months Ended December 31,		
	2020	2019	2019
	Change Healthcare Inc.		Change Healthcare LLC
Cash flows from operating activities:			
Net income (loss)	\$ (99,120)	\$ (80,716)	\$ 102,973
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Loss from Equity Method Investment in the Joint Venture	—	104,497	—
Depreciation and amortization	436,552	—	226,094
Amortization of capitalized software developed for sale	550	—	10,456
Accretion and changes in estimate, net	8,429	—	10,339
Equity compensation	34,858	—	24,914
Deferred income tax expense (benefit)	(33,905)	(564)	(189)
Amortization of debt discount and issuance costs	24,587	403	14,406
Contingent consideration	(3,000)	—	1,809
Gain on sale of businesses	(60,487)	—	—
Loss on extinguishment of debt	7,634	—	19,414
(Gain) loss on forward purchase contract	—	(71,649)	—
Non-cash lease expense	21,930	—	—
Other, net	7,681	1,526	3,374
Changes in operating assets and liabilities:			
Accounts receivable, net	28,331	—	14,719
Contract assets, net	5,201	—	19,525
Prepaid expenses and other assets	(69,409)	(1,335)	(23,224)
Accounts payable	(15,785)	—	(32,031)
Accrued expenses and other liabilities	68,708	47,255	13,994
Deferred revenue	124,679	—	(1,213)
Due to the Joint Venture, net	—	583	—
Due to related party, net	—	—	(4,404)
Net cash provided by (used in) operating activities	487,234	—	400,956
Cash flows from investing activities:			
Capitalized expenditures	(182,929)	—	(187,177)
Acquisitions, net of cash acquired	(439,483)	—	—
Proceeds from sale of businesses	117,124	—	—
Proceeds from sale of real estate	—	—	29,813
Investments in businesses	—	—	(19,010)
Investment in the Joint Venture	—	(610,784)	—
Investment in debt and equity securities of the Joint Venture	—	(278,875)	—
Other, net	1,100	7,332	—
Net cash provided by (used in) investing activities	(504,188)	(882,327)	(176,374)
Cash flows from financing activities:			
Payments on Revolving Facility	(250,000)	—	—
Payments on Term Loan Facility	(265,000)	—	(1,052,750)
Proceeds from issuance of Senior Notes	325,000	—	—
Payments under tax receivable agreements	(20,491)	—	(27,227)
Receipts (payments) on derivative instruments	(22,255)	—	2,403
Employee tax withholding on vesting of equity compensation awards	(3,425)	—	—
Payments on deferred financing obligations	(9,081)	—	(2,441)
Payment of senior amortizing notes	(11,599)	(7,332)	—
Payment of debt issued to Change Healthcare Inc.	—	—	(7,332)
Proceeds from exercise of equity awards	4,158	2,105	—
Capital contribution from Members from exercise of equity compensation awards	—	—	2,338
Proceeds from initial public offering, net of issuance costs	—	608,679	—
Proceeds from Change Healthcare Inc. initial public offering	—	—	608,679
Proceeds from issuance of debt component of tangible equity units	—	47,367	—
Proceeds from debt issued to Change Healthcare Inc.	—	—	47,367
Proceeds from issuance of equity component of tangible equity units, net of issuance costs	—	232,929	—
Proceeds from forward purchase contract with Change Healthcare Inc.	—	—	232,929
Other, net	(6,650)	(1,421)	(3,471)
Net cash provided by (used in) financing activities	(259,543)	882,327	(199,505)
Effect of exchange rate changes on cash and cash equivalents	3,449	—	526
Net increase (decrease) in cash and cash equivalents	(273,048)	—	25,603
Cash and cash equivalents at beginning of period	410,405	3,409	48,894
Cash and cash equivalents at end of period	\$ 137,357	\$ 3,409	\$ 74,497

Change Healthcare Inc.

Reconciliation of Net Income (Loss) to Adjusted EBITDA – Quarter to Date (unaudited and amounts in thousands)

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

	Three Months Ended December 31,		
	2020	2019	2019
			Change
	Change Healthcare Inc. ⁽¹⁾	Healthcare LLC	
Net income (loss)	\$ 2,196	\$ 50,735	\$ 31,191
Income tax provision (benefit)	(4,562)	15,240	(1,974)
Income (loss) before income tax provision (benefit)	(2,366)	65,975	29,217
Amortization of capitalized software developed for sale	460		3,755
Depreciation and amortization	151,143		77,330
Interest expense, net	61,439		66,353
Equity compensation	10,944		9,707
Acquisition accounting adjustments	20,601		440
Acquisition and divestiture-related costs	2,661		1,481
Integration and related costs	9,688		21,470
Strategic initiatives, duplicative and transition costs	4,324		4,645
Severance costs	2,591		4,191
Accretion and changes in estimate, net	(2,759)		3,245
Management fees and related costs	—		2,648
Impairment of long-lived assets and other	658		(435)
Gain on sale of business	(32,217)		—
Contingent consideration	—		900
Loss on extinguishment of debt	6,145		2,514
Other non-routine, net	112		5,166
Adjusted EBITDA	\$ 233,424	\$ 232,627	

⁽¹⁾ Prior to the McKesson exit, Change Healthcare Inc. did not utilize adjusted EBITDA as a key performance metric, therefore we have not presented a reconciliation to adjusted EBITDA for the three months ended December 31, 2019.

Change Healthcare Inc.

Reconciliation of Net Income (Loss) to Adjusted EBITDA – Year to Date (unaudited and amounts in thousands)

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

	Nine Months Ended December 31,		
	2020	2019	2019
			Change
	Change Healthcare Inc. ⁽¹⁾		Healthcare LLC
Net income (loss)	\$ (99,120)	\$ (80,716)	\$ 102,973
Income tax provision (benefit)	(31,411)	(564)	589
Income (loss) before income tax provision (benefit)	(130,531)	(81,280)	103,562
Amortization of capitalized software developed for sale	550		10,456
Depreciation and amortization	436,552		226,094
Interest expense, net	185,733		219,661
Equity compensation	34,858		24,914
Acquisition accounting adjustments	103,826		1,367
Acquisition and divestiture-related costs	10,119		2,554
Integration and related costs	27,581		66,976
Strategic initiatives, duplicative and transition costs	13,169		14,334
Severance costs	10,467		14,290
Accretion and changes in estimate, net	8,429		10,339
Management fees and related costs	—		7,708
Impairment of long-lived assets and other	14,418		(1,275)
Gain on sale of business	(60,487)		—
Contingent consideration	(3,000)		1,809
Loss on extinguishment of debt	7,634		19,414
Other non-routine, net	2,801		9,174
Adjusted EBITDA	\$ 662,119		\$ 731,377

⁽¹⁾ Prior to the McKesson exit, Change Healthcare Inc. did not utilize adjusted EBITDA as a key performance metric, therefore we have not presented a reconciliation to adjusted EBITDA for the nine months ended December 31, 2019.

Change Healthcare Inc.

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

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,		
	2020	2019	2019
			Change
	Change Healthcare Inc. ⁽¹⁾		Healthcare LLC
Net income (loss)	\$ 2,196	\$ 50,735	\$ 31,191
Amortization expense resulting from acquisition method adjustments	117,075		34,922
EBITDA adjustments	22,748		55,972
Tax effect of EBITDA adjustments and amortization expense	(31,945)		(15,760)
Adjusted net income (loss)	<u>\$ 110,074</u>		<u>\$ 106,325</u>
Adjusted net income (loss) per diluted share ⁽²⁾	<u>\$ 0.34</u>		<u>\$ 0.33</u>

	Nine Months Ended December 31,		
	2020	2019	2019
			Change
	Change Healthcare Inc. ⁽¹⁾		Healthcare LLC
Net income (loss)	\$ (99,120)	\$ (80,716)	\$ 102,973
Amortization expense resulting from acquisition method adjustments	345,972		104,624
EBITDA adjustments	169,815		171,604
Tax effect of EBITDA adjustments and amortization expense	(121,911)		(44,751)
Adjusted net income (loss)	<u>\$ 294,756</u>		<u>\$ 334,450</u>
Adjusted net income (loss) per diluted share ⁽²⁾	<u>\$ 0.92</u>		<u>\$ 1.11</u>

⁽¹⁾ Prior to the McKesson exit, Change Healthcare Inc. did not utilize adjusted net income (loss) as a key performance metric, therefore we have not presented a reconciliation to adjusted net income (loss) for the three and nine months ended December 31, 2019.

⁽²⁾ Prior to the McKesson exit, Common units of Change Healthcare LLC were equivalent to the number of outstanding common shares of Change Healthcare Inc. and membership interests of Change Healthcare LLC held by subsidiaries of McKesson.

Change Healthcare Inc.

Segment Results (unaudited and amounts in thousands)

Segment Results (unaudited and amounts in thousands)

	Three Months Ended December 31,		
	2020	2019	2019
	Change Healthcare Inc. ⁽¹⁾		Change Healthcare LLC ⁽²⁾
Segment revenue			
Software and Analytics	\$ 372,212	N/A	\$ 387,331
Network Solutions	192,588	N/A	150,697
Technology-Enabled Services	222,514	N/A	241,465
Postage and Eliminations ⁽³⁾	22,006	N/A	28,733
Purchase Accounting Adjustment ⁽⁴⁾	(24,179)	N/A	—
Net revenue	<u>\$ 785,141</u>	<u>N/A</u>	<u>\$ 808,226</u>
Segment adjusted EBITDA			
Software and Analytics	\$ 120,779	N/A	\$ 127,793
Network Solutions	103,847	N/A	87,571
Technology-Enabled Services	8,798	N/A	17,262
Postage and Eliminations	—	N/A	—
Total adjusted EBITDA	<u>\$ 233,424</u>	<u>N/A</u>	<u>\$ 232,626</u>

	Nine Months Ended December 31,		
	2020	2019	2019
	Change Healthcare Inc. ⁽¹⁾		Change Healthcare LLC ⁽²⁾
Segment revenue			
Software and Analytics	\$ 1,118,661	N/A	\$ 1,194,142
Network Solutions	519,509	N/A	436,585
Technology-Enabled Services	642,037	N/A	736,240
Postage and Eliminations ⁽³⁾	73,142	N/A	92,626
Purchase Accounting Adjustment ⁽⁴⁾	(118,088)	N/A	—
Net revenue	<u>\$ 2,235,261</u>	<u>N/A</u>	<u>\$ 2,459,593</u>
Segment adjusted EBITDA			
Software and Analytics	\$ 382,103	N/A	\$ 415,287
Network Solutions	268,858	N/A	246,319
Technology-Enabled Services	11,158	N/A	69,769
Postage and Eliminations	—	N/A	—
Total adjusted EBITDA	<u>\$ 662,119</u>	<u>N/A</u>	<u>\$ 731,375</u>

⁽¹⁾ Prior to the McKesson exit, Change Healthcare Inc. did not have revenues from customers and did not utilize adjusted EBITDA as a key performance metric.

⁽²⁾ The prior year results of Change Healthcare LLC have been retrospectively adjusted to be consistent with the Company's current segment structure and cost allocation methodology.

⁽³⁾ Revenue for Postage and Eliminations includes postage revenue of \$49.9 million for Change Healthcare Inc. for the three months ended December 31, 2020 and \$55.7 million for Change Healthcare LLC for the three months ended December 31, 2019. Revenue for Postage and Eliminations includes postage revenue of \$145.7 million for Change Healthcare Inc. for the nine months ended December 31, 2020 and \$171.3 million for Change Healthcare LLC for the nine months ended December 31, 2019.

⁽⁴⁾ Amount reflects the impact to deferred revenue resulting from the McKesson exit which reduced revenue recognized during 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)

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,		
	2020	2019	2019
	Change Healthcare Inc. ⁽¹⁾		Change Healthcare LLC
Cash provided by (used in) operating activities ⁽²⁾	\$ 487,234	\$ —	\$ 400,956
Capital expenditures	(182,929)	—	(187,177)
Free cash flow	<u>304,305</u>	<u>—</u>	<u>213,779</u>
Adjustments to free cash flow ⁽³⁾:			
Integration and related costs	27,581		66,976
Strategic initiatives, duplicative and transition costs	13,169		14,334
Severance costs	10,467		14,290
Integration and strategic capital expenditures	9,494		15,532
Adjusted free cash flow	<u>\$ 365,016</u>	<u>—</u>	<u>\$ 324,911</u>

⁽¹⁾ Prior to the McKesson exit, Change Healthcare Inc. did not utilize adjusted free cash flow as a key performance metric, therefore we have not presented a reconciliation to adjusted free cash flow for the nine months ended December 31, 2019.

⁽²⁾ Includes cash used in pass-thru funds of \$10.1 million for Change Healthcare Inc. for the nine months ended December 31, 2020 and cash provided by pass-thru funds of \$1.8 million for Change Healthcare LLC for the nine months ended December 31, 2019.

⁽³⁾ All operating costs and integration and strategic capital expenditures are presented on an as-incurred basis.

Change Healthcare LLC

Recast Results to Reflect New Allocation Methodology

SEGMENT ADJUSTED EBITDA (unaudited, amounts in thousands)

	Software and Analytics	Network Solutions	Technology- Enabled Services	Postage and Eliminations	Total
Fiscal Year 2020:					
First Quarter	\$ 176,501	\$ 79,222	\$ 25,333	\$ —	\$ 281,056
Second Quarter	110,993	79,526	27,174	—	217,693
Third Quarter	127,793	87,571	17,262	—	232,626
Fourth Quarter	150,341	85,340	28,677	—	264,358
Total	\$ 565,629	\$ 331,659	\$ 98,445	\$ —	\$ 995,733
Fiscal Year 2019:					
First Quarter	\$ 121,098	\$ 76,852	\$ 29,798	\$ —	\$ 227,749
Second Quarter	117,132	78,775	20,045	—	215,952
Third Quarter	126,416	83,367	24,294	—	234,077
Fourth Quarter	154,434	78,191	24,556	—	257,180
Total	\$ 519,081	\$ 317,185	\$ 98,693	\$ —	\$ 934,958

Note: During the first quarter of fiscal year 2021, the Company decided to allocate all administrative and certain other corporate expenses to the respective reportable segments. This allocation methodology differs from the methodology utilized by the Joint Venture in prior fiscal years. Therefore, the Adjusted EBITDA of the Joint Venture's reportable segments has been retrospectively adjusted for those periods to be consistent with the Company's current allocation methodology.

Full Fiscal Year 2021 Assumptions

- Continued gradual improvement of healthcare utilization throughout the fiscal year with no material changes in COVID related volumes trends or procedure restrictions
- Expect free cash flow of \$250 million - \$300 million
- CapEx: 7.5%-8% of solutions revenue excluding impact of fair value adjustments and integration CapEx
- Integration related OpEx of ~\$80 million and CapEx of ~\$20 million
- Interest expense in the range of \$245 million - \$255 million
- Adjusted effective tax rate: ~25%
- Basic and fully diluted shares outstanding: 321 million⁽¹⁾

Note 1: Diluted shares outstanding includes the impact of the minimum issuable shares attributable to the TEUs and excludes the effect of potential shares that would be antidilutive to Diluted EPS, based on expected GAAP Net Loss for FY2021.

CHANGE HEALTHCARE

Insight. Innovation. Transformation.