

# CHANGE HEALTHCARE

FIRST QUARTER FISCAL 2023 EARNINGS CONFERENCE CALL

08.04.22

# 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 2023, the continued length and impact of COVID-19 (including the impact of COVID-19 variant strains such as the Omicron 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 ongoing length and impact of the COVID-19 pandemic (including the impact of COVID-19 variant strains such as the Omicron 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 most recent Annual Report on Form 10-K 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.

08.04.22

# Overview and Business Update

Neil de Crescenzo  
President and CEO



# First Quarter FY23 CEO Summary



## FINANCIAL RESULTS Q1 FY2023

Solutions Revenue **\$831m**

Adjusted EBITDA **\$280m**

Adjusted Diluted EPS **\$0.38**



## BUSINESS HIGHLIGHTS

Strong Q1 FY23 Performance

New Contract Wins Across Portfolio

Advancing Market Leadership



## ACCELERATING MARKET POTENTIAL

Enhancing Core Solutions

Advancing Innovation

Leveraging Distribution Channels

08.04.22

# Financial Performance

Fredrik Eliasson  
EVP and Chief Financial Officer



# Q1 FY'23 Performance

In millions except EPS	Q1 FY'23	Q1 FY'22	% Change <sup>(1)</sup>
Consolidated Revenue	\$ 884	\$ 868	1.9%
Solutions Revenue	831	817	1.8%
EBITDA	197	216	(8.7%)
Net Income	(23)	(4)	NMF
Diluted EPS	(0.07)	(0.01)	NMF
Adjusted EBITDA	280	283	(0.9%)
Adjusted Net Income	124	133	(6.9%)
Adjusted Diluted EPS	0.38	0.41	(8.0%)
Diluted Number of Shares	327	323	1.2%

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

## Q1 FY'23 Business Highlights

- **Solutions Revenue and Adjusted EBITDA include:**
  - Volume growth and new business wins across portfolio
  - Revenue negatively impacted by \$4 million in prior year due to deferred revenue fair value adjustments
  - Solutions revenue, net of deferred revenue impact, increased 1.2%
  - Growth impacted negatively by customer attrition related to the extended UHG merger process and lower COVID-related volume
  - Continued investment to support business initiatives
- **Adjusted Net Income \$124 million and Adjusted Diluted EPS \$0.38 decrease of 6.9% and 8.0%, respectively**
  - Adjusted Net Income benefitted from revenue growth and a lower tax rate, but was more than offset by higher depreciation and amortization

# Q1 FY'23 Segment Performance

In millions	Q1 FY'23	Q1 FY'22	% Change <sup>(1)</sup>
<b>Segment Revenue</b>			
S&A	\$ 345	\$ 338	2.1%
Network	223	218	2.3%
Imaging	83	82	0.8%
TES	213	217	(1.7%)
Postage and Elimination	20	17	17.3%
Purchase Accounting Adj.	-	(4)	0.0%
<b>Total Net Revenue</b>	<b>884</b>	<b>868</b>	<b>1.9%</b>
<b>Segment Adjusted EBITDA</b>			
S&A	\$ 145	\$ 137	5.8%
Network	111	114	(1.9%)
Imaging	19	20	(6.6%)
TES	5	12	(57.7%)
Postage and Elimination	-	-	0.0%
<b>Total Adjusted EBITDA</b>	<b>280</b>	<b>283</b>	<b>(0.9%)</b>

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

## Q1 FY'23 Business Highlights

- **S&A: Execution Across Segment**

- Increased volume from existing customers and product introductions / new customers
- Revenue attrition related to pending UHG Transaction

- **Network: Balanced Business Mix Moderates Negative Comparables**

- More normalized network volumes as covid impact abated causing negative mix
- Continued investments to expand market opportunities

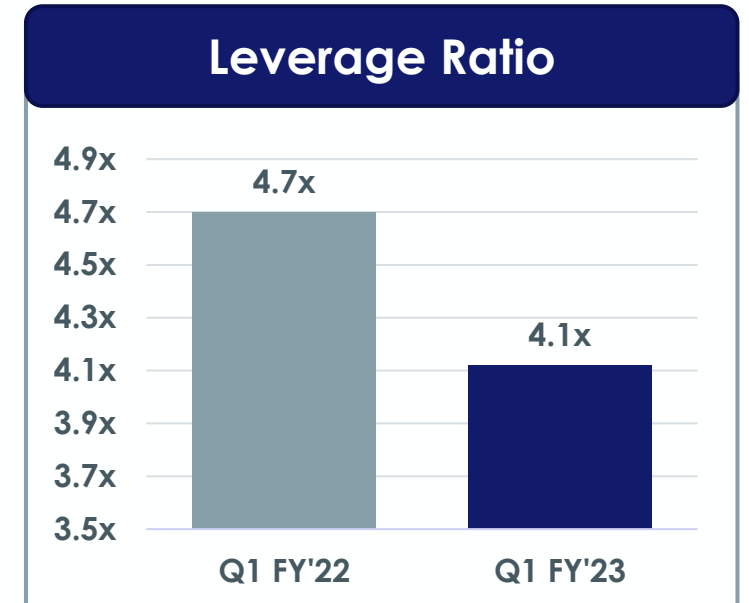
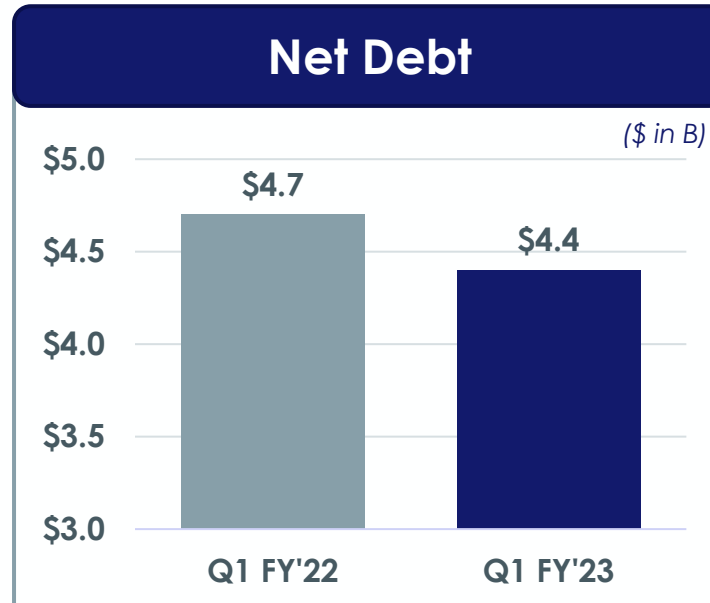
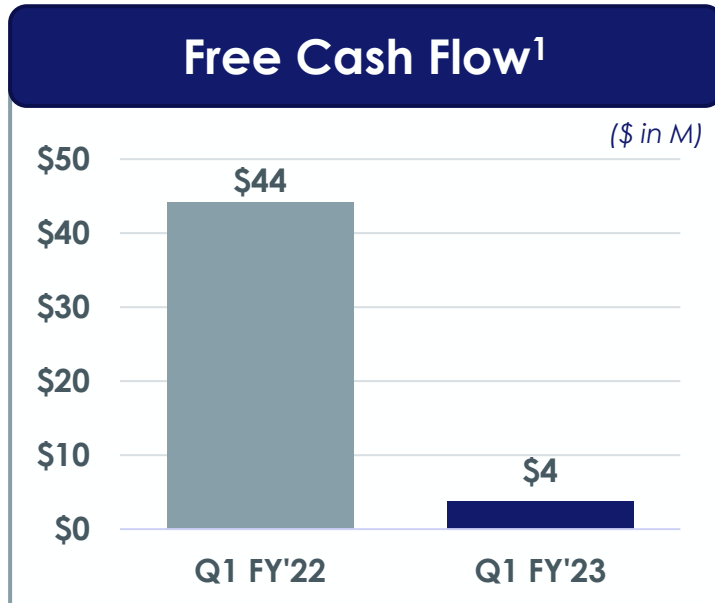
- **Imaging: Sustained Underlying Momentum**

- Revenue growth driven by new sales, partially offset by timing impact of implementation revenue
- Margins impacted by hiring to support business growth and research and development expenses

- **TES: Underlying RCM Transformation Remains Intact**

- Revenue impacted by non-recurring projects in prior year and decrease in covid revenue
- Wage inflation will impact margins negatively until repricing & additional transformation benefits realized

# Q1 FY'23 Cash Generation & Liquidity



- Full Year Free Cash Flow expectation of \$450 to \$500 million
- Free Cash Flow: In addition to lower Net Income, decline versus Q1 FY22 is due to unfavorable Net Working Capital and Capital Expenditure timing, both of which are expected to reverse in the remainder of the year
- Liquidity: \$872 million
- Net Debt and Liquidity include the impact of an additional \$100 million senior note repayment during Q1 and exclude the impact of an additional \$50 million senior note repayment after the quarter close
- No maintenance covenants; earliest debt maturity Term Loan B – March 2024

Note 1: Refer to slide 19 for details on Free Cash Flow.



08.04.22

# Appendix

FY'22 and FY'21 Recast of Segment Results

Q1 FY'23 Financial Statements

Q1 FY'23 and FY'22 Non-GAAP Reconciliations

# Segment Changes

During the first quarter of fiscal year 2023, we made certain changes in the way we manage our business and view operating results. Specifically, we made the following changes:

- Established the Enterprise Imaging business as a standalone reportable segment under its own general manager, reporting directly to our chief executive officer. This business was previously presented within the Software & Analytics reportable segment.
- Shifted responsibility for certain products from one reportable segment to another to better align our portfolio of service offerings, which will impact the Technology-Enabled Services, Network Solutions, and Software & Analytics reportable segments.
- Historical segment information presented in the accompanying tables has been retrospectively adjusted to reflect the above changes.



## Recast of Segment Results (unaudited and amounts in thousands)

	Fiscal Year 2022				Fiscal Year 2021			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
<b>Segment Revenue</b>								
Software and Analytics	\$ 337,823	\$ 280,708	\$ 298,794	\$ 346,941	\$ 314,060	\$ 270,277	\$ 287,531	\$ 321,413
Network Solutions	218,264	223,792	235,707	225,481	148,592	189,829	199,418	206,416
Enterprise Imaging	82,396	82,848	87,144	96,236	80,013	86,949	85,998	95,526
Technology-Enabled Services	216,776	223,671	224,164	225,163	179,421	223,685	214,344	218,522
Postage and Eliminations <sup>(1)</sup>	17,058	19,024	20,256	26,310	27,098	24,105	22,029	23,425
Purchase Accounting Adjustment <sup>(2)</sup>	(4,461)	(3,279)	—	—	(55,000)	(38,909)	(24,179)	(10,142)
Net Revenue	<u>\$ 867,856</u>	<u>\$ 826,764</u>	<u>\$ 866,065</u>	<u>\$ 920,131</u>	<u>\$ 694,184</u>	<u>\$ 755,936</u>	<u>\$ 785,141</u>	<u>\$ 855,160</u>
<b>Segment Adjusted EBITDA</b>								
Software and Analytics	\$ 137,028	\$ 89,692	\$ 99,727	\$ 136,604	\$ 128,071	\$ 90,120	\$ 95,429	\$ 113,797
Network Solutions	113,617	116,015	124,431	106,615	68,673	96,111	106,510	112,845
Enterprise Imaging	19,960	19,530	21,850	23,752	17,820	27,031	23,181	26,450
Technology-Enabled Services	12,123	21,225	13,531	15,352	(17,708)	18,579	8,304	18,953
Adjusted EBITDA	<u>\$ 282,728</u>	<u>\$ 246,462</u>	<u>\$ 259,539</u>	<u>\$ 282,323</u>	<u>\$ 196,856</u>	<u>\$ 231,841</u>	<u>\$ 233,424</u>	<u>\$ 272,045</u>

<sup>(1)</sup> Revenue for the Postage and Eliminations segment includes postage revenue of \$51,208, \$52,550, \$54,917 and \$60,937 for first, second, third, and fourth quarters of the fiscal year ended March 31, 2022, respectively. Revenue for the Postage and Eliminations segment includes postage revenue of \$45,772, \$50,023, \$49,877 and \$50,861 for first, second, third, and fourth quarters of the fiscal year ended March 31, 2021, respectively.

<sup>(2)</sup> Amount reflects the impact to deferred revenue resulting from the McKesson Exit which reduced revenue recognized during the period.

# Segment Changes



## Recast of Segment Results (unaudited and amounts in thousands)

	Fiscal Year 2022			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
<b>Segment Revenue</b>				
Software and Analytics	\$ 337,823	\$ 280,708	\$ 298,794	\$ 346,941
Network Solutions	218,264	223,792	235,707	225,481
Enterprise Imaging	82,396	82,848	87,144	96,236
Technology-Enabled Services	216,776	223,671	224,164	225,163
Postage and Eliminations <sup>(1)</sup>	17,058	19,024	20,256	26,310
Purchase Accounting Adjustment <sup>(2)</sup>	(4,461)	(3,279)	—	—
Net Revenue	<u>\$ 867,856</u>	<u>\$ 826,764</u>	<u>\$ 866,065</u>	<u>\$ 920,131</u>
<b>Segment Adjusted EBITDA</b>				
Software and Analytics	\$ 137,028	\$ 89,692	\$ 99,727	\$ 136,604
Network Solutions	113,617	116,015	124,431	106,615
Enterprise Imaging	19,960	19,530	21,850	23,752
Technology-Enabled Services	12,123	21,225	13,531	15,352
Adjusted EBITDA	<u>\$ 282,728</u>	<u>\$ 246,462</u>	<u>\$ 259,539</u>	<u>\$ 282,323</u>
<b>Reconciliation of income (loss) before tax provision (benefit) to Adjusted EBITDA</b>				
Income (loss) before income tax provision (benefit)	\$ (12,055)	\$ (53,153)	\$ (34,587)	\$ (6,208)
Amortization of capitalized software developed for sale	717	859	935	999
Depreciation and amortization	168,211	163,469	170,782	179,345
Interest expense, net	59,386	59,466	58,433	56,959
Equity compensation	26,166	23,745	24,807	21,012
Acquisition accounting adjustments	(559)	(1,653)	(4,864)	(4,762)
Acquisition and divestiture-related costs	6,394	13,765	8,707	12,254
Integration and related costs	11,368	5,933	5,894	3,608
Strategic initiatives, duplicative and transition costs	9,928	14,644	13,492	7,977
Severance costs	4,720	7,303	2,640	(4,484)
Accretion and changes in estimate, net	4,732	4,355	4,482	11,706
Impairment of long-lived assets and other	1,612	81	2,537	728
Loss on extinguishment of debt	-	2,232	1,653	-
Other non-routine, net	2,108	5,416	4,628	3,189
Adjusted EBITDA	<u>\$ 282,728</u>	<u>\$ 246,462</u>	<u>\$ 259,539</u>	<u>\$ 282,323</u>

<sup>(1)</sup> Revenue for the Postage and Eliminations segment includes postage revenue of \$51,208, \$52,550, \$54,917 and \$60,937 for first, second, third, and fourth quarters of the fiscal year ended March 31, 2022, respectively.

<sup>(2)</sup> Amount reflects the impact to deferred revenue resulting from the McKesson Exit which reduced revenue recognized during the period.

# Segment Changes



## Recast of Segment Results (unaudited and amounts in thousands)

	Fiscal Year 2021			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
<b>Segment Revenue</b>				
Software and Analytics	\$ 314,060	\$ 270,277	\$ 287,531	\$ 321,413
Network Solutions	148,592	189,829	199,418	206,416
Enterprise Imaging	80,013	86,949	85,998	95,526
Technology-Enabled Services	179,421	223,685	214,344	218,522
Postage and Eliminations <sup>(1)</sup>	27,098	24,105	22,029	23,425
Purchase Accounting Adjustment <sup>(2)</sup>	(55,000)	(38,909)	(24,179)	(10,142)
Net Revenue	<u>\$ 694,184</u>	<u>\$ 755,936</u>	<u>\$ 785,141</u>	<u>\$ 855,160</u>
<b>Segment Adjusted EBITDA</b>				
Software and Analytics	\$ 128,071	\$ 90,120	\$ 95,429	\$ 113,797
Network Solutions	68,673	96,111	106,510	112,845
Enterprise Imaging	17,820	27,031	23,181	26,450
Technology-Enabled Services	(17,708)	18,579	8,304	18,953
Adjusted EBITDA	<u>\$ 196,856</u>	<u>\$ 231,841</u>	<u>\$ 233,424</u>	<u>\$ 272,045</u>
<b>Reconciliation of income (loss) before tax provision (benefit) to Adjusted EBITDA</b>				
Income (loss) before income tax provision (benefit)	\$ (72,155)	\$ (56,010)	\$ (2,366)	\$ (16,866)
Amortization of capitalized software developed for sale	78	12	460	776
Depreciation and amortization	138,541	146,869	151,143	154,495
Interest expense, net	62,667	61,627	61,439	59,508
Equity compensation	9,583	14,331	10,944	24,158
Acquisition accounting adjustments	48,540	34,686	20,601	5,917
Acquisition and divestiture-related costs	5,120	2,337	2,661	9,590
Integration and related costs	10,358	7,536	9,688	13,094
Strategic initiatives, duplicative and transition costs	5,080	3,765	4,324	8,671
Severance costs	4,704	3,172	2,591	2,717
Accretion and changes in estimate, net	5,895	5,293	(2,759)	3,215
Impairment of long-lived assets and other	6,313	7,447	658	3,772
Loss on extinguishment of debt	-	1,489	6,145	1,289
Gain on sale of business	(28,095)	(176)	(32,217)	1,344
Contingent Consideration	(2,450)	(550)	-	-
Other non-routine, net	2,677	13	112	365
Adjusted EBITDA	<u>\$ 196,856</u>	<u>\$ 231,841</u>	<u>\$ 233,424</u>	<u>\$ 272,045</u>

<sup>(1)</sup> Revenue for the Postage and Eliminations segment includes postage revenue of \$45,772, \$50,023, \$49,877 and \$50,861 for first, second, third, and fourth quarters of the fiscal year ended March 31, 2021, respectively.

<sup>(2)</sup> Amount reflects the impact to deferred revenue resulting from the McKesson Exit which reduced revenue recognized during the period.

# Consolidated Statements of Operations



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

	Three Months Ended June 30,	
	2022	2021
<b>Revenue:</b>		
Solutions revenue	\$ 831,343	\$ 816,648
Postage revenue	53,126	51,208
Total revenue	884,469	867,856
<b>Operating expenses:</b>		
Cost of operations (exclusive of depreciation and amortization below)	357,096	352,063
Research and development	74,197	71,240
Sales, marketing, general and administrative	197,886	177,955
Customer postage	53,126	51,208
Depreciation and amortization	171,722	168,211
Accretion and changes in estimate with related parties, net	3,189	3,037
<b>Total operating expenses</b>	<b>857,216</b>	<b>823,714</b>
<b>Operating income (loss)</b>	<b>27,253</b>	<b>44,142</b>
<b>Non-operating (income) and expense</b>		
Interest expense, net	56,870	59,386
Loss on extinguishment of debt	390	—
Other, net	2,472	(3,189)
<b>Total non-operating (income) and expense</b>	<b>59,732</b>	<b>56,197</b>
<b>Income (loss) before income tax provision (benefit)</b>	<b>(32,479)</b>	<b>(12,055)</b>
<b>Income tax provision (benefit)</b>	<b>(9,311)</b>	<b>(8,450)</b>
<b>Net income (loss)</b>	<b>\$ (23,168)</b>	<b>\$ (3,605)</b>
<b>Net income (loss) per common share:</b>		
Basic and diluted	\$ (0.07)	\$ (0.01)
<b>Weighted average common shares outstanding:</b>		
Basic and diluted	326,562,482	322,546,171

# Consolidated Balance Sheets



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

	June 30, 2022	March 31, 2022
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 94,009	\$ 252,298
Accounts receivable, net	717,684	720,122
Contract assets, net	130,351	162,828
Prepaid expenses and other current assets	204,357	177,659
<b>Total current assets</b>	<b>1,146,401</b>	<b>1,312,907</b>
Property and equipment, net	126,781	141,340
Operating lease right-of-use assets, net	61,423	65,680
Goodwill	4,101,659	4,112,904
Intangible assets, net	3,587,019	3,699,603
Other noncurrent assets, net	613,698	600,061
<b>Total assets</b>	<b>\$ 9,636,981</b>	<b>\$ 9,932,495</b>
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 85,208	\$ 104,273
Accrued expenses	383,368	461,506
Deferred revenue	409,952	469,098
Due to related parties, net	29,560	13,057
Current portion of long-term debt	4,708	10,006
Current portion of operating lease liabilities	20,009	21,726
<b>Total current liabilities</b>	<b>932,805</b>	<b>1,079,666</b>
Long-term debt, excluding current portion	4,486,565	4,580,087
Long-term operating lease liabilities	48,580	52,286
Deferred income tax liabilities	555,616	563,606
Tax receivable agreement obligations to related parties	79,503	104,863
Tax receivable agreement obligations	174,445	202,762
Other long-term liabilities	68,581	73,118
<b>Total liabilities</b>	<b>6,346,095</b>	<b>6,656,388</b>
<b>Commitments and contingencies</b>		
<b>Stockholders' Equity</b>		
Common Stock (par value, \$0.001), 9,000,000,000 and 9,000,000,000	327	313
Preferred stock (par value, \$0.001), 900,000,000 shares authorized and no shares issued and outstanding at both June 30, 2022 and March 31, 2022	—	—
Additional paid-in capital	4,384,631	4,340,759
Accumulated other comprehensive income (loss)	29,177	35,116
Accumulated deficit	(1,123,249)	(1,100,081)
<b>Total stockholders' equity</b>	<b>3,290,886</b>	<b>3,276,107</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 9,636,981</b>	<b>\$ 9,932,495</b>

# Consolidated Statements of Cash Flows



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

	Three Months Ended June 30,	
	2022	2021
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ (23,168)	\$ (3,605)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	171,722	168,211
Amortization of capitalized software developed for sale	1,302	717
Accretion and changes in estimate, net	4,800	4,732
Equity compensation	49,961	26,166
Deferred income tax expense (benefit)	(10,411)	(8,989)
Amortization of debt discount and issuance costs	7,770	7,910
Loss on extinguishment of debt	390	—
Non-cash lease expense	5,681	7,007
Other, net	3,916	249
Changes in operating assets and liabilities:		
Accounts receivable, net	1,991	(11,773)
Contract assets, net	30,028	(3,090)
Prepaid expenses and other assets	(20,811)	(25,029)
Accounts payable	(2,481)	34,722
Accrued expenses and other liabilities	(75,394)	(53,649)
Deferred revenue	(61,981)	(33,472)
<b>Net cash provided by (used in) operating activities</b>	<b>83,315</b>	<b>110,107</b>
<b>Cash flows from investing activities:</b>		
Capitalized expenditures	(79,535)	(66,006)
Other, net	—	(1,000)
<b>Net cash provided by (used in) investing activities</b>	<b>(79,535)</b>	<b>(67,006)</b>
<b>Cash flows from financing activities:</b>		
Payments on Senior Notes	(100,000)	—
Payments under tax receivable agreements	(48,462)	(21,537)
Receipts (payments) on derivative instruments	(410)	(7,364)
Employee tax withholding on vesting of equity compensation awards	(6,407)	(13,015)
Payments on deferred financing obligations	(2,331)	(6,796)
Payment of senior amortizing notes	(4,254)	(3,965)
Proceeds from exercise of equity awards	1,274	5,225
Other, net	(58)	(116)
<b>Net cash provided by (used in) financing activities</b>	<b>(160,648)</b>	<b>(47,568)</b>
Effect of exchange rate changes on cash and cash equivalents	(1,421)	470
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(158,289)</b>	<b>(3,997)</b>
Cash and cash equivalents at beginning of period	252,298	113,101
<b>Cash and cash equivalents at end of period</b>	<b>\$ 94,009</b>	<b>\$ 109,104</b>



# Reconciliation of Net Income (Loss) to Adjusted EBITDA



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

	Three Months Ended June 30,	
	2022	2021
<b>Net income (loss)</b>	\$ (23,168)	\$ (3,605)
Income tax provision (benefit)	(9,311)	(8,450)
Income (loss) before income tax provision (benefit)	(32,479)	(12,055)
Amortization of capitalized software developed for sale	1,302	717
Depreciation and amortization	171,722	168,211
Interest expense, net	56,870	59,386
Equity compensation	49,961	26,166
Acquisition accounting adjustments	(4,613)	(559)
Acquisition and divestiture-related costs	17,944	6,394
Integration and related costs	1,428	11,368
Strategic initiatives, duplicative and transition costs	5,629	9,928
Severance costs	2,482	4,720
Accretion and changes in estimate, net	4,800	4,732
Impairment of long-lived assets and other	1,161	1,612
Loss on extinguishment of debt	390	—
Other non-routine, net	3,583	2,108
<b>Adjusted EBITDA</b>	<u>\$ 280,180</u>	<u>\$ 282,728</u>



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

## Reconciliation of Net Income (Loss) to Adjusted Net Income (Loss) (unaudited and amounts in thousands, except share and per share amounts)

	Three Months Ended June 30,	
	2022	2021
<b>Net income (loss)</b>	\$ (23,168)	\$ (3,605)
Amortization expense resulting from acquisition method adjustments	113,194	124,314
EBITDA adjustments	82,765	66,469
Tax effect of EBITDA adjustments and amortization expense	(49,012)	(54,222)
<b>Adjusted net income (loss)</b>	<u>\$ 123,779</u>	<u>\$ 132,956</u>
<b>Adjusted net income (loss) per diluted share</b>	<u>\$ 0.38</u>	<u>\$ 0.41</u>



# Segment Results



## Segment Results (unaudited and amounts in thousands)

	Three Months Ended June 30,		\$ Change	% Change
	2022	2021		
<b>Segment revenue</b>				
Software and Analytics	\$ 344,927	\$ 337,823	\$ 7,104	2.1%
Network Solutions	223,283	218,264	5,019	2.3%
Enterprise Imaging	83,085	82,396	689	0.8%
Technology-Enabled Services	213,169	216,776	(3,607)	(1.7)%
Postage and Eliminations <sup>(1)</sup>	20,005	17,058	2,947	17.3%
Purchase Accounting Adjustment <sup>(2)</sup>	—	(4,461)	4,461	(100.0)%
Net Revenue	<u>\$ 884,469</u>	<u>\$ 867,856</u>	<u>\$ 16,613</u>	1.9%
<b>Segment adjusted EBITDA</b>				
Software and Analytics	\$ 144,973	\$ 137,028	\$ 7,945	5.8%
Network Solutions	111,433	113,617	(2,184)	(1.9)%
Enterprise Imaging	18,648	19,960	(1,312)	(6.6)%
Technology-Enabled Services	5,126	12,123	(6,997)	(57.7)%
Adjusted EBITDA	<u>\$ 280,180</u>	<u>\$ 282,728</u>	<u>\$ (2,548)</u>	(0.9)%

<sup>(1)</sup> Revenue for Postage and Eliminations includes postage revenue of \$53.1 million for the three months ended June 30, 2022 and \$51.2 million for the three months ended June 30, 2021.

<sup>(2)</sup> Amount reflects the impact to deferred revenue resulting from the McKesson exit which reduced revenue recognized during the three months ended June 30, 2021.

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

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

	Three Months Ended June 30,	
	2022	2021
<b>Cash provided by (used in) operating activities</b> <sup>(1)</sup>	\$ 83,315	\$ 110,107
Capital expenditures	(79,535)	(66,006)
<b>Free cash flow</b>	3,780	44,101
<b>Adjustments to free cash flow</b> <sup>(2)</sup> :		
Integration and related costs	1,428	11,368
Strategic initiatives, duplicative and transition costs	5,629	9,928
Severance costs	2,482	4,720
Integration and strategic capital expenditures	845	6,395
<b>Adjusted free cash flow</b>	\$ 14,164	\$ 76,512

<sup>(1)</sup> Includes cash used by pass-thru funds of \$7.1 million for the three months ended June 30, 2022 and cash provided by pass-thru funds of \$7.3 million for the three months ended June 30, 2021.

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



# CHANGE HEALTHCARE

Insight. Innovation. Transformation.