

CHANGE HEALTHCARE

SECOND QUARTER FISCAL 2022 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, 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.

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 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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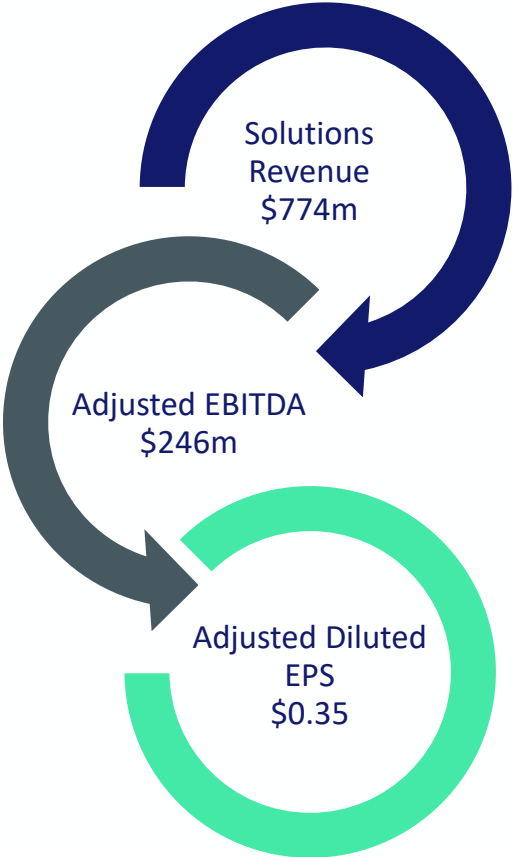
Overview and Business Update

Neil de Crescenzo
President and CEO



Change Healthcare – Second Quarter FY22 CEO Summary

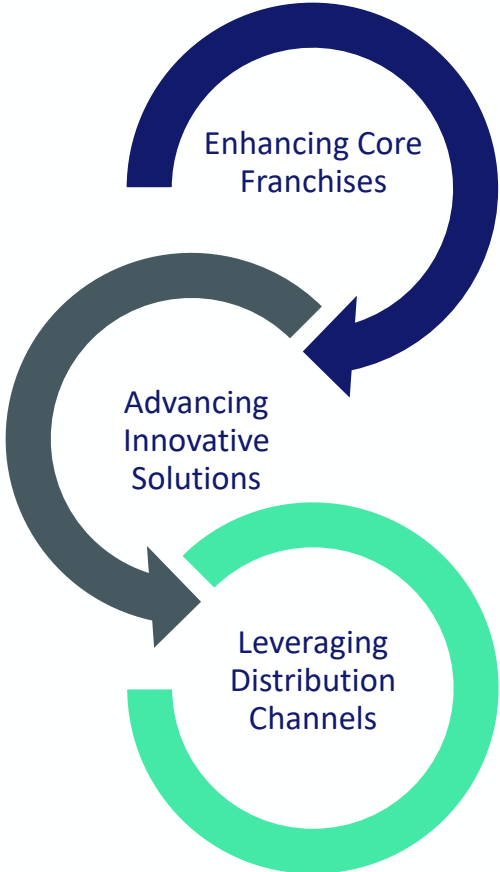
Financial Results Q2 FY2022



Business Highlights



Accelerating Market Potential



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Financial Performance

Fredrik Eliasson
EVP and Chief Financial Officer



Q2 FY'22 Performance

In millions except EPS	Q2 FY'22	Q2 FY'21	% Change ⁽¹⁾
Consolidated Revenue	\$ 827	\$ 756	9.4%
Solutions Revenue	774	706	9.7%
EBITDA	171	152	11.9%
Net Income	(36)	(43)	14.6%
Diluted EPS	(0.11)	(0.13)	15.5%
Adjusted EBITDA	246	232	6.3%
Adjusted Net Income	114	104	10.4%
Adjusted Diluted EPS	0.35	0.32	9.2%
Diluted Number of Shares	324	321	1.1%

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

Q2 FY'22 Business Highlights

- **Solutions Revenue and Adjusted EBITDA include:**
 - Strong volume recovery and new business wins across portfolio
 - Revenue negatively impacted by \$3 million versus negative impact of \$39 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 5.2%
 - Continued investment to support business initiatives
- **Adjusted Net Income of \$114 million or \$0.35 per diluted share**
 - Lower interest expense due to reduction in YoY average long-term debt outstanding

Q2 FY'22 Segment Performance

In millions	Q2 FY'22	Q2 FY'21	% Change ⁽¹⁾
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Segment Revenue

S&A	\$ 363	\$ 355	2.4%
Network	216	184	17.1%
TES	232	232	0.1%
Postage and Elimination	19	24	(20.7%)
Purchase Accounting Adj.	(3)	(39)	91.6%
Total Net Revenue	827	756	9.4%

Segment Adjusted EBITDA

S&A	\$ 112	\$ 117	(4.3%)
Network	113	95	19.6%
TES	21	20	6.3%
Postage and Elimination	(0)	(0)	0.0%
Total Adjusted EBITDA	246	232	6.3%

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

Q2 FY'22 Business Highlights

• S&A: Execution Across Segment

- Excluding the impact of divestitures, revenue grew 4.2%
- Strong overall pipeline activity and continued volume recovery
- Increased product investment

• Network: Strength in Payments Business

- Increased volume from COVID-19 vaccines and volume recovery 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
- Executing on transformation initiatives

Q2 FY'22 Cash Generation & Liquidity

- **Free Cash Flow for Q2 FY'22 of \$90 million⁽¹⁾**
- **Net Debt \$4.6 billion; Leverage Ratio 4.4x⁽²⁾**
- **Liquidity: \$858 million**
 - Cash and cash equivalents of approx. \$80 million; \$779 million undrawn secured credit facility (maturity July 2024) at quarter end
- **Net Debt and Liquidity include the impact of an additional \$100 million term loan facility repayment during Q2 and exclude the impact of an additional \$60 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 18 for details on Free Cash Flow.

Note 2: Based on Adjusted EBITDA as of September 30, 2021 in accordance with the Credit Agreement.

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Appendix

Q2 FY'22 Financial Statements

Q2 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 September 30,	
	2021	2020
Revenue:		
Solutions revenue	\$ 774,214	\$ 705,913
Postage revenue	52,550	50,023
Total revenue	<u>826,764</u>	<u>755,936</u>
Operating expenses:		
Cost of operations (exclusive of depreciation and amortization below)	346,632	326,653
Research and development	67,070	54,052
Sales, marketing, general and administrative	183,041	171,606
Customer postage	52,550	50,023
Depreciation and amortization	163,469	146,869
Accretion and changes in estimate with related parties, net	2,870	3,564
Gain on sale of businesses	—	(176)
Total operating expenses	<u>815,632</u>	<u>752,591</u>
Operating income (loss)	11,132	3,345
Non-operating (income) and expense		
Interest expense, net	59,466	61,627
Loss on extinguishment of debt	2,232	1,489
Other, net	2,587	(3,761)
Total non-operating (income) and expense	<u>64,285</u>	<u>59,355</u>
Income (loss) before income tax provision (benefit)	(53,153)	(56,010)
Income tax provision (benefit)	(16,749)	(13,388)
Net income (loss)	<u>\$ (36,404)</u>	<u>\$ (42,622)</u>
Net income (loss) per common share:		
Basic and diluted	\$ (0.11)	\$ (0.13)
Weighted average common shares outstanding:		
Basic and diluted	324,060,460	320,638,116

Change Healthcare Inc.

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

	Six Months Ended September 30,	
	2021	2020
Revenue:		
Solutions revenue	\$ 1,590,862	\$ 1,354,325
Postage revenue	103,758	95,795
Total revenue	1,694,620	1,450,120
Operating expenses:		
Cost of operations (exclusive of depreciation and amortization below)	698,695	645,195
Research and development	138,310	109,787
Sales, marketing, general and administrative	360,997	337,080
Customer postage	103,758	95,795
Depreciation and amortization	331,681	285,409
Accretion and changes in estimate with related parties, net	5,907	9,459
Gain on sale of businesses	—	(28,270)
Total operating expenses	1,639,348	1,454,455
Operating income (loss)	55,272	(4,335)
Non-operating (income) and expense		
Interest expense, net	118,852	124,294
Loss on extinguishment of debt	2,232	1,489
Other, net	(605)	(1,953)
Total non-operating (income) and expense	120,479	123,830
Income (loss) before income tax provision (benefit)	(65,207)	(128,165)
Income tax provision (benefit)	(25,198)	(26,849)
Net income (loss)	\$ (40,009)	\$ (101,316)
Net income (loss) per common share:		
Basic and diluted	\$ (0.12)	\$ (0.32)
Weighted average common shares outstanding:		
Basic and diluted	323,309,280	320,347,128

Change Healthcare Inc.

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

	September 30, 2021	March 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 80,414	\$ 113,101
Accounts receivable, net	704,595	732,614
Contract assets, net	128,010	132,856
Prepaid expenses and other current assets	149,176	140,258
Total current assets	1,062,195	1,118,829
Property and equipment, net	150,579	174,370
Operating lease right-of-use assets, net	80,562	93,412
Goodwill	4,110,823	4,108,792
Intangible assets, net	3,942,164	4,187,072
Other noncurrent assets, net	503,405	430,141
Total assets	\$ 9,849,728	\$ 10,112,616
Liabilities		
Current liabilities:		
Accounts payable	\$ 64,756	\$ 57,449
Accrued expenses	463,510	484,293
Deferred revenue	377,270	436,666
Due to related parties, net	11,392	10,766
Current portion of long-term debt	19,152	27,339
Current portion of operating lease liabilities	28,948	30,608
Total current liabilities	965,028	1,047,121
Long-term debt, excluding current portion	4,643,245	4,734,775
Long-term operating lease liabilities	62,001	75,396
Deferred income tax liabilities	578,584	605,291
Tax receivable agreement obligations to related parties	97,606	103,151
Tax receivable agreement obligations	196,687	229,082
Other long-term liabilities	62,411	65,572
Total liabilities	6,605,562	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 311,311,208 and 306,796,076 shares issued and outstanding at September 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 September 30, 2021 and March 31, 2021	—	—
Additional paid-in capital	4,313,759	4,283,391
Accumulated other comprehensive income (loss)	12,796	11,221
Accumulated deficit	(1,082,700)	(1,042,691)
Total stockholders' equity	3,244,166	3,252,228
Total liabilities and stockholders' equity	\$ 9,849,728	\$ 10,112,616

Change Healthcare Inc.

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

	Six Months Ended September 30,	
	2021	2020
Cash flows from operating activities:		
Net income (loss)	\$ (40,009)	\$ (101,316)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	331,681	285,409
Amortization of capitalized software developed for sale	1,576	89
Accretion and changes in estimate, net	9,087	11,188
Equity compensation	49,911	23,914
Deferred income tax expense (benefit)	(26,560)	(28,590)
Amortization of debt discount and issuance costs	15,820	16,551
Loss on extinguishment of debt	2,232	1,489
Non-cash lease expense	13,958	14,629
Gain on sale of businesses	—	(28,270)
Other, net	7,405	4,530
Changes in operating assets and liabilities:		
Accounts receivable, net	27,860	114,052
Contract assets, net	4,154	(3,786)
Prepaid expenses and other assets	(37,833)	(48,382)
Accounts payable	7,644	(28,666)
Accrued expenses and other liabilities	(43,743)	27,687
Deferred revenue	(61,832)	36,029
Net cash provided by (used in) operating activities	261,351	296,557
Cash flows from investing activities:		
Capitalized expenditures	(126,828)	(126,432)
Acquisitions, net of cash acquired	—	(439,483)
Proceeds from sale of businesses	—	54,369
Other, net	(1,000)	1,100
Net cash provided by (used in) investing activities	(127,828)	(510,446)
Cash flows from financing activities:		
Payments on Term Loan Facility	(100,000)	(50,000)
Payments under tax receivable agreements	(21,537)	(20,691)
Receipts (payments) on derivative instruments	(14,810)	(14,810)
Employee tax withholding on vesting of equity compensation awards	(18,681)	(3,131)
Payments on deferred financing obligations	(8,981)	(6,547)
Payment of senior amortizing notes	(8,048)	(7,680)
Proceeds from exercise of equity awards	5,985	2,584
Payments on Revolving Facility	—	(250,000)
Proceeds from issuance of Senior Notes	—	325,000
Other, net	(253)	(6,454)
Net cash provided by (used in) financing activities	(166,325)	(31,729)
Effect of exchange rate changes on cash and cash equivalents	115	2,690
Net increase (decrease) in cash and cash equivalents	(32,687)	(242,928)
Cash and cash equivalents at beginning of period	113,101	410,405
Cash and cash equivalents at end of period	\$ 80,414	\$ 167,477

Change Healthcare Inc.

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

	Three Months Ended September 30,	
	2021	2020
Net income (loss)	\$ (36,404)	\$ (42,622)
Income tax provision (benefit)	(16,749)	(13,388)
Income (loss) before income tax provision (benefit)	(53,153)	(56,010)
Amortization of capitalized software developed for sale	859	12
Depreciation and amortization	163,469	146,869
Interest expense, net	59,466	61,627
Equity compensation	23,745	14,331
Acquisition accounting adjustments	(1,653)	34,686
Acquisition and divestiture-related costs	13,765	2,337
Integration and related costs	5,933	7,536
Strategic initiatives, duplicative and transition costs	14,644	3,765
Severance costs	7,303	3,172
Accretion and changes in estimate, net	4,355	5,293
Impairment of long-lived assets and other	81	7,447
Loss on extinguishment of debt	2,232	1,489
Gain on sale of business	—	(176)
Contingent consideration	—	(550)
Other non-routine, net	5,416	13
Adjusted EBITDA	\$ 246,462	\$ 231,841

Change Healthcare Inc.

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

	Six Months Ended September 30,	
	2021	2020
Net income (loss)	\$ (40,009)	\$ (101,316)
Income tax provision (benefit)	(25,198)	(26,849)
Income (loss) before income tax provision (benefit)	(65,207)	(128,165)
Amortization of capitalized software developed for sale	1,576	89
Depreciation and amortization	331,681	285,409
Interest expense, net	118,852	124,294
Equity compensation	49,911	23,914
Acquisition accounting adjustments	(2,212)	83,225
Acquisition and divestiture-related costs	20,159	7,458
Integration and related costs	17,301	17,894
Strategic initiatives, duplicative and transition costs	24,572	8,845
Severance costs	12,023	7,876
Accretion and changes in estimate, net	9,087	11,188
Impairment of long-lived assets and other	1,692	13,760
Loss on extinguishment of debt	2,232	1,489
Gain on sale of business	—	(28,270)
Contingent consideration	—	(3,000)
Other non-routine, net	7,523	2,690
Adjusted EBITDA	\$ 529,190	428,696

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 September 30,	
	2021	2020
Net income (loss)	\$ (36,404)	\$ (42,622)
Amortization expense resulting from acquisition method adjustments	124,465	115,873
EBITDA adjustments	75,821	79,343
Tax effect of EBITDA adjustments and amortization	(49,590)	(49,107)
Adjusted net income (loss)	<u>\$ 114,292</u>	<u>103,487</u>
Adjusted net income (loss) per diluted share	<u>\$ 0.35</u>	<u>0.32</u>

	Six Months Ended September 30,	
	2021	2020
Net income (loss)	\$ (40,009)	\$ (101,316)
Amortization expense resulting from acquisition method adjustments	248,779	228,898
EBITDA adjustments	142,288	147,069
Tax effect of EBITDA adjustments and amortization expense	(103,811)	(89,966)
Adjusted net income (loss)	<u>\$ 247,247</u>	<u>184,685</u>
Adjusted net income (loss) per diluted share	<u>\$ 0.76</u>	<u>0.58</u>

Change Healthcare Inc.

Segment Results (unaudited and amounts in thousands)

	Three Months Ended September 30,	
	2021	2020
Segment revenue		
Software and Analytics	\$ 363,423	354,860
Network Solutions	215,600	184,095
Technology-Enabled Services	231,928	231,817
Postage and Eliminations ⁽¹⁾	19,091	24,073
Purchase Accounting Adjustment ⁽²⁾	(3,278)	(38,909)
Net revenue	<u>\$ 826,764</u>	<u>755,936</u>
Segment adjusted EBITDA		
Software and Analytics	\$ 112,318	117,393
Network Solutions	112,986	94,508
Technology-Enabled Services	21,158	19,940
Postage and Eliminations	—	—
Total adjusted EBITDA	<u>\$ 246,462</u>	<u>231,841</u>

	Six Months Ended September 30,	
	2021	2020
Segment revenue		
Software and Analytics	\$ 783,740	746,449
Network Solutions	425,061	326,921
Technology-Enabled Services	457,450	419,523
Postage and Eliminations ⁽¹⁾	36,109	51,136
Purchase Accounting Adjustment ⁽²⁾	(7,740)	(93,909)
Net revenue	<u>\$ 1,694,620</u>	<u>1,450,120</u>
Segment adjusted EBITDA		
Software and Analytics	\$ 272,683	261,325
Network Solutions	222,474	165,011
Technology-Enabled Services	34,033	2,360
Postage and Eliminations	—	—
Total adjusted EBITDA	<u>\$ 529,190</u>	<u>428,696</u>

⁽¹⁾ Revenue for Postage and Eliminations includes postage revenue of \$52.6 million for the three months ended September 30, 2021 and \$50.0 million for the three months ended September 30, 2020. Revenue for Postage and Eliminations includes postage revenue of \$103.8 million for the six months ended September 30, 2021 and \$95.8 million for the six months ended September 30, 2020.

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

	Six Months Ended September 30,	
	2021	2020
Cash provided by (used in) operating activities ⁽¹⁾	\$ 261,351	\$ 296,557
Capital expenditures	(126,828)	(126,432)
Free cash flow	134,523	170,125
Adjustments to free cash flow ⁽²⁾ :		
Integration and related costs	17,301	17,894
Strategic initiatives, duplicative and transition costs	24,572	8,845
Severance costs	12,023	7,876
Integration and strategic capital expenditures	13,483	5,938
Adjusted free cash flow	<u>\$ 201,902</u>	<u>\$ 210,678</u>

⁽¹⁾ Includes cash provided by pass-thru funds of \$4.4 million for the six months ended September 30, 2021 and cash used by pass-thru funds of \$1.4 million for the six months ended September 30, 2020.

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

CHANGE HEALTHCARE

Insight. Innovation. Transformation.