

Fiscal 2019 Supplemental Quarterly Financial Information

8.14.2019

CHANGE
HEALTHCARE

Reconciliation of Net Income (Loss) to Adjusted EBITDA

Unaudited and amounts in thousands	Q1	Q2	Q3	Q4	FY 2019
Net income (loss)	\$ 12,506	\$ 113,440	\$ 13,009	\$ 37,715	\$ 176,670
Net interest expense	78,549	80,677	82,614	83,591	325,431
Income tax provision (benefit)	(109)	(2,119)	3,277	(5,530)	(4,481)
Depreciation and amortization	68,527	69,258	70,318	69,917	278,020
Amortization of capitalized software developed for sale	3,760	3,618	3,760	3,535	14,673
EBITDA	163,233	264,874	172,978	189,228	790,313
Adjustments to EBITDA:					
Equity compensation	5,300	2,959	8,109	3,767	20,135
Acquisition accounting adjustments	1,985	555	651	341	3,532
Acquisition and divestiture-related costs	4,188	3,319	4,010	1,559	13,076
Integration and related costs	20,951	26,291	30,116	33,093	114,533
Strategic initiatives, duplicative and transition costs	10,774	8,348	2,939	9,720	27,339
Severance costs	7,676	2,339	3,952	3,339	17,666
Costs related to recently issued accounting standards	3,741	1,772	1,730	1,022	8,265
Accretion and changes in estimate with related parties, net	3,824	5,932	3,534	6,039	19,329
Management fees and related costs	2,677	2,607	2,599	2,607	10,490
Impairment of long-lived assets and other	1,017	2,343	382	463	4,205
Gain on Sale of extended care business	—	(111,392)	(43)	—	(111,435)
Contingent consideration	272	—	(1,100)	19	(809)
Other non-routine, net	2,149	6,004	4,219	5,987	18,359
EBITDA Adjustments	64,554	(48,923)	61,098	67,956	144,685
Adjusted EBITDA	\$ 227,787	\$ 215,951	\$ 234,076	\$ 257,184	\$ 934,998

Reconciliation of Net Income (Loss) to Adjusted Net Income (Loss)

Unaudited and amounts in thousands	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>FY 2019</u>
Net income (loss)	\$ 12,506	\$ 113,440	\$ 13,009	\$ 37,715	\$ 176,670
Amortization expense resulting from acquisition method adjustments	37,943	36,765	35,568	36,273	146,549
EBITDA Adjustments	64,554	(48,923)	61,098	67,956	144,685
Tax effect of EBITDA Adjustments and amortization expense	<u>(17,401)</u>	<u>(11,359)</u>	<u>(13,315)</u>	<u>(15,878)</u>	<u>(57,953)</u>
Adjusted Net Income	<u>\$ 97,602</u>	<u>\$ 89,923</u>	<u>\$ 96,360</u>	<u>\$ 126,066</u>	<u>\$ 409,951</u>

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