



# Q4 2018 Investor Presentation

February 22, 2019



# Disclaimer

**FORWARD-LOOKING STATEMENTS.** The financial results in this presentation reflect preliminary unaudited results, which are not final until our Annual Report on Form 10-K for the year ended December 31, 2018 is filed with the Securities and Exchange Commission. This presentation contains "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Such statements relate to our current expectations, projections and assumptions about our business, the economy and future events or conditions, and specifically include the information found in the slides "Quarterly and Full Year Financial Performance Highlights," "Full Year 2019 Financial Guidance," and the reconciliations of non-GAAP measures. They do not relate strictly to historical or current facts. Forward-looking statements can be identified by words such as "aims," "anticipates," "believes," "estimates," "expects," "forecasts," "intends," "likely," "may," "plans," "projects," "seeks," "targets," "will," "would," "could," "should," and similar expressions and references to guidance, although some forward-looking statements may be expressed differently. In particular, these include statements relating to future actions, business plans, objectives and prospects, future operating or financial performance, and full year guidance and projections. Factors or events that could cause actual results to differ may emerge from time to time and are difficult to predict. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results may differ materially from past results and those anticipated, estimated or projected. We caution you not to place undue reliance upon any of these forward-looking statements. Factors that could cause or contribute to such differences, include, but are not limited to: our ability to execute our business plans or growth strategy; our ability to innovate, develop or implement new or enhanced solutions or services; the nature of investment and acquisition opportunities we are pursuing, and the successful execution of such investments and acquisitions; our ability to successfully integrate acquired businesses and realize synergies; significant competition for our solutions and services; variations in our results of operations; our ability to accurately forecast the revenue under our contracts and solutions; our ability to protect our systems from damage, interruption or breach, and to maintain effective information and technology systems and networks; our ability to protect our intellectual property rights, proprietary technology, information processes, and know-how; our failure to maintain a high level of customer retention or the unexpected reduction in scope or termination of key contracts with major customers; customer dissatisfaction, or our non-compliance with contractual provisions or regulatory requirements; our failure to meet performance standards triggering significant costs or liabilities under our contracts; our inability to manage our relationships with data sources and suppliers; our reliance on subcontractors and other third party providers and parties to perform services; our ability to continue to secure contracts and favorable contract terms through the competitive bidding process; pending or threatened litigation; unfavorable outcomes in legal proceedings; our success in attracting and retaining qualified employees and members of our management team; our ability to generate sufficient cash to cover our interest and principal payments under our credit facility; unexpected changes in tax laws, regulations or guidance and unexpected changes in our effective tax rate; unanticipated increases in the number or amount of claims for which we are self-insured; changes in the U.S. healthcare environment or healthcare financing system, including regulatory, budgetary or political actions that affect healthcare spending or the practices and operations of healthcare organizations; our failure to comply with applicable laws and regulations governing individual privacy and information security or to protect such information from theft and misuse; our ability to comply with current and future legal and regulatory requirements; negative results of government or customer reviews, audits or investigations; state or federal limitations related to outsourcing of certain government programs or functions; restrictions on bidding or performing certain work due to perceived conflicts of interests; the market price of our common stock and lack of dividend payments; anti-takeover provisions in our corporate governance documents; and other factors, risks and uncertainties described in our most recent Annual Report on Form 10-K and in our other filings with the Securities and Exchange Commission. Any forward-looking statements are made as of the date of this presentation. Except as may be required by law, we disclaim any obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise.

**NON-GAAP FINANCIAL INFORMATION.** This presentation contains certain non-GAAP measures. The Company believes that the non-GAAP measures in this presentation are relevant and provide useful information to the Company's management, investors and other interested parties about the Company's operating performance because the measures allow them to understand and compare the Company's actual and expected operating results during the prior, current and future periods in a more consistent manner. These non-GAAP measures, as calculated by the Company, are not necessarily comparable to similarly titled measures reported by other companies. Additionally, these non-GAAP measures are not measurements of financial performance or liquidity under GAAP and should not be considered alternatives to the Company's other financial information determined under GAAP. See slides 11 - 17 for definitions and reconciliations of certain non-GAAP measures.

**MARKET AND INDUSTRY DATA.** This presentation contains market and industry data and forecasts that have been obtained from publicly available information, various industry publications, other published industry sources and our internal data and estimates. We have not independently verified the information and cannot make any representation as to the accuracy or completeness of such information. None of the reports and other materials of third party sources referred to in this presentation were prepared for use in, or in connection with, this presentation. Our internal data and estimates are based upon information obtained from our customers, our partners, trade and business organizations, publicly available information and other contacts in the markets in which we operate and our management's understanding of industry conditions. Estimates are difficult to develop and inherently uncertain and we cannot assure you that they are accurate. Our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed above.

# Presentation Outline

## **Q4 and FY 2018 Financial Results**

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- Quarterly and FY Financial Performance Highlights
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- Quarterly and Annual Market and Product Revenue

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## Q4 2018 Financial Results

# Quarterly Financial Performance Highlights

- Total quarterly revenue was a record \$155.8 million, a 4.9% increase over 4Q'17
  - Commercial revenue was \$84.2 million (+9.1% Y-Y)
  - State government revenue was \$61.2 million (-4.7% Y-Y)
  - COB revenue was \$98.9 million (-6.4% Y-Y)
  - Analytical services revenue was \$56.9 million (+32.9% Y-Y), including Payment Integrity (PI) revenue of \$35.5 million (+32.0% Y-Y), Medicare RAC revenue of \$5.4 million and Total Population Management (TPM) revenue of \$16.0 million (+15.1% Y-Y)
- Net Income was \$33.4 million (+30.0% Y-Y)
- GAAP EPS of \$0.38 per diluted share, compared to GAAP EPS of \$0.30 per diluted share in 4Q'17<sup>1</sup>
- Adjusted EBITDA<sup>2</sup> was \$46.1 million (+14.7% Y-Y), or 29.6% of total quarterly revenue (+250 bps Y-Y)
- Adjusted EPS<sup>2</sup> of \$0.48 per diluted share in 4Q'18 included a tax benefit of \$0.17 per share, compared to adjusted EPS of \$0.49 per diluted share in 4Q'17, which included a tax benefit of \$0.25 per share. Excluding the discrete tax benefits from both years, Adjusted EPS for 4Q'18 was \$0.31 per diluted share compared to \$0.24 per diluted share in 4Q'17 (+29.2%)
- Capital expenditures were \$11.0 million

<sup>1</sup> GAAP EPS for the three months ended December 31, 2018 and 2017 included discrete tax benefits of \$0.17 per diluted share and \$0.18 per diluted share, respectively

<sup>2</sup> Adjusted EPS and Adjusted EBITDA are non-GAAP measures (see reconciliations on slides 11 and 13)

## Q4 2018 Financial Results

# Quarterly Financial Information

	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18
Revenue	\$ 113,733	\$ 133,313	\$ 125,673	\$ 148,493	\$ 141,425	\$ 146,791	\$ 154,246	\$ 155,828
Cost of services:								
Compensation	48,920	51,853	49,012	52,264	56,079	55,188	58,188	55,438
Information technology	9,783	11,281	12,067	12,592	12,263	14,240	12,979	13,946
Occupancy	3,547	4,230	4,332	5,081	4,383	4,014	3,500	4,071
Direct project expenses	10,443	10,101	9,548	11,255	10,083	10,908	10,661	11,256
Other operating expenses	7,203	6,562	7,446	7,214	6,565	7,051	8,567	9,255
Amortization of acquisition related software and intangible assets	6,286	7,372	8,167	8,568	8,132	9,621	7,942	7,280
Total cost of services	86,182	91,399	90,572	96,974	97,505	101,022	101,837	101,246
Selling, general and administrative expenses	23,608	27,553	22,240	32,253	31,998	26,532	28,178	26,734
Settlement expense	-	-	-	-	-	20,000	-	-
Total operating expenses	109,790	118,952	112,812	129,227	129,503	147,554	130,015	127,980
Operating income (loss)	3,943	14,361	12,861	19,266	11,922	(763)	24,231	27,848
Interest expense	(2,286)	(2,339)	(3,109)	(3,137)	(2,648)	(3,034)	(2,880)	(2,748)
Interest income	155	33	14	93	120	188	292	489
Income (loss) before income taxes	1,812	12,055	9,766	16,222	9,394	(3,609)	21,643	25,589
Income taxes	370	5,538	3,394	(9,501)	3,003	(242)	3,069	(7,802)
Net income (loss)	\$ 1,442	\$ 6,517	\$ 6,372	\$ 25,723	\$ 6,391	\$ (3,367)	\$ 18,574	\$ 33,391
Net Income (loss) per common share -- diluted	\$ 0.02	\$ 0.08	\$ 0.07	\$ 0.30	\$ 0.07	\$ (0.04)	\$ 0.22	\$ 0.38
Weighted average common shares -- diluted	85,580	85,826	85,730	84,936	85,682	83,231	85,144	87,521
Diluted adjusted EPS <sup>1</sup>	\$ 0.13	\$ 0.16	\$ 0.19	\$ 0.49	\$ 0.22	\$ 0.25	\$ 0.31	\$ 0.48

(unaudited; \$ in the thousands, except for per share amounts)

<sup>1</sup> Diluted adjusted EPS is a non-GAAP measure (see reconciliation on slide 11)

## FY 2018 Financial Results

# Full Year Financial Performance Highlights

- Full year total revenue was a record \$598.3 million,<sup>1</sup> a 14.8% increase over FY'17
  - Commercial revenue was a record \$323.3 million (+20.1%)
  - State government revenue was a record \$233.9 million (+3.0%)
  - Coordination of Benefits (COB) revenue was a record \$397.1 million (+3.8%)
  - Analytical services revenue was \$201.2 million (+45.3%), including PI revenue of \$123.9 million (+21.5%), Medicare RAC revenue of \$20.2 million, and TPM revenue of \$57.1 million (+67.4%)
- Net Income was \$55.0 million (+37.2% Y-Y)
- GAAP EPS of \$0.64 per diluted share included benefits of \$0.05 per diluted share from the Q1 Reserve Release and \$0.19 per diluted share from discrete tax items, compared to GAAP EPS of \$0.47 per diluted share for FY'17<sup>2</sup>
- Adjusted EBITDA<sup>3</sup> was \$162.3 million (+30.2%), or 27.1% of full year total revenue (+320 bps). Excluding the Reserve Release<sup>1</sup>, Adjusted EBITDA was \$156.0 million (+25.2%) or 26.5% of full year total revenue (+260 bps)
- Adjusted EPS<sup>3</sup> of \$1.28 per diluted share included benefits of \$0.05 per diluted share from the Q1 Reserve Release and \$0.19 per diluted share from discrete tax items, compared to adjusted EPS of \$1.11 per diluted share for FY'17.<sup>2</sup>
- Excluding the Reserve Release in Q1'18 and discrete tax benefits from both years, adjusted EPS for FY'18 was \$1.04 per diluted share compared to \$0.71 per diluted share for FY'17 (+46.5%)
- Full year capital expenditures were \$30.4 million

<sup>1</sup> Includes \$8.4 million of revenue related to the Q1'18 reversal of the Company's reserve liability for open or pending Medicare RAC appeals following expiration of the original Medicare RAC contract on January 31, 2018

<sup>2</sup> GAAP EPS and Adjusted EPS for the year ended December 31, 2017 included discrete tax benefits of \$0.40 per diluted share

<sup>3</sup> Adjusted EPS and Adjusted EBITDA are non-GAAP measures (see reconciliations on slides 12 and 14)

## FY 2018 Financial Results

# Annual Financial Information

	<b>2016</b>	<b>2017</b>	<b>2018</b>
Revenue	<u>\$ 489,720</u>	<u>\$ 521,212</u>	<u>\$ 598,290</u>
Cost of services:			
Compensation	189,271	202,049	224,893
Information technology	37,337	45,723	53,428
Occupancy	14,000	17,190	15,968
Direct project expenses	46,254	41,347	42,908
Other operating expenses	27,778	28,425	31,438
Amortization of acquisition related software and intangible assets	28,030	30,393	32,975
Total cost of services	<u>342,670</u>	<u>365,127</u>	<u>401,610</u>
Selling, general and administrative expenses	89,381	105,654	113,442
Settlement expense	-	-	20,000
Total operating expenses	<u>432,051</u>	<u>470,781</u>	<u>535,052</u>
Operating income	57,669	50,431	63,238
Interest expense	(8,519)	(10,871)	(11,310)
Interest income	321	295	1,089
Income before income taxes	49,471	39,855	53,017
Income taxes	11,835	(199)	(1,972)
Net Income	<u>\$ 37,636</u>	<u>\$ 40,054</u>	<u>\$ 54,989</u>
Net income per common share -- diluted	<u>\$ 0.43</u>	<u>\$ 0.47</u>	<u>\$ 0.64</u>
Weighted average common shares - diluted	<u>86,987</u>	<u>85,088</u>	<u>86,144</u>
Diluted adjusted EPS <sup>1</sup>	<u>\$ 0.75</u>	<u>\$ 1.11</u>	<u>\$ 1.28</u>

(unaudited, \$ in the thousands, except for per share amounts)

<sup>1</sup> Diluted adjusted EPS is a non-GAAP measure (see reconciliation on slide 12)

## Q4 2018 Financial Results

# Quarterly Market and Product Revenue

<b>Total Revenue by Market</b>	<b>Q1'16</b>	<b>Q2'16</b>	<b>Q3'16</b>	<b>Q4'16</b>	<b>Q1'17</b>	<b>Q2'17</b>	<b>Q3'17</b>	<b>Q4'17</b>	<b>Q1'18</b>	<b>Q2'18</b>	<b>Q3'18</b>	<b>Q4'18</b>
State Government	\$ 50.7	\$ 57.6	\$ 53.0	\$ 57.7	\$ 53.3	\$ 57.9	\$ 51.6	\$ 64.2	\$ 54.6	\$ 58.8	\$ 59.3	\$ 61.2
Commercial	56.0	53.5	57.9	62.9	55.1	69.4	67.6	77.2	71.8	80.5	86.7	84.2
Federal (including Medicare RAC) / Other	13.1	10.4	12.0	5.0	5.3	6.0	6.5	7.1	15.0	7.5	8.3	10.4
<b>Total HMS Revenue</b>	<b>119.8</b> <sup>1</sup>	<b>121.5</b> <sup>1</sup>	<b>122.9</b> <sup>1</sup>	<b>125.6</b>	<b>113.7</b>	<b>133.3</b>	<b>125.7</b>	<b>148.5</b>	<b>141.4</b>	<b>146.8</b>	<b>154.3</b>	<b>155.8</b>
<b>Total Revenue by Product</b>	<b>Q1'16</b>	<b>Q2'16</b>	<b>Q3'16</b>	<b>Q4'16</b>	<b>Q1'17</b>	<b>Q2'17</b>	<b>Q3'17</b>	<b>Q4'17</b>	<b>Q1'18</b>	<b>Q2'18</b>	<b>Q3'18</b>	<b>Q4'18</b>
Coordination of Benefits	\$ 82.9	\$ 89.7	\$ 86.3	\$ 95.0	\$ 88.5	\$ 98.5	\$ 90.1	\$ 105.7	\$ 91.7	\$ 100.8	\$ 105.7	\$ 98.9
Analytical Services <sup>2</sup>	36.9	31.8	36.6	30.6	25.2	34.8	35.6	42.8	49.7 <sup>3</sup>	46.0	48.6	56.9 <sup>4</sup>
<b>Total HMS Revenue</b>	<b>\$119.8</b> <sup>1</sup>	<b>\$121.5</b> <sup>1</sup>	<b>\$122.9</b> <sup>1</sup>	<b>\$125.6</b>	<b>\$113.7</b>	<b>\$133.3</b>	<b>\$125.7</b>	<b>\$148.5</b>	<b>\$141.4</b>	<b>\$146.8</b>	<b>\$154.3</b>	<b>\$155.8</b>

(Unaudited, \$ in millions)

<sup>1</sup> Amounts reflect revised numbers. Refer to "Part II, Item 8. Consolidated Financial Statements and Supplementary Data, Notes to the Consolidated Financial Statements" footnote 15 "Quarterly Financial Data (Unaudited)" on page 125 in the Company's 2016 Form 10-K for details (see [https://www.sec.gov/Archives/edgar/data/1196501/000117184317003514/f10k\\_030117p.htm](https://www.sec.gov/Archives/edgar/data/1196501/000117184317003514/f10k_030117p.htm))

<sup>2</sup> Analytical services includes PI, Medicare RAC and TPM (Eliza and Essette) solutions

<sup>3</sup> Analytical services revenue in Q1 2018 included an \$8.4 million Medicare RAC reserve release related to the reversal of the Company's reserve liability for open or pending Medicare RAC appeals following expiration of the original Medicare RAC contract on January 31, 2018

<sup>4</sup> Analytical services revenue in Q4 2018 includes quarterly revenue for PI of \$35.5 million, Medicare RAC of \$5.4 million and TPM of \$16.0 million



## Q4 2018 Financial Results

# Annual Market and Product Revenue

<b>Total Revenue by Market</b>	<b>FY '16</b>	<b>FY '17</b>	<b>FY '18</b>
State Government	\$ 219.0	\$ 227.0	\$ 233.9
Commercial	230.3	269.2	323.2
Federal (including Medicare RAC) / Other	40.5	25.0	41.2
<b>Total HMS Revenue</b>	<b>489.8</b> <sup>1</sup>	<b>521.2</b>	<b>598.3</b>

  

<b>Total Revenue by Product</b>	<b>FY '16</b>	<b>FY '17</b>	<b>FY '18</b>
Coordination of Benefits	\$ 353.9	\$ 382.7	\$ 397.1
Analytical Services	135.9	138.5	201.2
<b>Total HMS Revenue</b>	<b>489.8</b> <sup>1</sup>	<b>521.2</b>	<b>598.3</b>

(Unaudited, \$ in millions)

<sup>1</sup> Amounts reflect revised numbers. Refer to "Part II, Item 8. Consolidated Financial Statements and Supplementary Data, Notes to the Consolidated Financial Statements" footnote 15 "Quarterly Financial Data (Unaudited)" on page 125 in the Company's 2016 Form 10-K for details (see [https://www.sec.gov/Archives/edgar/data/1196501/000117184317003514/f10k\\_030117p.htm](https://www.sec.gov/Archives/edgar/data/1196501/000117184317003514/f10k_030117p.htm))

## Full Year 2019 Financial Guidance

- Total company revenue of \$640-650 million
- Net income of \$64-70 million
- Adjusted EBITDA of \$170-175 million<sup>1</sup>
- Depreciation and amortization of ~\$44 million
- Stock-based compensation expense of ~\$22 million
- Net interest expense of ~\$12 million
- An effective annual tax rate of 28-30%
- Income taxes of \$27-28 million
- Capital expenditures of \$35-40 million

<sup>1</sup> Adjusted EBITDA is a non-GAAP measure (see reconciliation on slide 17)

# Reconciliation of Q4 Net Income to EBITDA and Adjusted EBITDA

(in thousands, except percentages)	Three Months Ended	
	December 31, 2018	December 31, 2017
Net Income	\$ 33,391	\$ 25,723
Net interest expense	2,259	3,044
Income taxes	(7,802)	(9,501)
Depreciation and amortization of property and equipment and intangible assets	14,376	13,564
Earnings before interest, taxes, depreciation and amortization (EBITDA)	42,224	32,830
Stock-based compensation expense	3,862	7,382
Adjusted EBITDA	\$ 46,086	\$ 40,212
% of Revenue	29.6%	27.1%

# Reconciliation of FY Net Income to EBITDA and Adjusted EBITDA

(in thousands, except percentages)	Twelve Months Ended	
	December 31, 2018	December 31, 2017
Net Income	\$ 54,989	\$ 40,054
Net interest expense	10,221	10,576
Income taxes	(1,972)	(199)
Depreciation and amortization of property and equipment and intangible assets	57,596	50,070
Earnings before interest, taxes, depreciation and amortization (EBITDA)	120,834	100,501
Stock-based compensation expense	21,507	24,143
Settlement expense	20,000	-
Adjusted EBITDA	\$ 162,341	\$ 124,644
% of Revenue	27.1%	23.9%
Adjusted EBITDA, excluding Reserve Release	\$ 156,041	\$ 124,644
% of Revenue	26.5%	23.9%

# Reconciliation of Q4 Net Income to GAAP EPS (Diluted) and Adjusted EPS (Diluted)

(in thousands, except per share amounts)	Three Months Ended	
	December 31, 2018	December 31, 2017
Net Income	\$ 33,391	\$ 25,723
Stock-based compensation expense	3,862	7,382
Amortization of acquisition related software and intangible assets	7,280	8,568
Income tax related to adjustments <sup>(1)</sup>	(2,262)	80
Adjusted net income	\$ 42,271	\$ 41,753
Weighted average common shares, diluted	87,521	84,936
Diluted GAAP EPS <sup>(2)</sup>	\$ 0.38	\$ 0.30
Diluted adjusted EPS	\$ 0.48	\$ 0.49
Discrete tax benefits	\$ 0.17	\$ 0.25
Diluted adjusted EPS after discrete tax benefits	\$ 0.31	\$ 0.24

<sup>1</sup> Tax effect of adjustments is computed as the pre-tax effect of the adjustments multiplied by the adjusted annual effective tax rate at period end.

<sup>2</sup> Diluted GAAP EPS for the three months ended December 31, 2018 included discrete tax benefits of \$0.17 per diluted share primarily related to state tax apportionments, the closure of routine outstanding prior year tax audits, the exercise of employee stock options, the abandonment of subsidiary stock related to a 2010 acquisition, and year-end federal and state tax adjustments or provision true ups. Diluted GAAP EPS for the three months ended December 31, 2017 included a non-cash tax benefit of \$0.18 per diluted share primarily related to federal tax legislation enacted in December 2017.

# Reconciliation of FY Net Income to GAAP EPS (Diluted) and Adjusted EPS (Diluted)

(in thousands, except per share amounts)	Twelve Months Ended	
	December 31, 2018	December 31, 2017
Net Income	\$ 54,989	\$ 40,054
Stock-based compensation expense	21,507	24,143
Settlement expense	20,000	-
Amortization of acquisition related software and intangible assets	32,975	30,393
Income tax related to adjustments <sup>(1)</sup>	(19,216)	273
Adjusted net income	\$ 110,255	\$ 94,863
Weighted average common shares, diluted	86,144	85,088
Diluted GAAP EPS <sup>(2)</sup>	\$ 0.64	\$ 0.47
Diluted adjusted EPS	\$ 1.28	\$ 1.11
Discrete tax benefits	\$ 0.19	\$ 0.40
Reserve release benefit	\$ 0.05	\$ -
Diluted adjusted EPS after reserve release and discrete tax benefits	\$ 1.04	\$ 0.71

<sup>1</sup> Tax effect of adjustments is computed as the pre-tax effect of the adjustments multiplied by the adjusted annual effective tax rate at period end.

<sup>2</sup> Diluted GAAP EPS for the year ended December 31, 2018 included discrete tax benefits of \$0.19 per diluted share primarily related to state tax apportionments, the closure of routine outstanding prior year tax audits, the exercise of employee stock options, the abandonment of subsidiary stock related to a 2010 acquisition, and year-end federal and state tax adjustments or provision true ups. Diluted GAAP EPS for the year ended December 31, 2017 included a non-cash tax benefit of \$0.40 per diluted share primarily related to federal tax legislation enacted in December 2017.

## Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow

(In thousands)	Twelve Months Ended	
	December 31, 2018	December 31, 2017
Net cash provided by operating activities	\$ 96,457	\$ 86,464
Purchases of property and equipment	(11,264)	(17,318)
Investment in capitalized software	(19,149)	(15,725)
Non-GAAP free cash flow	\$ 66,044	\$ 53,421

## Reconciliation of Total Debt to Net Leverage Ratio

(In thousands, except ratios)	Twelve Months Ended	
	December 31, 2018	December 31, 2017
Total debt <sup>(1)</sup>	\$ 240,000	\$ 240,000
Cash and cash equivalents	(178,946)	(83,313)
<b>Total net debt</b>	<b>\$ 61,054</b>	<b>\$ 156,687</b>
Net income <sup>(2)</sup>	\$ 54,989	\$ 40,054
Adjusted EBITDA <sup>(3)</sup>	\$ 162,341	\$ 124,644
Net leverage ratio <sup>(4)</sup>	0.38	1.26

(1) Total debt consists of the outstanding principal balance under our senior secured revolving credit facility

(2) Trailing twelve months Net income

(3) Trailing twelve months Adjusted EBITDA

(4) Net leverage ratio is calculated by dividing the total net debt by the trailing twelve months' Adjusted EBITDA



# Reconciliation of Projected 2019 Net Income to Projected 2019 EBITDA and Adjusted EBITDA

(in millions)	Twelve Months Ended December 31, 2019	
	Estimated Range	
	Low	High
Net Income	\$ 64	\$ 70
Net interest expense	12	12
Income taxes	28	27
Depreciation and amortization of property and equipment and intangible assets	44	44
Earnings before interest, taxes, depreciation and amortization (EBITDA)	148	153
Stock based compensation expense	22	22
Adjusted EBITDA	\$ 170	\$ 175



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