

CHANGE HEALTHCARE

FOURTH 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, information and assumptions regarding fiscal year 2022, the continued length and impact of COVID-19, 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 ongoing length and impact of the COVID-19 pandemic 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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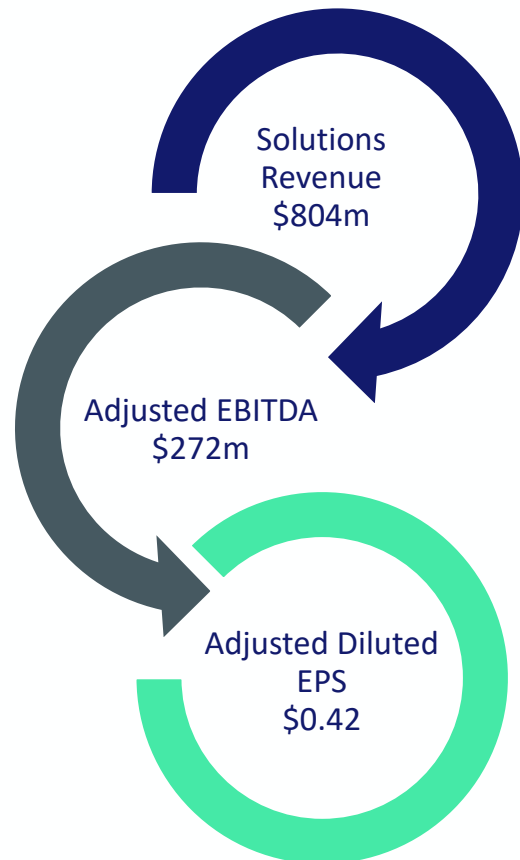
Overview and Business Update

Neil de Crescenzo
President and CEO



Change Healthcare – Fourth Quarter FY21 CEO Summary

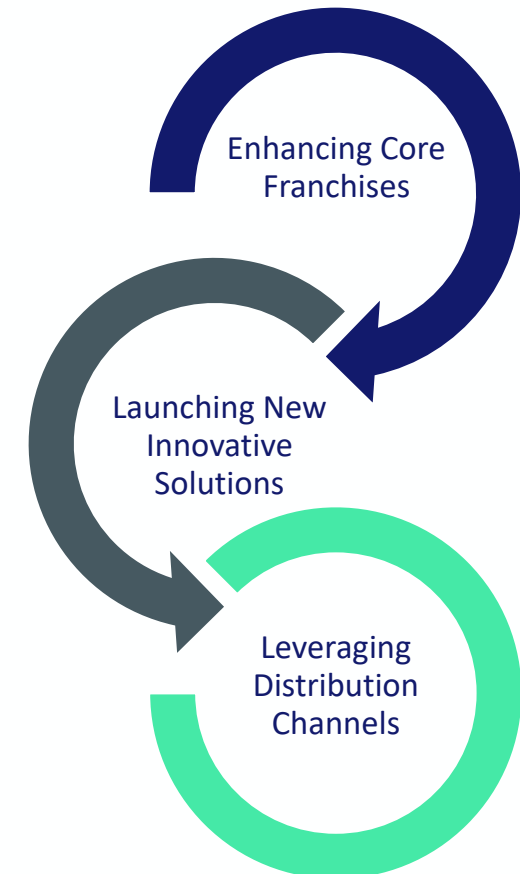
Financial Results Q4 FY2021



Business Highlights



Accelerating Market Potential



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Financial Performance

Fredrik Eliasson
EVP and Chief Financial Officer



Q4 FY'21 Performance

In millions except EPS	CH Inc. Q4 FY'21	CH LLC Q4 FY'20	% Change ⁽²⁾
Consolidated Revenue	\$ 855	\$ 843	1.4%
Solutions Revenue	804	787	2.3%
EBITDA	198	50	292.6%
Net Income	(13)	(109)	87.9%
Diluted EPS ⁽¹⁾	(0.04)	(0.34)	88.0%
Adjusted EBITDA	272	264	2.9%
Adjusted Net Income	134	133	0.6%
Adjusted Diluted EPS	0.42	0.42	0.1%
Diluted Number of Shares ⁽¹⁾	321	320	0.5%

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.

Q4 FY'21 Business Highlights

- **Solutions Revenue and Adjusted EBITDA include:**
 - New business wins across portfolio partially offset by COVID-19 impact
 - Revenue negatively impacted by \$10 million due to lower deferred revenue as part of fair value adjustments
 - Solutions revenue, net of deferred revenue impact and net of M&A activity, increased 2.2%
 - Execution of synergy realization and business optimization
 - Continued investment in R&D and enterprise sales
- **Adjusted Net Income of \$134 million or \$0.42 per diluted share**
 - Lower interest expense due to reduction in YoY average long-term debt outstanding and lower interest rates

Q4 FY'21 Segment Performance

In millions	CH Inc. Q4 FY'21	CH LLC Q4 FY'20	% Change ⁽²⁾
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Segment Revenue

S&A	\$ 416	\$ 419	(0.6%)
Network	198	152	30.3%
TES	227	242	(6.2%)
Postage and Elimination	23	30	(22.3%)
Purchase Accounting Adj.	(10)	-	-
Total Net Revenue	855	843	1.4%

Segment Adjusted EBITDA - New Methodology⁽¹⁾

S&A	\$ 144	\$ 150	(4.2%)
Network	108	85	26.7%
TES	20	29	(30.7%)
Postage and Elimination	0	0	0.0%
Total Adjusted EBITDA	272	264	2.9%

Note 1: CH LLC reflects incorporation of new allocation methodology as of Q1 FY2021; reconciliation is provided in the appendix.
 Note 2: Percentage change does not reflect rounding of the numbers.

Q4 FY'21 Business Highlights

- **S&A: Execution Across Segment**
 - Excluding the impact of divestitures, revenue grew 5.7%
 - Strong overall pipeline activity
 - Implementations and new wins in cloud-based EI solution
- **Network: Strength in Data Solutions**
 - Excluding the impact of acquisitions, revenue grew 6.8%
 - 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**
 - Continued positive trends in RCM win rates and deal size
 - Low single digit growth in RCM excluding previously announced large contract contraction
 - Executing on accelerated and expanded transformation initiatives

Q4 FY'21 Cash Generation & Liquidity

- **Free Cash Flow for Q4 FY'21 of \$36 million, FY \$340 million⁽¹⁾**
- **Adjusted Free Cash Flow for Q4 FY'21 of \$65 million, FY \$430 million⁽¹⁾**
- **Net Debt \$4.7 billion; Leverage Ratio 5.1x⁽²⁾**
- **Liquidity: \$891 million**
 - Cash and cash equivalents of approx. \$113 million; \$779 million undrawn secured credit facility (maturity July 2024) at quarter end
- **Net Debt and Liquidity include the impact of an additional \$50 million term loan facility repayment during Q4 FY'21**
- **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 March 31, 2021 in accordance with the Credit Agreement.

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Appendix

Q4 FY'21 Financial Statements

Q4 FY'21 and FY'20 Non-GAAP Reconciliations

Change Healthcare Inc.

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

	Three Months Ended March 31,		
	2021	2020	2020
	Change Healthcare Inc.		Change Healthcare LLC
Revenue:			
Solutions revenue	\$ 804,299	\$ 184,161	\$ 786,589
Postage revenue	50,861	12,631	56,791
Total revenue	855,160	196,792	843,380
Operating expenses:			
Cost of operations (exclusive of depreciation and amortization below)	357,506	71,435	346,977
Research and development	58,926	11,559	53,257
Sales, marketing, general and administrative	187,606	37,389	175,725
Customer postage	50,861	12,631	56,791
Depreciation and amortization	154,495	30,838	89,852
Accretion and changes in estimate with related parties, net	2,744	(31,349)	4,627
Gain on sale of businesses	1,344	—	—
Tax receivable agreement charge	—	164,633	164,633
Goodwill impairment charge	—	561,164	—
Total operating expenses	813,482	858,300	891,862
Operating income (loss)	41,678	(661,508)	(48,482)
Non-operating (income) and expense			
Interest expense, net	59,508	16,248	64,084
Contingent consideration	—	—	(1,900)
Loss on extinguishment of debt	1,289	—	561
Loss from Equity Method Investment in the Joint Venture	—	276,216	—
(Gain) loss on forward purchase contract	—	55,768	—
Other, net	(2,253)	(169)	(3,749)
Total non-operating (income) and expense	58,544	348,063	58,996
Income (loss) before income tax provision (benefit)	(16,866)	(1,009,571)	(107,478)
Income tax provision (benefit)	(3,776)	(142,690)	1,112
Net income (loss)	\$ (13,090)	\$ (866,881)	\$ (108,590)
Net income (loss) per common share:			
Basic and diluted	\$ (0.04)	\$ (1.64)	\$ (0.34)
Weighted average common shares outstanding:⁽¹⁾			
Basic and diluted	321,393,600	186,342,936	319,789,840

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

	Year Ended March 31,		
	2021	2020	2020
	Change Healthcare Inc.	Change Healthcare LLC	
Revenue:			
Solutions revenue	\$ 2,893,889	\$ 184,161	\$ 3,074,894
Postage revenue	196,532	12,631	228,079
Total revenue	3,090,421	196,792	3,302,973
Operating expenses:			
Cost of operations (exclusive of depreciation and amortization below)	1,335,075	71,435	1,345,920
Research and development	227,036	11,559	205,035
Sales, marketing, general and administrative	686,645	39,893	743,311
Customer postage	196,532	12,631	228,079
Depreciation and amortization	591,048	30,838	315,946
Accretion and changes in estimate with related parties, net	13,158	15,823	14,966
Gain on sale of businesses	(59,143)	—	—
Tax receivable agreement charge	—	164,633	164,633
Goodwill impairment charge	—	561,164	—
Total operating expenses	2,990,351	907,976	3,017,890
Operating income (loss)	100,070	(711,184)	285,083
Non-operating (income) and expense			
Interest expense, net	245,241	16,652	283,745
Contingent consideration	(3,000)	—	(91)
Loss on extinguishment of debt	8,924	—	19,975
Loss from Equity Method Investment in the Joint Venture	—	380,713	—
(Gain) loss on forward purchase contract	—	(15,881)	—
Other, net	(3,698)	(1,817)	(14,630)
Total non-operating (income) and expense	247,467	379,667	288,999
Income (loss) before income tax provision (benefit)	(147,397)	(1,090,851)	(3,916)
Income tax provision (benefit)	(35,187)	(143,254)	1,701
Net income (loss)	\$ (112,210)	\$ (947,597)	\$ (5,617)
Net income (loss) per common share:			
Basic and diluted	\$ (0.35)	\$ (6.92)	\$ (0.02)
Weighted average common shares outstanding:⁽¹⁾			
Basic and diluted	320,771,789	136,996,624	302,412,870

⁽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)

	March 31, 2021	March 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 113,101	\$ 410,405
Accounts receivable, net	732,614	740,105
Contract assets, net	132,856	132,704
Prepaid expenses and other current assets	140,258	117,967
Total current assets	<u>1,118,829</u>	<u>1,401,181</u>
Property and equipment, net	174,370	206,196
Operating lease right-of-use assets, net	93,412	—
Goodwill	4,108,792	3,795,325
Intangible assets, net	4,187,072	4,365,806
Investment in business purchase option	—	146,500
Other noncurrent assets, net	430,141	192,372
Total assets	<u>\$ 10,112,616</u>	<u>\$ 10,107,380</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 57,449	\$ 68,169
Accrued expenses	484,293	390,294
Deferred revenue	436,666	302,313
Due to related parties, net	10,766	20,234
Current portion of long-term debt	27,339	278,779
Current portion of operating lease liabilities	30,608	—
Total current liabilities	<u>1,047,121</u>	<u>1,059,789</u>
Long-term debt, excluding current portion	4,734,775	4,710,294
Long-term operating lease liabilities	75,396	—
Deferred income tax liabilities	605,291	615,904
Tax receivable agreement obligations to related parties	103,151	177,826
Tax receivable agreement obligations	229,082	164,633
Other long-term liabilities	65,572	93,487
Total liabilities	<u>6,860,388</u>	<u>6,821,933</u>
Commitments and contingencies		
Stockholders' Equity		
Common Stock (par value, \$.001), 9,000,000,000 and 9,000,000,000 shares authorized and 306,796,076 and 303,428,142 shares issued and outstanding at March 31, 2021 and 2020, respectively	307	303
Preferred stock (par value, \$.001), 900,000,000 shares authorized and no shares issued and outstanding at both March 31, 2021 and 2020	—	—
Additional paid-in capital	4,283,391	4,222,580
Accumulated other comprehensive income (loss)	11,221	(7,372)
Accumulated deficit	(1,042,691)	(930,064)
Total stockholders' equity	<u>3,252,228</u>	<u>3,285,447</u>
Total liabilities and stockholders' equity	<u>\$ 10,112,616</u>	<u>\$ 10,107,380</u>

Change Healthcare Inc.

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

	Year Ended March 31,		
	2021	2020	2020
	Change Healthcare Inc.	Change Healthcare LLC	
Cash flows from operating activities:			
Net income (loss)	\$ (112,210)	\$ (947,597)	\$ (5,617)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	591,048	30,838	315,946
Amortization of capitalized software developed for sale	1,326	—	14,415
Accretion and changes in estimate, net	11,644	15,823	14,966
Equity compensation	59,016	1,701	31,808
Deferred income tax expense (benefit)	(50,114)	(143,822)	(2,613)
Amortization of debt discount and issuance costs	32,532	2,235	16,807
Contingent consideration	(3,000)	—	(91)
Gain on sale of businesses	(59,143)	—	—
Loss on extinguishment of debt	6,924	—	19,975
(Gain) loss on other investments	—	(15,881)	—
Non-cash lease expense	29,114	—	—
Goodwill impairment charge	—	561,164	—
Loss from Equity Method Investment in the Joint Venture	—	380,713	—
Tax receivable agreement charge	—	—	164,633
Other, net	11,257	(1,110)	6,896
Changes in operating assets and liabilities:			
Accounts receivable, net	(6,064)	(21,211)	(1,267)
Contract assets, net	158	—	21,390
Prepaid expenses and other assets	(87,540)	(6,219)	(29,375)
Accounts payable	(21,407)	7,532	(16,609)
Accrued expenses and other liabilities	14,178	(195,207)	10,929
Deferred revenue	166,477	11,304	32,648
Due to the Joint Venture, net	—	1,176	—
Due to related party, net	—	—	(3,532)
Net cash provided by (used in) operating activities	586,196	(153,928)	593,309
Cash flows from investing activities:			
Capitalized expenditures	(246,381)	(13,002)	(258,576)
Acquisitions, net of cash acquired	(439,483)	330,667	(18,994)
Proceeds from sale of businesses	115,733	—	—
Proceeds from sale of real estate	—	—	29,837
Investment in the Joint Venture	—	(610,784)	—
Investment in debt and equity securities of the Joint Venture	—	(278,875)	—
Other, net	2,099	7,332	(2)
Net cash provided by (used in) investing activities	(568,032)	(564,662)	(247,735)
Cash flows from financing activities:			
Payments on Revolving Facility	(250,000)	—	—
Proceeds from Revolving Facility	—	250,000	250,000
Payments on Term Loan Facility	(315,000)	—	(1,087,750)
Proceeds from issuance of Senior Notes	325,000	—	—
Payments under tax receivable agreements	(20,691)	—	(27,227)
Receipts (payments) on derivative instruments	(29,538)	(890)	935
Employee tax withholding on vesting of equity compensation awards	(4,108)	—	—
Payments on deferred financing obligations	(19,519)	—	(6,593)
Payment of senior amortizing notes	(15,636)	(11,094)	—
Payment of debt issued to Change Healthcare Inc.	—	—	(7,332)
Proceeds from exercise of equity awards	17,514	—	—
Capital contribution from Members from exercise of equity compensation awards	—	—	6,256
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	(6,800)	(1,421)	(3,024)
Net cash provided by (used in) financing activities	(318,778)	1,125,570	14,240
Effect of exchange rate changes on cash and cash equivalents	3,310	16	(1,021)
Net increase (decrease) in cash and cash equivalents	(297,304)	406,996	358,793
Cash and cash equivalents at beginning of period	410,405	3,409	48,894
Cash and cash equivalents at end of period	\$ 113,101	\$ 410,405	\$ 407,687

Change Healthcare Inc.

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

	Three Months Ended March 31,		
	2021	2020	2020
	Change Healthcare Inc. ⁽¹⁾	Change Healthcare LLC	
Net income (loss)	\$ (13,090)	\$ (866,881)	\$ (108,590)
Income tax provision (benefit)	(3,776)	(142,690)	1,112
Income (loss) before income tax provision (benefit)	(16,866)	(1,009,571)	(107,478)
Amortization of capitalized software developed for sale	776		3,959
Depreciation and amortization	154,495		89,852
Interest expense, net	59,508		64,084
Equity compensation	24,158		6,893
Acquisition accounting adjustments	5,917		522
Acquisition and divestiture-related costs	9,590		1,664
Integration and related costs	13,094		15,131
Strategic initiatives, duplicative and transition costs	8,671		8,991
Severance costs	2,717		7,824
Accretion and changes in estimate, net	3,215		4,627
Management fees and related costs	—		2,647
Impairment of long-lived assets and other	3,772		1,347
Tax receivable agreement charge	—		164,633
Gain on sale of business	1,344		—
Contingent consideration	—		(1,900)
Loss on extinguishment of debt	1,289		560
Other non-routine, net	365		1,002
Adjusted EBITDA	\$ 272,045		\$ 264,358

⁽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 March 31, 2020.

Change Healthcare Inc.

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

	Year Ended March 31,		
	2021	2020	2020
	Change Healthcare Inc. ⁽¹⁾		Change Healthcare LLC
Net income (loss)	\$ (112,210)	\$ (947,597)	\$ (5,617)
Income tax provision (benefit)	(35,187)	(143,254)	1,701
Income (loss) before income tax provision (benefit)	(147,397)	(1,090,851)	(3,916)
Amortization of capitalized software developed for sale	1,326		14,415
Depreciation and amortization	591,048		315,946
Interest expense, net	245,241		283,745
Equity compensation	59,016		31,808
Acquisition accounting adjustments	109,743		1,889
Acquisition and divestiture-related costs	19,709		4,217
Integration and related costs	40,675		82,108
Strategic initiatives, duplicative and transition costs	21,841		23,325
Severance costs	13,184		22,113
Accretion and changes in estimate, net	11,644		14,966
Management fees and related costs	—		10,355
Impairment of long-lived assets and other	18,190		72
Tax receivable agreement charge	—		164,633
Gain on sale of business	(59,143)		—
Contingent consideration	(3,000)		(91)
Loss on extinguishment of debt	8,924		19,975
Other non-routine, net	3,164		10,173
Adjusted EBITDA	\$ 934,165		\$ 995,733

⁽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 year ended March 31, 2020.

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 March 31,		
	2021	2020	2020
	Change		
	Change Healthcare Inc. ⁽¹⁾	Healthcare LLC	
Net income (loss)	\$ (13,090)	\$ (866,881)	\$ (108,590)
Amortization expense resulting from acquisition method adjustments	117,362		35,251
EBITDA adjustments	74,132		213,942
Tax effect of EBITDA adjustments and amortization expense	(44,413)		(7,417)
Adjusted net income (loss)	<u>\$ 133,991</u>		<u>\$ 133,186</u>
Adjusted net income (loss) per diluted share ⁽²⁾	<u>\$ 0.42</u>		<u>\$ 0.42</u>

	Year Ended March 31,		
	2021	2020	2020
	Change		
	Change Healthcare Inc. ⁽¹⁾	Healthcare LLC	
Net income (loss)	\$ (112,210)	\$ (947,597)	\$ (5,617)
Amortization expense resulting from acquisition method adjustments	463,334		139,875
EBITDA adjustments	243,947		385,542
Tax effect of EBITDA adjustments and amortization expense	(166,324)		(52,168)
Adjusted net income (loss)	<u>\$ 428,747</u>		<u>\$ 467,632</u>
Adjusted net income (loss) per diluted share ⁽²⁾	<u>\$ 1.34</u>		<u>\$ 1.55</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 months and year ended March 31, 2020.

⁽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 March 31,		
	2021	2020	2020
	Change Healthcare Inc. ⁽¹⁾		Change Healthcare LLC ⁽²⁾
Segment revenue			
Software and Analytics	\$ 416,265	N/A	\$ 418,658
Network Solutions	198,334	N/A	152,163
Technology-Enabled Services	227,311	N/A	242,444
Postage and Eliminations ⁽³⁾	23,391	N/A	30,115
Purchase Accounting Adjustment ⁽⁴⁾	(10,141)	N/A	—
Net revenue	<u>\$ 855,160</u>	<u>N/A</u>	<u>\$ 843,380</u>
Segment adjusted EBITDA			
Software and Analytics	\$ 144,025	N/A	\$ 150,341
Network Solutions	108,147	N/A	85,340
Technology-Enabled Services	19,873	N/A	28,677
Postage and Eliminations	—	N/A	—
Total adjusted EBITDA	<u>\$ 272,045</u>	<u>N/A</u>	<u>\$ 264,358</u>

	Year Ended March 31,		
	2021	2020	2020
	Change Healthcare Inc. ⁽¹⁾		Change Healthcare LLC ⁽²⁾
Segment revenue			
Software and Analytics	\$ 1,534,926	N/A	\$ 1,612,800
Network Solutions	717,843	N/A	588,748
Technology-Enabled Services	869,349	N/A	978,684
Postage and Eliminations ⁽³⁾	96,533	N/A	122,741
Purchase Accounting Adjustment ⁽⁴⁾	(128,230)	N/A	—
Net revenue	<u>\$ 3,090,421</u>	<u>N/A</u>	<u>\$ 3,302,973</u>
Segment adjusted EBITDA			
Software and Analytics	\$ 526,129	N/A	\$ 565,628
Network Solutions	377,005	N/A	331,659
Technology-Enabled Services	31,031	N/A	98,446
Postage and Eliminations	—	N/A	—
Total adjusted EBITDA	<u>\$ 934,165</u>	<u>N/A</u>	<u>\$ 995,733</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 \$50.9 million for Change Healthcare Inc. for the three months ended March 31, 2021 and \$56.8 million for Change Healthcare LLC for the three months ended March 31, 2020. Revenue for Postage and Eliminations includes postage revenue of \$196.5 million for Change Healthcare Inc. for the year ended March 31, 2021 and \$228.1 million for Change Healthcare LLC for the year ended March 31, 2020.

⁽⁴⁾ Amount reflects the impact to deferred revenue resulting from the McKesson exit which reduced revenue recognized during the three months and year ended March 31, 2021.

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)

	Year Ended March 31,		
	2021	2020	2020
	Change Healthcare Inc. ⁽¹⁾	Change Healthcare LLC	Change Healthcare LLC
Cash provided by (used in) operating activities ⁽²⁾	\$ 586,196	\$ (153,928)	\$ 593,309
Capital expenditures	(246,381)	(13,002)	(258,576)
Free cash flow	<u>339,815</u>	<u>(166,930)</u>	<u>334,733</u>
Adjustments to free cash flow ⁽³⁾:			
Integration and related costs	40,675		82,108
Strategic initiatives, duplicative and transition costs	21,841		23,325
Severance costs	13,184		22,113
Integration and strategic capital expenditures	14,379		19,254
Adjusted free cash flow	<u>\$ 429,894</u>	<u>\$</u>	<u>\$ 481,533</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 year ended March 31, 2020.

⁽²⁾ Includes cash used by pass-thru funds of \$12.8 million for Change Healthcare Inc. for the year ended March 31, 2021 and cash provided by pass-thru funds of \$21.7 million for Change Healthcare LLC for the year ended March 31, 2020.

⁽³⁾ All operating costs and integration and strategic capital expenditures are presented on an as-incurred basis.

Change Healthcare LLC

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

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