

CHANGE HEALTHCARE

FIRST QUARTER FISCAL 2022 EARNINGS CONFERENCE CALL



Legal

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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 Delta 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 the ongoing length and impact of the COVID-19 pandemic (including the impact of COVID-19 variant strains such as the Delta 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 Annual Report on Form 10-K for the fiscal year ended March 31, 2021 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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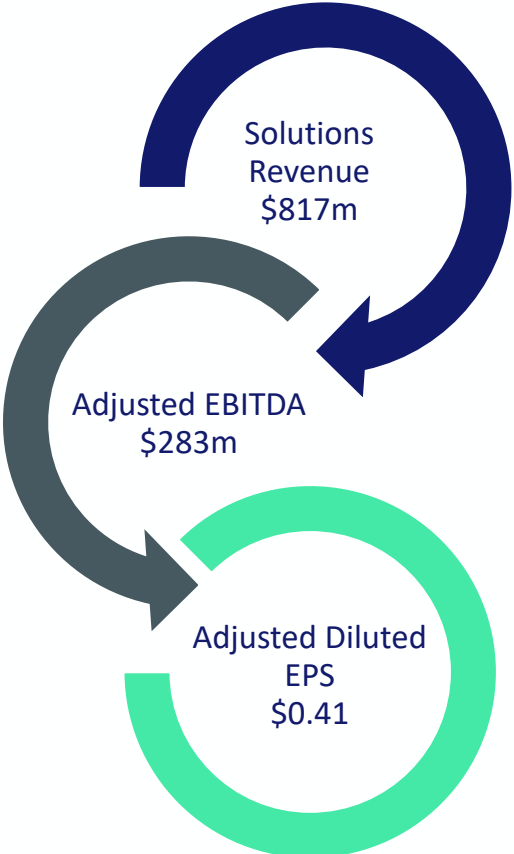
Overview and Business Update

Neil de Crescenzo
President and CEO

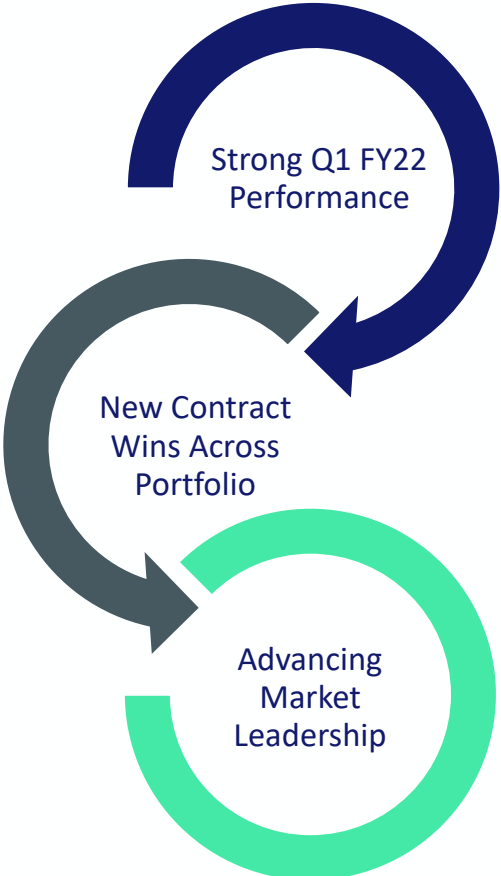


Change Healthcare – First Quarter FY22 CEO Summary

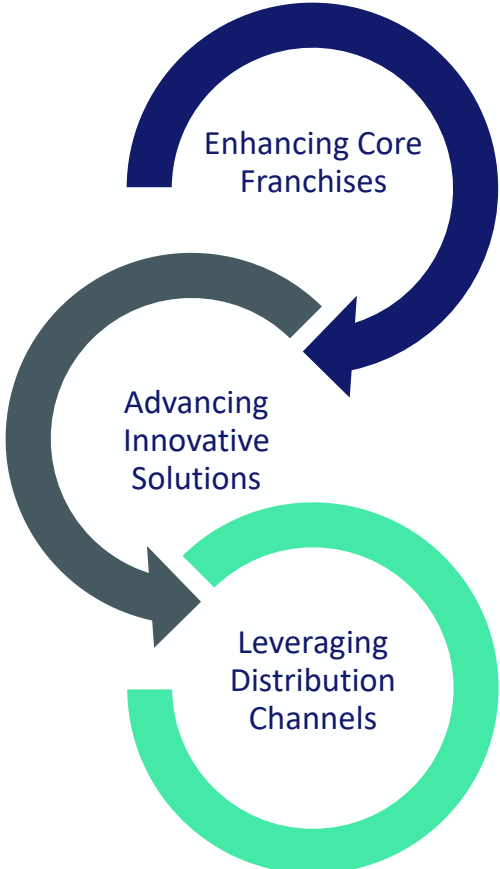
Financial Results Q1 FY2022



Business Highlights



Accelerating Market Potential



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Financial Performance

Fredrik Eliasson
EVP and Chief Financial Officer



Q1 FY'22 Performance

In millions except EPS	CH Inc. Q1 FY'22	CH Inc. Q1 FY'21	% Change ⁽¹⁾
Consolidated Revenue	\$ 868	\$ 694	25.0%
Solutions Revenue	817	648	25.9%
EBITDA	216	129	67.5%
Net Income	(4)	(59)	93.9%
Diluted EPS	(0.01)	(0.18)	93.9%
Adjusted EBITDA	283	197	43.6%
Adjusted Net Income	133	81	63.7%
Adjusted Diluted EPS	0.41	0.25	62.5%
Diluted Number of Shares	323	320	0.8%

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

Q1 FY'22 Business Highlights

- **Solutions Revenue and Adjusted EBITDA include:**
 - Strong volume recovery and new business wins across portfolio
 - Revenue negatively impacted by \$4 million versus negative impact of \$55 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 16.6%
 - Execution of business optimization
 - Continued investment in R&D and enterprise sales
- **Adjusted Net Income of \$133 million or \$0.41 per diluted share**
 - Lower interest expense due to reduction in YoY average long-term debt outstanding

Q1 FY'22 Segment Performance

In millions	CH Inc. Q1 FY'22	CH Inc. Q1 FY'21	% Change ⁽¹⁾
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Segment Revenue

S&A	\$ 420	\$ 392	7.3%
Network	209	143	46.7%
TES	226	188	20.1%
Postage and Elimination	17	27	(37.1%)
Purchase Accounting Adj.	(4)	(55)	91.9%
Total Net Revenue	868	694	25.0%

Segment Adjusted EBITDA

S&A	\$ 160	\$ 144	11.4%
Network	109	71	55.3%
TES	13	(18)	NMF
Postage and Elimination	(0)	0	0.0%
Total Adjusted EBITDA	283	197	43.6%

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

Q1 FY'22 Business Highlights

• S&A: Execution Across Segment

- Excluding the impact of divestitures, revenue grew 11.7%
- Strong volume recovery and overall pipeline activity

• Network: Strength in Data Solutions

- Excluding the impact of acquisitions, revenue grew 35.8%
- 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

- Positive trends in RCM win rates and deal size
- Executing on accelerated and expanded transformation initiatives

Q1 FY'22 Cash Generation & Liquidity

- **Free Cash Flow for Q1 FY'22 of \$44 million⁽¹⁾**
- **Net Debt \$4.7 billion; Leverage Ratio 4.7x⁽²⁾**
- **Liquidity: \$888 million**
 - Cash and cash equivalents of approx. \$109 million; \$779 million undrawn secured credit facility (maturity July 2024) at quarter end
- **Net Debt and Liquidity exclude the impact of an additional \$30 million term loan facility repayment after the quarter close**
- **No maintenance covenants; earliest debt maturity Term Loan B – March 2024**

Note 1: Refer to slide 16 for details on Free Cash Flow.

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

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Appendix

Q1 FY'22 Financial Statements

Q1 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)

	Three Months Ended June 30,	
	2021	2020
Revenue:		
Solutions revenue	\$ 816,648	\$ 648,412
Postage revenue	51,208	45,772
Total revenue	867,856	694,184
Operating expenses:		
Cost of operations (exclusive of depreciation and amortization below)	352,063	318,542
Research and development	71,240	55,734
Sales, marketing, general and administrative	177,955	165,474
Customer postage	51,208	45,772
Depreciation and amortization	168,211	138,541
Accretion and changes in estimate with related parties, net	3,037	5,895
Gain on sale of businesses	—	(28,095)
Total operating expenses	823,714	701,863
Operating income (loss)	44,142	(7,679)
Non-operating (income) and expense		
Interest expense, net	59,386	62,667
Other, net	(3,189)	1,809
Total non-operating (income) and expense	56,197	64,476
Income (loss) before income tax provision (benefit)	(12,055)	(72,155)
Income tax provision (benefit)	(8,450)	(13,461)
Net income (loss)	\$ (3,605)	\$ (58,694)
Net income (loss) per common share:		
Basic and diluted	\$ (0.01)	\$ (0.18)
Weighted average common shares outstanding:		
Basic and diluted	322,546,171	320,052,943

Change Healthcare Inc.

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

	June 30, 2021	March 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 109,104	\$ 113,101
Accounts receivable, net	744,482	732,614
Contract assets, net	134,100	132,856
Prepaid expenses and other current assets	147,835	140,258
Total current assets	1,135,521	1,118,829
Property and equipment, net	162,784	174,370
Operating lease right-of-use assets, net	86,292	93,412
Goodwill	4,112,222	4,108,792
Intangible assets, net	4,064,439	4,187,072
Other noncurrent assets, net	470,593	430,141
Total assets	\$ 10,031,851	\$ 10,112,616
Liabilities		
Current liabilities:		
Accounts payable	\$ 92,644	\$ 57,449
Accrued expenses	453,367	484,293
Deferred revenue	403,536	436,666
Due to related parties, net	11,392	10,766
Current portion of long-term debt	23,099	27,339
Current portion of operating lease liabilities	29,423	30,608
Total current liabilities	1,013,461	1,047,121
Long-term debt, excluding current portion	4,735,332	4,734,775
Long-term operating lease liabilities	68,346	75,396
Deferred income tax liabilities	596,327	605,291
Tax receivable agreement obligations to related parties	94,737	103,151
Tax receivable agreement obligations	195,201	229,082
Other long-term liabilities	64,594	65,572
Total liabilities	6,767,998	6,860,388
Commitments and contingencies		
Stockholders' Equity		
Common Stock (par value, \$0.001), 9,000,000,000 and 9,000,000,000 shares authorized and 310,677,936 and 306,796,076 shares issued and outstanding at June 30, 2021 and March 31, 2021, respectively	311	307
Preferred stock (par value, \$0.001), 900,000,000 shares authorized and no shares issued and outstanding at both June 30, 2021 and March 31, 2021	—	—
Additional paid-in capital	4,294,927	4,283,391
Accumulated other comprehensive income (loss)	14,911	11,221
Accumulated deficit	(1,046,296)	(1,042,691)
Total stockholders' equity	3,263,853	3,252,228
Total liabilities and stockholders' equity	\$ 10,031,851	\$ 10,112,616

Change Healthcare Inc.

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

	Three Months Ended June 30,	
	2021	2020
Cash flows from operating activities:		
Net income (loss)	\$ (3,605)	\$ (58,694)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	168,211	138,541
Amortization of capitalized software developed for sale	717	78
Accretion and changes in estimate, net	4,732	5,895
Equity compensation	26,166	9,583
Deferred income tax expense (benefit)	(8,989)	(13,845)
Amortization of debt discount and issuance costs	7,910	8,047
Non-cash lease expense	7,007	7,402
Gain on sale of businesses	—	(28,095)
Other, net	249	4,766
Changes in operating assets and liabilities:		
Accounts receivable, net	(11,773)	113,470
Contract assets, net	(3,090)	10,013
Prepaid expenses and other assets	(25,029)	(24,632)
Accounts payable	34,722	(19,244)
Accrued expenses and other liabilities	(53,649)	(4,852)
Deferred revenue	(33,472)	20,667
Net cash provided by (used in) operating activities	110,107	169,100
Cash flows from investing activities:		
Capitalized expenditures	(66,006)	(66,770)
Acquisitions, net of cash acquired	—	(398,651)
Proceeds from sale of businesses	—	28,553
Other, net	(1,000)	1,039
Net cash provided by (used in) investing activities	(67,006)	(435,829)
Cash flows from financing activities:		
Payments under tax receivable agreements	(21,537)	(20,691)
Receipts (payments) on derivative instruments	(7,364)	(7,364)
Employee tax withholding on vesting of equity compensation awards	(13,015)	—
Payments on deferred financing obligations	(6,796)	(5,788)
Payment of senior amortizing notes	(3,965)	(4,028)
Proceeds from exercise of equity awards	5,225	2,143
Payments on Revolving Facility	—	(250,000)
Proceeds from issuance of Senior Notes	—	325,000
Other, net	(116)	(5,543)
Net cash provided by (used in) financing activities	(47,568)	33,729
Effect of exchange rate changes on cash and cash equivalents	470	946
Net increase (decrease) in cash and cash equivalents	(3,997)	(232,054)
Cash and cash equivalents at beginning of period	113,101	410,405
Cash and cash equivalents at end of period	\$ 109,104	\$ 178,351

Change Healthcare Inc.

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

	Three Months Ended June 30,	
	2021	2020
Net income (loss)	\$ (3,605)	\$ (58,694)
Income tax provision (benefit)	(8,450)	(13,461)
Income (loss) before income tax provision	(12,055)	(72,155)
Amortization of capitalized software developed for sale	717	78
Depreciation and amortization	168,211	138,541
Interest expense, net	59,386	62,667
Equity compensation	26,166	9,583
Acquisition accounting adjustments	(559)	48,540
Acquisition and divestiture-related costs	6,394	5,120
Integration and related costs	11,368	10,358
Strategic initiatives, duplicative and transition costs	9,928	5,080
Severance costs	4,720	4,704
Accretion and changes in estimate, net	4,732	5,895
Impairment of long-lived assets and other	1,612	6,313
Gain on sale of business	—	(28,095)
Contingent consideration	—	(2,450)
Other non-routine, net	2,108	2,677
Adjusted EBITDA	\$ 282,728	\$ 196,856

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 June 30,	
	2021	2020
Net income (loss)	\$ (3,605)	\$ (58,694)
Amortization expense resulting from acquisition method adjustments	124,314	113,024
EBITDA adjustments	66,469	67,725
Tax effect of EBITDA adjustments and amortization expense	(54,222)	(40,860)
Adjusted net income (loss)	<u>\$ 132,956</u>	<u>\$ 81,195</u>
Adjusted net income (loss) per diluted share	<u>\$ 0.41</u>	<u>\$ 0.25</u>

Change Healthcare Inc.

Segment Results (unaudited and amounts in thousands)

	Three Months Ended June 30,	
	2021	2020
Segment revenue		
Software and Analytics	\$ 420,317	\$ 391,589
Network Solutions	209,461	142,826
Technology-Enabled Services	225,521	187,706
Postage and Eliminations ⁽¹⁾	17,018	27,063
Purchase Accounting Adjustment ⁽²⁾	(4,461)	(55,000)
Net revenue	<u>\$ 867,856</u>	<u>\$ 694,184</u>
Segment adjusted EBITDA		
Software and Analytics	\$ 160,365	\$ 143,932
Network Solutions	109,488	70,503
Technology-Enabled Services	12,875	(17,579)
Postage and Eliminations	—	—
Total adjusted EBITDA	<u>\$ 282,728</u>	<u>\$ 196,856</u>

⁽¹⁾ Revenue for Postage and Eliminations includes postage revenue of \$51.2 million for the three months ended June 30, 2021 and \$45.8 million for the three months ended June 30, 2020.

⁽²⁾ Amount reflects the impact to deferred revenue resulting from the McKesson exit which reduced revenue recognized during the three months ended June 30, 2021 and June 30, 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)**

	Three Months Ended June 30,	
	2021	2020
Cash provided by (used in) operating activities ⁽¹⁾	\$ 110,107	\$ 169,100
Capital expenditures	<u>(66,006)</u>	<u>(66,770)</u>
Free cash flow	44,101	102,330
Adjustments to free cash flow ⁽²⁾:		
Integration and related costs	11,368	10,358
Strategic initiatives, duplicative and transition costs	9,928	5,080
Severance costs	4,720	4,704
Integration and strategic capital expenditures	<u>6,395</u>	<u>4,081</u>
Adjusted free cash flow	<u>\$ 76,512</u>	<u>\$ 126,553</u>

⁽¹⁾ Includes cash provided by pass-thru funds of \$7.3 million for the three months ended June 30, 2021 and cash used by pass-thru funds of \$13.7 million for the three months ended June 30, 2020.

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

CHANGE HEALTHCARE

Insight. Innovation. Transformation.