

Change Healthcare Inc.

FIRST QUARTER FISCAL 2020
EARNINGS CONFERENCE CALL

8.14.19

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FORWARD LOOKING DISCLOSURE

This presentation contains “forward-looking statements” within the meaning of federal securities laws. Any statements made in this quarterly report 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 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 factors disclosed in the Registration Statement on Form S-1 (No. 333-230345) in the section entitled “Risk Factors,” 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 release. 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 release.

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 press release after the consolidated financial statements. These non-GAAP financial measures are calculated and presented on the basis of methodologies other than in accordance with generally accepted accounting principles in the United States of America ("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.

ADOPTION OF NEW REVENUE RECOGNITION STANDARD

Change Healthcare adopted the new revenue recognition accounting standard Accounting Standards Codification ("ASC") 606 effective April 1, 2019 on a modified retrospective basis. Financial results for reporting periods during fiscal year 2020 are presented in compliance with the new revenue recognition standard. Historical financial results for reporting periods prior to fiscal year 2020 are presented in conformity with the prior revenue recognition standard ASC 605. This presentation and the related press release includes additional information to reconcile the impacts of the adoption of the new revenue recognition standard on the Company's financial results for the quarter ended June 30, 2019. This includes the presentation of financial results during fiscal year 2019 under ASC 605 for comparison to the prior year.

Overview & Business Update



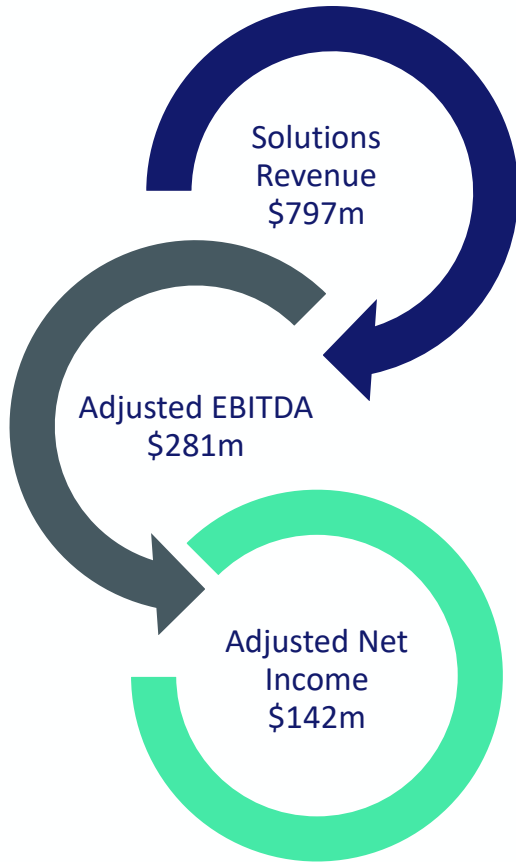
Neil de Crescenzo
President and CEO

8.14.19

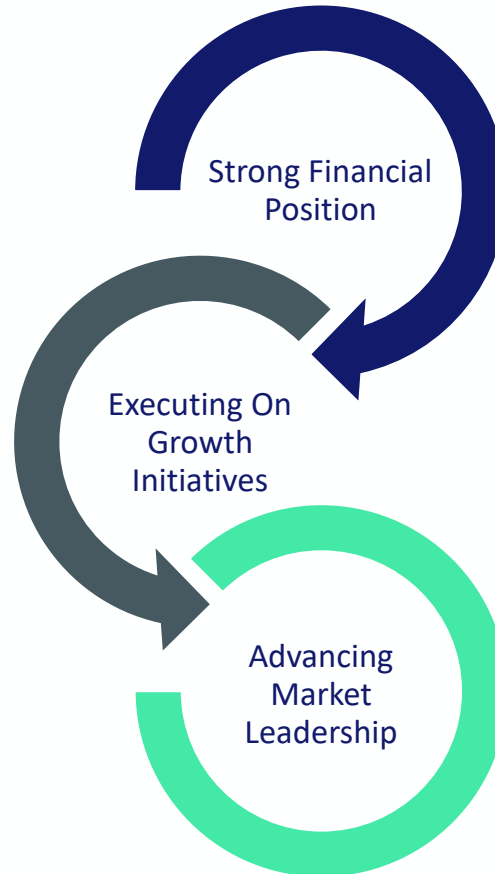
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Change Healthcare – First Quarter CEO Summary

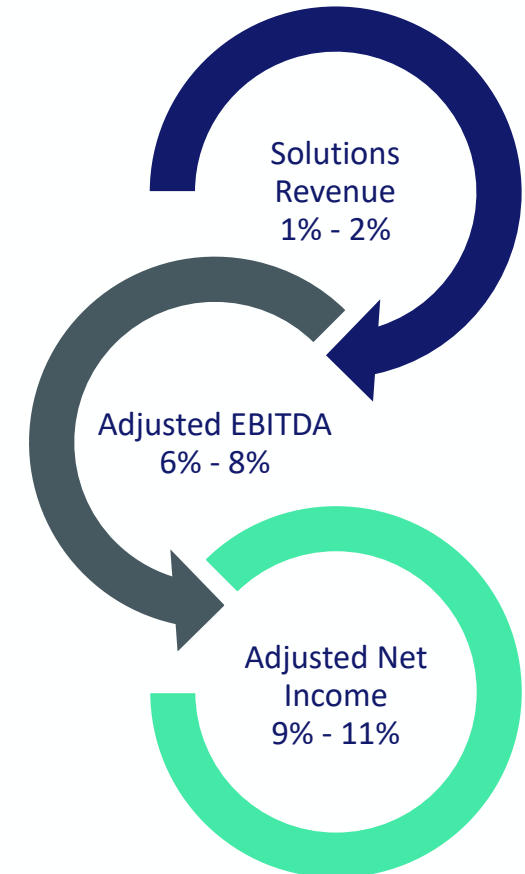
Financial Results



Key Highlights



FY'20 Guidance (Growth Rates)



Financial Performance

Fredrik Eliasson
EVP and Chief Financial Officer



8.14.19

ASC 606 Impact on Q1 FY'20 Reported Results

In millions except EPU	FY'20	Impact	FY'20
	ASC 606	ASC 606	ASC 605

Consolidated Revenue ⁽¹⁾	\$ 856	\$ (42)	\$ 814
Solutions Revenue ⁽¹⁾	797	(42)	756
EBITDA	232	(48)	184
Net Income	72	(45)	27
Diluted EPU ⁽²⁾	0.28	0.18	0.11
Adjusted EBITDA	281	(48)	234
Adjusted Net Income	142	(45)	96
Adjusted Diluted EPU ⁽²⁾	0.56	(0.18)	0.38

Note 2: 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 1: Segment totals include corporate eliminations and the impact of the sale of the Extended Care business.

606 vs. 605 Impact

- Revenue Impact:
 - ASC 606 revenue increased by \$42 million due to the acceleration of revenue to match the delivery timing of certain products and services
 - Majority of the impact is in Software & Analytics related to the timing of content being delivered primarily in our Decision Support Solutions
- Expense Impact:
 - Operating expenses decreased by \$6 million due to extension of amortization period of deferred commissions and contract set-up costs
 - Costs, previously amortized over the contract term, are now amortized over the expected customer relationship period to include renewal periods

Q1 FY'20 Strong Core Performance (ASC 605)

In millions except EPU	FY'20 ASC 605	FY'19 ASC 605	% Change
Consolidated Revenue ⁽¹⁾	\$ 814	\$ 823	(1.1%)
Solutions Revenue ⁽¹⁾	756	758	(0.3%)
EBITDA	184	163	12.8%
Net Income	27	13	113.2%
Diluted EPU ⁽²⁾	0.11	0.05	113.4%
Adjusted EBITDA	234	228	2.5%
Adjusted Net Income	96	98	(1.4%)
Adjusted Diluted EPU ⁽²⁾	0.38	0.39	(1.3%)

Note 2: 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 1: Includes the impact of the sale of the Extended Care business.

Q1 FY'20 Business Highlights

- Adjusted Solutions Revenue⁽¹⁾ and Adjusted EBITDA⁽¹⁾ growth, including the impact of the sale of Extended Care, of 0.7% and 3.2%, respectively
- Adjusted EBITDA Margins of 30.9% up 80bps
 - Ongoing productivity improvement and synergy realization
- Adjusted Net Income of \$96 million or \$ 0.38 per diluted share
 - Impacted by increased interest and integration D&A expense
 - Interest expense to decline sequentially due to reduced leverage

Q1 FY'20 Segment Performance (ASC 605)

In millions	FY'20 ASC 605	FY'19 ASC 605	% Change
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Segment Revenue

S&A	\$ 396	\$ 396	(0.2%)
Network	142	137	3.7%
TES	244	250	(2.4%)
Corp. and Elimination ⁽¹⁾	33	40	(19.0%)
Total Net Revenue⁽²⁾	\$ 814	\$ 823	(1.1%)

Segment Adjusted EBITDA

S&A	\$ 156	\$ 143	9.6%
Network	84	82	2.8%
TES	44	50	(11.2%)
Corp. and Elimination ⁽¹⁾	(52)	(47)	9.7%
Total Adjusted EBITDA⁽²⁾	\$ 234	\$ 228	2.5%

Note 1: Includes Postage

Note 2: Segment totals includes impact of the sale of the Extended Care business.

Q1 FY'20 Segment Highlights

- S&A: Strong Performance & Execution Across Segment**
 - Strong growth In Payment Accuracy, Risk Adjustment, and Member Engagement
 - Execution on Connected Analytics optimization and transition to cloud-based enterprise imaging solution
- Network: Strength in B2B Payments/Data Solutions**
 - Double Digit Growth in B2B Payments/Data Solutions
 - Growth opportunities - attachments, new market expansion for data, and payer data services
- TES: Executing on Transformation**
 - Core revenue growth of ~2% net of planned \$10 million attrition
 - Customer wins in health system and aggregator segment support long-term growth potential
 - Sequential margin improvement due to cost initiatives

Q1 FY'20 Cash Flows & Liquidity

- Free Cash Flow of \$17 million
- Adjusted Free Cash Flow of \$61 million
- Net Debt Adjusted for IPO \$5.0 billion⁽¹⁾
- Leverage Ratio Adjusted For IPO 4.9x⁽²⁾
- Liquidity:
 - Cash and Cash equivalents of \$27 million; excludes impact of IPO
 - \$785 million undrawn secured credit facility (amended July 3rd)
 - Liquidity: \$895 million⁽³⁾

Note 1: On July 1, 2019 the company closed an initial public offering of common stock and concurrent offering of tangible equity units providing \$888 million in net proceeds and issued \$47 million senior amortizing note. Also, on July 3, 2019, the company redeemed \$805 million in Term Loan B obligations.

Note 2: Based on Adjusted EBITDA as of June 30, 2019 in accordance with the Credit Agreement and \$81 million of unrealized synergies.

Note 3: Includes \$785 million revolver, \$27 million of Cash and Cash Equivalents as of June 30, 2019 and \$83 million in cash resulting from net IPO proceeds after debt paydown of \$805 million post quarter close.

Financial Guidance (ASC 606)

Full Year Fiscal 2020 Guidance ⁽¹⁾ (in millions, except per share data)

- Solutions Revenue Growth of 1% to 2%
- Adjusted EBITDA Growth of 6% to 8%
- Non-GAAP Adjusted Net Income Growth of 9% to 11%
- Free Cash Flow of \$250 million - \$300 million

Q2 Fiscal 2020 Guidance ⁽¹⁾ (in millions, except per share data)

- Solutions Revenue between \$710 million to \$730 million
- Adjusted EBITDA between \$210 million to \$220 million
- Adjusted Net Income between \$80 million to \$90 million

Assumptions

- Interest Expense: \$290 million - \$295 million
- Integration Related Expense: \$100 million - \$120 million
- Adjusted Effective Tax Rate: 12% - 13%
- CapEx: ~7% of Solutions Revenue
- Integration CapEx: \$25 million - \$30 million
- Basic Shares Outstanding: 319.2 million ⁽²⁾

Note 1: All year over year growth reflects FY 2019 under ASC 605 and FY 2020 under ASC 606

Note 2: Includes TEUs

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Appendix

Q1 FY'20 Financial Statements

Q1 FY'20 and FY'19 Non-GAAP Reconciliations

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Change Healthcare LLC

Consolidated Balance Sheets (unaudited and amounts in millions)

	June 30, 2019	March 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 27	\$ 48
Restricted cash	0	1
Accounts receivable, net of allowance for doubtful accounts	727	760
Contract assets	145	—
Prepaid expenses and other current assets	159	172
Total current assets	1,059	980
Property and equipment, net	194	197
Goodwill	3,285	3,284
Intangible assets, net	1,284	1,320
Other noncurrent assets, net	480	422
Total assets	\$ 6,303	\$ 6,204
Liabilities and members' deficit		
Current liabilities:		
Drafts and accounts payable	\$ 49	\$ 99
Accrued expenses	333	316
Deferred revenues	362	438
Due to related parties, net	28	35
Current portion of long-term debt	7	3
Total current liabilities	779	890
Long-term debt, excluding current portion	5,784	5,787
Deferred income tax liabilities	107	106
Tax receivable agreement obligations to related parties	197	213
Other long-term liabilities	122	113
Commitments and contingencies		
Members' deficit	(685)	(905)
Total liabilities and members' deficit	\$ 6,303	\$ 6,204

Change Healthcare LLC

Consolidated Statements of Operations (unaudited and amounts in millions, except unit and per unit amounts)

	Three Months Ended June 30,	
	2019	2018
Revenue:		
Solutions revenue	\$ 797	\$ 758
Postage revenue	58	66
Total revenue	856	823
Operating expenses:		
Cost of operations (exclusive of depreciation and amortization below)	327	337
Research and development	49	55
Sales, marketing, general and administrative	193	207
Customer postage	58	66
Depreciation and amortization	71	69
Accretion and changes in estimate with related parties, net	4	4
Total operating expenses	703	738
Operating income (loss)	152	86
Non-operating (income) and expense		
Interest expense, net	83	79
Contingent consideration	(1)	0
Other, net	(4)	(6)
Total non-operating (income) and expense	79	73
Income (loss) before income tax provision (benefit)	73	12
Income tax provision (benefit)	2	(0)
Net income (loss)	\$ 72	\$ 13
Net income (loss) per common unit:		
Basic	\$ 0.29	\$ 0.05
Diluted	\$ 0.28	\$ 0.05
Weighted average common units outstanding:		
Basic	251,469,846	251,599,967
Diluted	253,124,478	253,447,527

Change Healthcare LLC

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

	Three Months Ended	
	June 30,	
	2019	2018
Cash flows from operating activities:		
Net income (loss)	\$ 72	\$ 13
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	71	69
Amortization of capitalized software developed for sale	3	4
Accretion and changes in estimate, net	4	4
Equity compensation	6	5
Deferred income tax expense (benefit)	1	(1)
Amortization of debt discount and issuance costs	6	5
Contingent consideration	(1)	0
Other	(0)	(0)
Changes in operating assets and liabilities:		
Accounts receivable	8	17
Contract assets	(3)	—
Prepaid expenses and other	(16)	(29)
Accounts payable	(34)	(8)
Accrued expenses, deferred revenue and other liabilities	(26)	116
Due to related party, net	(6)	(4)
Net cash provided by (used in) operating activities	84	191
Cash flows from investing activities:		
Capitalized expenditures	(67)	(65)
Net cash provided by (used in) investing activities	(67)	(65)
Cash flows from financing activities:		
Payments under tax receivable agreements with related parties	(27)	(25)
Payments on Term Loan Facility	(13)	(13)
Receipts (payments) on derivative instruments	2	1
Payments of deferred financing obligations	—	(2)
Capital contribution from Members from exercise of equity awards	—	0
Repurchase of equity awards	—	(5)
Advances to Member and Other	—	(0)
Other	(1)	1
Net cash provided by (used in) financing activities	(39)	(43)
Effect of exchange rate changes on cash and cash equivalents	0	(1)
Net increase (decrease) in cash, cash equivalents and restricted cash	(22)	82
Cash, cash equivalents and restricted cash at beginning of period	49	50
Cash, cash equivalents and restricted cash at end of period	\$ 27	\$ 132

Change Healthcare LLC

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

	Three Months Ended June 30,			
	2019			2018
	As Reported	Impacts from Adoption	Without Adoption (ASC 605)	As Reported (ASC 605)
Net income (loss)	\$ 72	\$ (45)	\$ 27	\$ 13
Net interest expense	83	—	83	79
Income tax provision (benefit)	2	(2)	(1)	(0)
Depreciation and amortization	71	—	71	69
Amortization of capitalized software developed for sale	3	—	3	4
EBITDA	232	(48)	184	163
Adjustments to EBITDA:				
Equity compensation	6	—	6	5
Acquisition accounting adjustments	0	—	0	2
Acquisition and divestiture-related costs	1	—	1	4
Integration and related costs	26	—	26	21
Strategic initiatives, duplicative and transition costs	4	—	4	11
Severance costs	7	—	7	8
Costs related to recently issued accounting standards	—	—	—	4
Accretion and changes in estimate with related parties, net	4	—	4	4
Management fees and related costs	3	—	3	3
Impairment of long-lived assets and other	(1)	—	(1)	1
Contingent consideration	(1)	—	(1)	0
Other non-routine, net	1	—	1	2
EBITDA Adjustments	49	—	49	65
Adjusted EBITDA	\$ 281	\$ (48)	\$ 234	\$ 228

Change Healthcare LLC

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

	Three Months Ended June 30,			
	2019			2018
	As Reported	Impacts from Adoption	Without Adoption (ASC 605)	As Reported (ASC 605)
Net income (loss)	\$ 72	\$ (45)	\$ 27	\$ 13
Amortization expense resulting from acquisition	35	—	35	38
EBITDA Adjustments	49	—	49	65
Tax effect of EBITDA Adjustments and amortization	(14)	—	(14)	(17)
Adjusted Net Income	<u>\$ 142</u>	<u>\$ (45)</u>	<u>\$ 96</u>	<u>\$ 98</u>
Adjusted net income (loss) per diluted unit	<u>\$ 0.56</u>		<u>\$ 0.38</u>	<u>\$ 0.39</u>

Change Healthcare LLC

Segment Results (unaudited and amounts in millions)

	Three Months Ended June 30,			
	2019			2018
	As Reported	Impacts from Adoption	Without Adoption (ASC 605)	As Reported (ASC 605)
Segment revenue				
Software and Analytics	\$ 437	\$ (42)	\$ 396	\$ 396
Network Solutions	142	—	142	137
Technology-enabled Services	244	0	244	250
Corporate and Eliminations	33	—	33	40
Net revenue	<u>\$ 856</u>	<u>\$ (42)</u>	<u>\$ 814</u>	<u>\$ 823</u>
Segment Adjusted EBITDA				
Software and Analytics	\$ 202	\$ (46)	\$ 156	\$ 143
Network Solutions	85	(1)	84	82
Technology-enabled Services	45	(1)	44	50
Corporate and Eliminations	(51)	(0)	(52)	(47)
Total Adjusted EBITDA	<u>\$ 281</u>	<u>\$ (48)</u>	<u>\$ 234</u>	<u>\$ 228</u>

Change Healthcare LLC

Reconciliation of Cash Provided by (Used in) Operating Activities to Free Cash Flow and Adjusted Free Cash Flow (unaudited and amounts in millions)

	Three Months Ended	
	June 30,	
	2019	2018
Cash provided by (used in) operating activities (1)	\$ 84	\$ 191
Capital expenditures	(67)	(65)
Free Cash Flow	<u>17</u>	<u>126</u>
Adjustments to Free Cash Flow (2):		
Integration and related costs	26	21
Strategic initiatives, duplicative and transition costs	4	11
Severance costs	7	8
Costs related to recently issued accounting standards	—	4
Integration capital expenditures	7	30
Adjusted Free Cash Flow	<u>\$ 61</u>	<u>\$ 199</u>

(1) Includes cash provided by pass-thru funds of \$12.3 million and \$154.6 million for the three months

(2) All operating costs and integration capital

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