

CHANGE HEALTHCARE

SECOND 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.

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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 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.

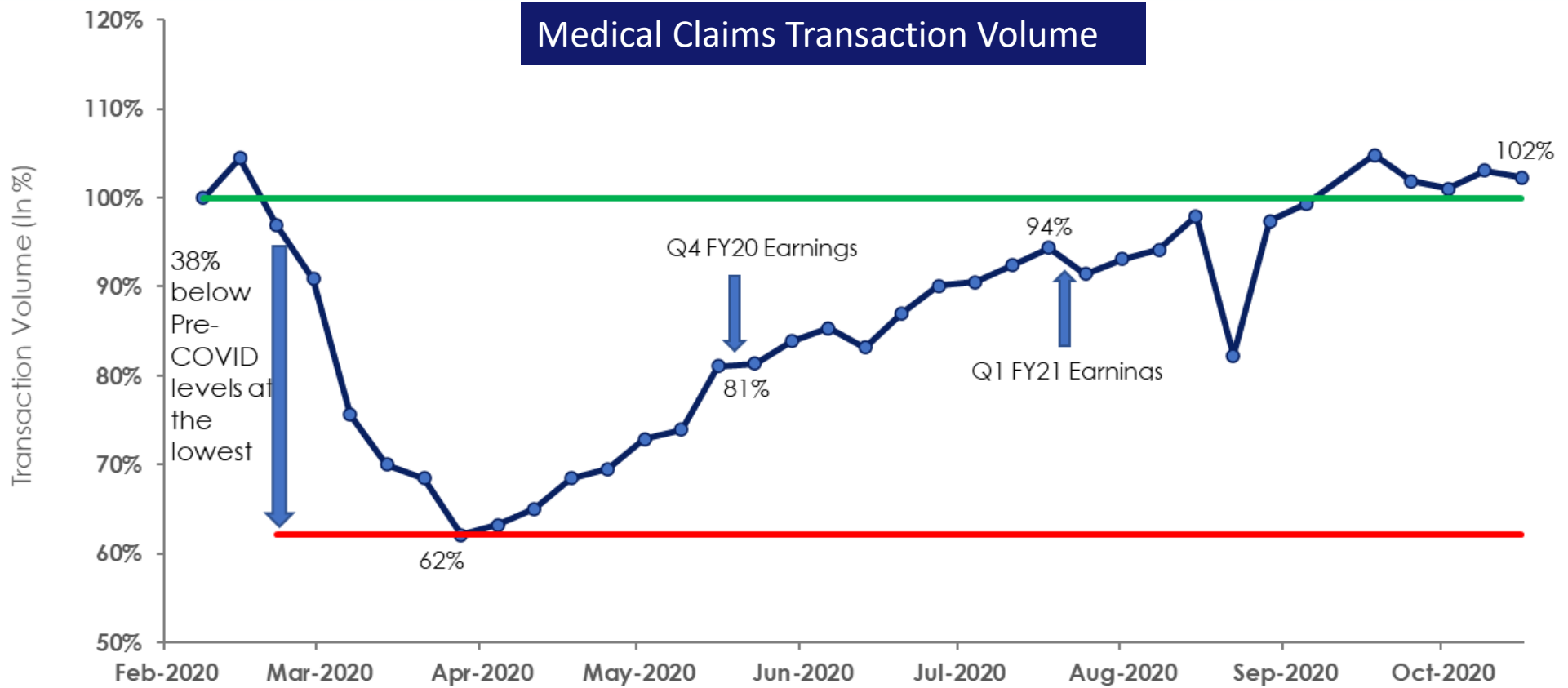
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Overview and Business Update

Neil de Crescenzo
President and CEO

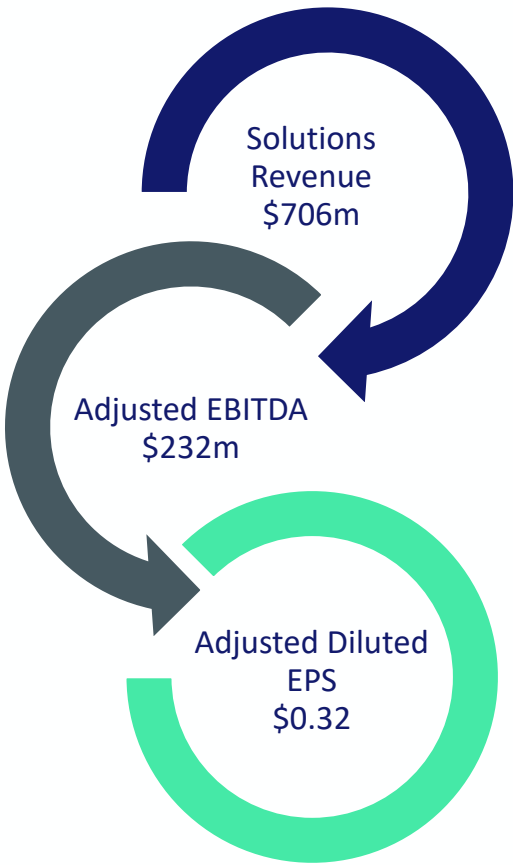


Gradual Recovery in Healthcare Utilization Since Mid-April

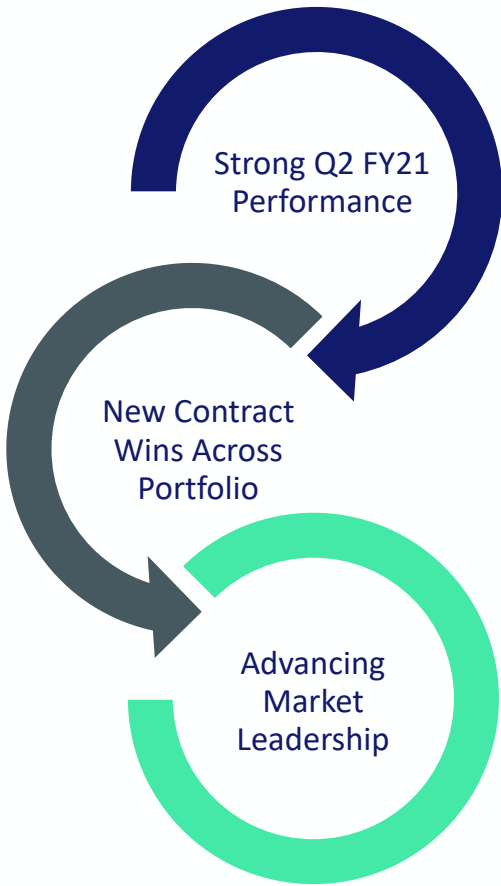


Change Healthcare – Second Quarter FY21 CEO Summary

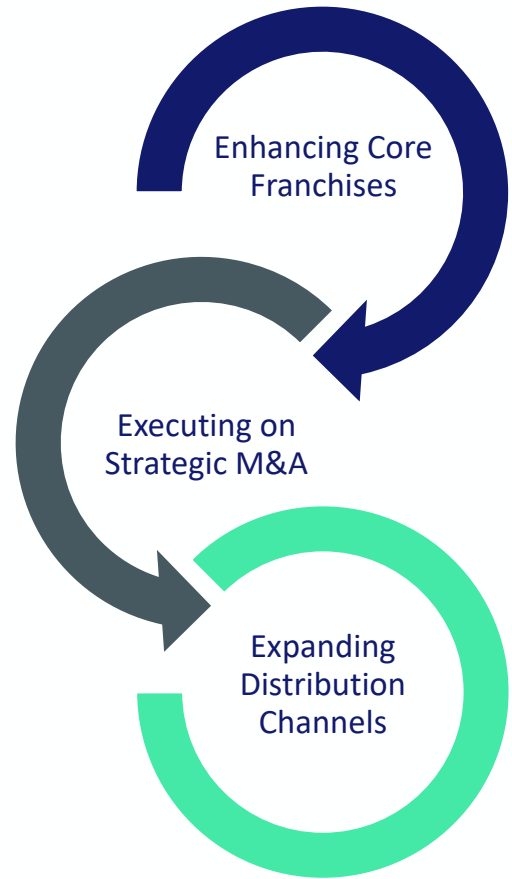
Financial Results Q2 FY2021



Business Highlights



Accelerating Market Potential



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Financial Performance

Fredrik Eliasson
EVP and Chief Financial Officer



Q2 FY'21 Performance

In millions except EPS/EPU	CH Inc. Q2 FY'21	CH LLC Q2 FY'20	% Change ⁽²⁾
Consolidated Revenue	\$ 756	\$ 796	(5.0%)
Solutions Revenue	706	739	(4.4%)
EBITDA	152	151	0.7%
Net Income	(43)	(0)	nmf
Diluted EPS ⁽¹⁾	(0.13)	(0.00)	nmf
Adjusted EBITDA	232	218	6.5%
Adjusted Net Income	104	87	19.5%
Adjusted Diluted EPS	0.32	0.27	20.7%
Diluted Number of Shares ⁽¹⁾	321	324	(1.0%)

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.

Q2 FY'21 Business Highlights

- **Solutions Revenue and Adjusted EBITDA include:**
 - New business wins across portfolio partially offset COVID-19 impact
 - Revenue negatively impacted by \$39 million due to lower deferred revenue as part of fair value adjustments
 - Solutions revenue, net of deferred revenue impact and M&A activity declined 1.3%
 - Interim ~\$15M SMG&A benefit as a result of COVID-19
 - Execution of synergy realization and business optimization
 - Continued investment in R&D and enterprise sales
- **Adjusted Net Income of \$104 million or \$0.32 per diluted share**
 - Lower interest expense due to reduction in YoY long-term debt outstanding and higher tax rate

Q2 FY'21 Segment Performance

In millions	CH Inc. Q2 FY'21	CH LLC Q2 FY'20	% Change ⁽²⁾
Segment Revenue			
S&A	\$ 355	\$ 373	(4.9%)
Network	184	144	27.6%
TES	232	247	(6.2%)
Postage and Elimination	24	31	(23.0%)
Purchase Accounting Adj.	(39)	-	-
Total Net Revenue	756	796	(5.0%)
Segment Adjusted EBITDA – New Methodology⁽¹⁾			
S&A	\$ 117	\$ 111	5.8%
Network	95	80	18.8%
TES	20	27	(26.6%)
Postage and Elimination	-	-	-
Total Adjusted EBITDA	232	218	6.5%

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.

Q2 FY'21 Segment Highlights

- **S&A: Execution Across Segment**
 - Revenue Flat Year over Year as a result of:
 - Low single digit growth in subscription revenue offset COVID-19 related impact on contingency/renewal-based revenue of approximately (10%)
 - Impact from Connected Analytics sale of ~\$17 million
 - Increased pipeline activity across the segment
 - Implementations and new wins in cloud-based EI solution
- **Network: Strength in Data Solutions**
 - Strong growth in Data Solutions and B2B Payments
 - Excluding the impact of acquisitions, revenue grew 4.8%
 - COVID-19 volume impact of approximately (5%) offset by increased market penetration in Network transactions
 - Investments to expand market growth for data services, B2B Payments/NPx, APIs/Interoperability, and Connected Consumer Health
- **TES: Underlying RCM transformation remains intact**
 - Continued positive trends in RCM win rates and deal size
 - COVID-19 revenue impact approximately (5%) RCM and (15%) CPS
 - Vendor consolidation/outsourcing trends support long term growth

Q2 FY'21 Cash Generation & Liquidity

- **Free Cash Flow for Q2 FY'21 of \$67.8 million⁽¹⁾**
- **Adjusted Free Cash Flow for Q2 FY'21 of \$84.1 million⁽¹⁾**
- **Net Debt \$4.8 billion⁽²⁾; Leverage Ratio 5.2x⁽²⁾**
- **Liquidity: \$947.5 million**
 - Cash and cash equivalents of approx. \$167.5 million; \$780.0 million undrawn secured credit facility (maturity July 2024) at quarter end
- **Net Debt and Liquidity exclude the impact of an additional \$75 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 20 for details on Free Cash Flow.

Note 2: Based on Adjusted EBITDA as of September 30, 2020 in accordance with the Credit Agreement.

Financial Guidance and Assumptions

Q3 Fiscal 2021 Guidance

(in millions, except per share data⁽¹⁾)

- Solutions revenue between \$725 million to \$745 million; includes impact of \$24 million related to fair value adjustment for deferred revenue
- Adjusted EBITDA between \$215 million to \$235 million; no impact from fair value adjustments
- Adjusted net earnings per share 28 cents to 33 cents

Q3 Assumptions – Segments

- **Software & Analytics:**
 - 75% of revenue subscription or maintenance – low-single digit growth
 - 25% contingency/renewal-based revenue – negative impact ~ (5%)
- **Network Solutions:**
 - Approximately (5%) decline in network volumes offset by market share gains
 - Mid-to high teens growth in B2B Payments and Data Solutions
- **Technology-Enabled Services:**
 - Approximately (5%) decline in contingency based RCM revenue, CPS decline of (10%) due to lower volumes, and remaining combined businesses stable

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 Income (Loss) for FY2021.

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Appendix

Q2 FY'21 Financial Statements

Q2 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)

	Three Months Ended September 30,		
	2020	2019	2019
	Change Healthcare Inc.		Change Healthcare LLC
Revenue:			
Solutions revenue	\$ 705,913	\$ —	\$ 738,701
Postage revenue	50,023	—	57,110
Total revenue	755,936	—	795,811
Operating expenses:			
Cost of operations (exclusive of depreciation and amortization below)	326,653	—	331,234
Research and development	54,052	—	51,783
Sales, marketing, general and administrative	171,606	1,138	190,039
Customer postage	50,023	—	57,110
Depreciation and amortization	146,869	—	77,448
Accretion and changes in estimate with related parties, net	3,564	48,363	3,214
Gain on sale of businesses	(176)	—	—
Total operating expenses	752,591	49,501	710,828
Operating income (loss)	3,345	(49,501)	84,983
Non-operating (income) and expense			
Interest expense, net	61,627	—	69,901
Contingent consideration	(550)	—	1,700
Loss on extinguishment of debt	1,489	—	16,900
Loss from Equity Method Investment in the Joint Venture	—	56,179	—
(Gain) loss on forward purchase contract	—	2,435	—
Other, net	(3,211)	(560)	(4,386)
Total non-operating (income) and expense	59,355	58,054	84,115
Income (loss) before income tax provision (benefit)	(56,010)	(107,555)	868
Income tax provision (benefit)	(13,388)	(13,620)	998
Net income (loss)	\$ (42,622)	\$ (93,935)	\$ (130)
Net income (loss) per common share:			
Basic and Diluted	\$ (0.13)	\$ (0.66)	\$ —
Weighted average common shares outstanding: ⁽¹⁾			
Basic and Diluted	320,638,116	142,223,836	318,219,028

⁽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 Statements of Operations – Year to Date

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

	Six Months Ended September 30,		
	2020	2019	2019
	Change Healthcare Inc.		Change Healthcare LLC
Revenue:			
Solutions revenue	\$ 1,354,325	\$ —	\$ 1,535,773
Postage revenue	95,795	—	115,594
Total revenue	1,450,120	—	1,651,367
Operating expenses:			
Cost of operations (exclusive of depreciation and amortization below)	645,195	—	658,181
Research and development	109,787	—	101,122
Sales, marketing, general and administrative	337,080	1,389	383,312
Customer postage	95,795	—	115,594
Depreciation and amortization	285,409	—	148,764
Accretion and changes in estimate with related parties, net	9,459	48,363	7,094
Gain on sale of businesses	(28,270)	—	—
Total operating expenses	1,454,455	49,752	1,414,067
Operating income (loss)	(4,335)	(49,752)	237,300
Non-operating (income) and expense			
Interest expense, net	124,294	—	153,307
Contingent consideration	(3,000)	—	909
Loss on extinguishment of debt	1,489	—	16,900
Loss from Equity Method Investment in the Joint Venture	—	95,732	—
(Gain) loss on forward purchase contract	—	2,435	—
Other, net	1,047	(664)	(8,164)
Total non-operating (income) and expense	123,830	97,503	162,952
Income (loss) before income tax provision (benefit)	(128,165)	(147,255)	74,348
Income tax provision (benefit)	(26,849)	(15,804)	2,563
Net income (loss)	\$ (101,316)	\$ (131,451)	\$ 71,785
Net income (loss) per common share:			
Basic	\$ (0.32)	\$ (1.20)	\$ 0.25
Diluted	\$ (0.32)	\$ (1.20)	\$ 0.25
Weighted average common shares outstanding:⁽¹⁾			
Basic	320,347,128	109,111,853	285,107,046
Diluted	320,347,128	109,111,853	288,809,850

⁽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)

	September 30, 2020	March 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 167,477	\$ 410,405
Accounts receivable, net	626,991	740,105
Contract assets, net	135,388	132,704
Prepaid expenses and other current assets	125,996	117,967
Total current assets	1,055,852	1,401,181
Property and equipment, net	193,904	206,196
Operating lease right-of-use assets, net	106,790	—
Goodwill	4,126,481	3,795,325
Intangible assets, net	4,418,079	4,365,806
Investment in business purchase option	—	146,500
Other noncurrent assets, net	309,107	192,372
Total assets	\$ 10,210,213	\$ 10,107,380
Liabilities		
Current liabilities:		
Accounts payable	\$ 47,351	\$ 68,169
Accrued expenses	452,974	390,294
Deferred revenue	319,115	302,313
Due to related parties, net	11,606	20,234
Current portion of long-term debt	30,488	278,779
Current portion of operating lease liabilities	32,060	—
Total current liabilities	893,594	1,059,789
Long-term debt, excluding current portion	4,983,737	4,710,294
Long-term operating lease liabilities	88,239	—
Deferred income tax liabilities	627,919	615,904
Tax receivable agreement obligations to related parties	98,658	177,826
Tax receivable agreement obligations	232,009	164,633
Other long-term liabilities	76,807	93,487
Total liabilities	7,000,963	6,821,933
Commitments and contingencies		
Stockholders' Equity		
Common Stock (par value, \$.001), 9,000,000,000 and 9,000,000,000 shares <u>authorized</u> and 304,426,569 and 303,428,142 shares issued and outstanding at September 30, 2020 and March 31, 2020, respectively	304	303
Preferred stock (par value, \$.001), 900,000,000 and 900,000,000 shares <u>authorized</u> and no shares issued and outstanding at September 30, 2020 and March 31, 2020, respectively	—	—
Additional paid-in capital	4,242,721	4,222,580
Accumulated other comprehensive income (loss)	(1,978)	(7,372)
Accumulated deficit	(1,031,797)	(930,064)
Total stockholders' equity	3,209,250	3,285,447
Total liabilities and stockholders' equity	\$ 10,210,213	\$ 10,107,380

Change Healthcare Inc.

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

	Six Months Ended September 30,		
	2020	2019	2019
	Change Healthcare Inc.		Change Healthcare LLC
Cash flows from operating activities:			
Net income (loss)	\$ (101,316)	\$ (131,451)	\$ 71,785
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Loss from Equity Method Investment in the Joint Venture	—	95,732	—
Depreciation and amortization	285,409	—	148,764
Amortization of capitalized software developed for sale	89	—	6,698
Accretion and changes in estimate, net	11,188	—	7,094
Equity compensation	23,914	—	15,207
Deferred income tax expense (benefit)	(28,590)	(15,806)	1,473
Amortization of debt discount and issuance costs	16,551	212	9,941
Contingent consideration	(3,000)	—	909
Gain on sale of businesses	(28,270)	—	—
Loss on extinguishment of debt	1,489	—	16,900
(Gain) loss on forward purchase contract	—	2,435	—
Non-cash lease expense	14,629	—	—
Other, net	7,530	—	(111)
Changes in operating assets and liabilities:			
Accounts receivable, net	114,052	—	54,240
Contract assets, net	(3,786)	—	12,688
Prepaid expenses and other assets	(48,382)	(2,136)	(8,583)
Accounts payable	(28,666)	—	(15,209)
Accrued expenses and other liabilities	27,667	48,640	(16,311)
Deferred revenue	36,029	—	(69,471)
Due to the Joint Venture, net	—	2,374	—
Due to related party, net	—	—	(12,150)
Net cash provided by (used in) operating activities	296,557	—	223,864
Cash flows from investing activities:			
Capitalized expenditures	(126,432)	—	(129,847)
Acquisitions, net of cash acquired	(439,483)	—	—
Proceeds from sale of businesses	54,369	—	—
Investments in businesses	—	—	(18,946)
Investment in the Joint Venture	—	(609,818)	—
Investment in debt and equity securities of the Joint Venture	—	(278,875)	—
Other, net	1,100	3,621	—
Net cash provided by (used in) investing activities	(510,446)	(885,072)	(148,793)
Cash flows from financing activities:			
Payments on Revolving Facility	(250,000)	—	—
Payments on Term Loan Facility	(50,000)	—	(902,750)
Proceeds from issuance of Senior Notes	325,000	—	—
Payments under tax receivable agreements with related parties	(20,691)	—	(27,227)
Receipts (payments) on derivative instruments	(14,810)	—	3,109
Employee tax withholding on vesting of equity compensation awards	(3,131)	—	—
Payments on deferred financing obligations	(6,547)	—	—
Payment of senior amortizing notes	(7,680)	(3,621)	—
Payment of debt issued to Change Healthcare Inc.	—	—	(3,621)
Proceeds from exercise of equity awards	2,584	1,139	—
Capital contribution from Members from exercise of equity compensation awards	—	—	1,139
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	(6,454)	(1,421)	(10,897)
Net cash provided by (used in) financing activities	(31,729)	885,072	(51,272)
Effect of exchange rate changes on cash and cash equivalents	2,690	—	299
Net increase (decrease) in cash and cash equivalents	(242,928)	—	24,098
Cash and cash equivalents at beginning of period	410,405	3,409	48,894
Cash and cash equivalents at end of period	\$ 167,477	\$ 3,409	\$ 72,992

Change Healthcare Inc.

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

	Three Months Ended September 30,		
	2020	2019	2019
	Change Healthcare Inc. ⁽¹⁾		Change Healthcare LLC
Net income (loss)	\$ (42,622)	\$ (93,935)	\$ (130)
Income tax provision (benefit)	(13,388)	(13,620)	998
Income (loss) before income tax provision (benefit)	(56,010)	(107,555)	868
Amortization of capitalized software developed for sale	12		3,249
Depreciation and amortization	146,869		77,448
Interest expense, net	61,627		69,901
Equity compensation	14,331		9,345
Acquisition accounting adjustments	34,686		553
Acquisition and divestiture-related costs	2,337		414
Integration and related costs	7,536		19,781
Strategic initiatives, duplicative and transition costs	3,765		6,120
Severance costs	3,172		2,929
Accretion and changes in estimate, net	5,293		3,214
Management fees and related costs	—		2,413
Impairment of long-lived assets and other	7,447		—
Gain on sale of business	(176)		—
Contingent consideration	(550)		1,700
Loss on extinguishment of debt	1,489		16,900
Other non-routine, net	13		2,858
Adjusted EBITDA	\$ 231,841		\$ 217,693

⁽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 September 30, 2019.

Change Healthcare Inc.

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

	Six Months Ended September 30,		
	2020	2019	2019
	Change Healthcare Inc. ⁽¹⁾		Change Healthcare LLC
Net income (loss)	\$ (101,316)	\$ (131,451)	\$ 71,785
Income tax provision (benefit)	(26,849)	(15,804)	2,563
Income (loss) before income tax provision (benefit)	(128,165)	(147,255)	74,348
Amortization of capitalized software	89		6,698
Depreciation and amortization	285,409		148,764
Interest expense, net	124,294		153,307
Equity compensation	23,914		15,207
Acquisition accounting adjustments	83,225		927
Acquisition and divestiture-related costs	7,458		1,073
Integration and related costs	17,894		45,507
Strategic initiatives, duplicative and transition costs	8,845		9,688
Severance costs	7,876		10,099
Accretion and changes in estimate, net	11,188		7,094
Management fees and related costs	—		5,060
Impairment of long-lived assets and other	13,760		(840)
Gain on sale of business	(28,270)		—
Contingent consideration	(3,000)		909
Loss on extinguishment of debt	1,489		16,900
Other non-routine, net	2,690		4,008
Adjusted EBITDA	\$ 428,696		\$ 498,749

⁽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 six months ended September 30, 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)

	Three Months Ended September 30,		
	2020	2019	2019
	Change Healthcare Inc. ⁽¹⁾		Change Healthcare LLC
Net income (loss)	\$ (42,622)	\$ (93,935)	\$ (130)
Amortization expense resulting from acquisition method adjustments	115,873		35,054
EBITDA adjustments	79,343		66,227
Tax effect of EBITDA adjustments and amortization expense	(49,107)		(14,527)
Adjusted net income (loss)	<u>\$ 103,487</u>	<u></u>	<u>\$ 86,624</u>
Adjusted net income (loss) per diluted share ⁽²⁾	<u>\$ 0.32</u>	<u></u>	<u>\$ 0.27</u>

	Six Months Ended September 30,		
	2020	2019	2019
	Change Healthcare Inc. ⁽¹⁾		Change Healthcare LLC
Net income (loss)	\$ (101,316)	\$ (131,451)	\$ 71,785
Amortization expense resulting from acquisition method adjustments	228,898		69,702
EBITDA adjustments	147,069		115,632
Tax effect of EBITDA adjustments and amortization expense	(89,966)		(28,991)
Adjusted net income (loss)	<u>\$ 184,685</u>	<u></u>	<u>\$ 228,128</u>
Adjusted net income (loss) per diluted share ⁽²⁾	<u>\$ 0.58</u>	<u></u>	<u>\$ 0.79</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 six months ended September 30, 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)

	Three Months Ended September 30,		
	2020	2019	2019
	Change Healthcare Inc. ⁽¹⁾		Change Healthcare LLC ⁽²⁾
Segment revenue			
Software and Analytics	\$ 354,860	N/A	\$ 372,990
Network Solutions	184,095	N/A	144,276
Technology-Enabled Services	231,817	N/A	247,341
Postage and Eliminations ⁽³⁾	24,073	N/A	31,204
Purchase Accounting Adjustment ⁽⁴⁾	(38,909)	N/A	—
Net revenue	<u>\$ 755,936</u>	<u>N/A</u>	<u>\$ 795,811</u>
Segment adjusted EBITDA			
Software and Analytics	\$ 117,393	N/A	\$ 110,993
Network Solutions	94,508	N/A	79,526
Technology-Enabled Services	19,940	N/A	27,174
Postage and Eliminations	—	N/A	—
Total adjusted EBITDA	<u>\$ 231,841</u>	<u>N/A</u>	<u>\$ 217,693</u>

	Six Months Ended September 30,		
	2020	2019	2019
	Change Healthcare Inc. ⁽¹⁾		Change Healthcare LLC ⁽²⁾
Segment revenue			
Software and Analytics	\$ 746,449	N/A	\$ 806,811
Network Solutions	326,921	N/A	285,888
Technology-Enabled Services	419,523	N/A	494,854
Postage and Eliminations ⁽³⁾	51,136	N/A	63,814
Purchase Accounting Adjustment ⁽⁴⁾	(93,909)	N/A	—
Net revenue	<u>\$ 1,450,120</u>	<u>N/A</u>	<u>\$ 1,651,367</u>
Segment adjusted EBITDA			
Software and Analytics	\$ 261,325	N/A	\$ 287,494
Network Solutions	165,011	N/A	158,748
Technology-Enabled Services	2,360	N/A	52,507
Postage and Eliminations	—	N/A	—
Total adjusted EBITDA	<u>\$ 428,696</u>	<u>N/A</u>	<u>\$ 498,749</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 \$50.0 million for Change Healthcare Inc. for the three months ended September 30, 2020 and \$57.1 million for Change Healthcare LLC for the three months ended September 30, 2019. Revenue for Postage and Eliminations includes postage revenue of \$95.8 million for Change Healthcare Inc. for the six months ended September 30, 2020 and \$115.6 million for Change Healthcare LLC for the six months ended September 30, 2019.

⁽⁴⁾ Amount reflects the impact to deferred revenue resulting from the McKesson exit which reduced revenue recognized during the three and six months ended 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,		
	2020	2019	2019
	Change Healthcare Inc. ⁽¹⁾		Change Healthcare LLC
Cash provided by (used in) operating activities ⁽²⁾	\$ 296,557	\$ —	\$ 223,864
Capital expenditures	(126,432)	—	(129,847)
Free cash flow	<u>170,125</u>	<u>—</u>	<u>94,017</u>
Adjustments to free cash flow ⁽³⁾:			
Integration and related costs	17,894		45,507
Strategic initiatives, duplicative and transition costs	8,845		9,688
Severance costs	7,876		10,099
Integration and strategic capital expenditures	5,938		14,546
Adjusted free cash flow	<u>\$ 210,678</u>	<u>—</u>	<u>\$ 173,858</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 six months ended September 30, 2019.

⁽²⁾ Includes cash used in pass-thru funds of \$1.4 million for Change Healthcare Inc. for the six months ended September 30, 2020 and cash provided by pass-thru funds of \$12.9 million for Change Healthcare LLC for the six months ended September 30, 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.

CHANGE HEALTHCARE