

2016 Second Quarter

Financial Supplement

As of June 30, 2016

Cotiviti Holdings, Inc.

2016 Revenue by Segment

<i>(in thousands)</i>	<u>Q1</u>	<u>Q2</u>	<u>YTD 2016</u>
		<i>(unaudited)</i>	
Retrospective claims accuracy	\$ 65,270	\$ 80,932	\$146,202
Prospective claims accuracy	55,410	56,989	112,399
Transaction services	3,450	3,122	6,572
Total Healthcare	124,130	141,043	265,173
Retrospective claims accuracy	17,990	16,701	34,691
Other	598	547	1,145
Total Global Retail and Other	18,588	17,248	35,836
Consolidated net revenue	<u>\$142,718</u>	<u>\$158,291</u>	<u>\$301,009</u>

Cotiviti Holdings, Inc.

2015 Revenue by Segment

<i>(in thousands)</i>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>2015</u>
	<i>(unaudited)</i>				
Retrospective claims accuracy	\$ 54,260	\$ 62,189	\$ 62,369	\$ 72,470	\$251,288
Prospective claims accuracy	44,390	49,526	53,419	54,564	201,899
Transaction services	3,539	3,652	3,339	3,327	13,857
Total Healthcare	<u>102,189</u>	<u>115,367</u>	<u>119,127</u>	<u>130,361</u>	<u>467,044</u>
Retrospective claims accuracy	17,010	17,244	17,292	20,514	72,060
Other	439	695	517	588	2,239
Total Global Retail and Other	<u>17,449</u>	<u>17,939</u>	<u>17,809</u>	<u>21,102</u>	<u>74,299</u>
Consolidated net revenue	<u>\$119,638</u>	<u>\$133,306</u>	<u>\$136,936</u>	<u>\$151,463</u>	<u>\$541,343</u>

Cotiviti Holdings, Inc.

2016 Consolidated Statement of Operations

<i>(unaudited, in thousands except per share data)</i>	Q1	Q2	YTD 2016
Net revenue	\$ 142,718	\$ 158,291	\$ 301,009
Cost of revenue	58,859	60,560	119,419
Selling, general and administrative expenses	34,339	38,121	72,460
Depreciation and amortization of property and equipment	4,835	4,811	9,646
Amortization of intangible assets	15,207	15,208	30,415
Transaction-related expenses	240	653	893
Total operating expenses	113,480	119,353	232,833
Operating income	29,238	38,938	68,176
Other expense (income)	15,761	21,369	37,130
Income tax expense	5,393	6,676	12,069
Net income	\$ 8,084	\$ 10,893	\$ 18,977
Earnings per share:			
Basic	\$ 0.10	\$ 0.13	\$ 0.24
Diluted	0.10	0.13	0.24
Effective Tax Rate	40.0%	38.0%	38.9%
<u>Stock-based Compensation (included within the lines shown above)</u>			
Cost of revenue	\$ 289	\$ 296	585
Selling, general and administrative expenses	785	3,132	3,917
Total stock-based compensation	\$ 1,074	\$ 3,428	\$ 4,502

Cotiviti Holdings, Inc.

2015 Consolidated Statement of Operations

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>2015</u>
<i>(in thousands except per share data)</i>					
	<i>(unaudited)</i>				
Net revenue	\$ 119,638	\$ 133,306	\$ 136,936	\$ 151,463	\$ 541,343
Cost of revenue	46,338	49,149	52,070	57,060	204,617
Selling, general and administrative expenses	31,462	32,199	33,348	39,736	136,745
Depreciation and amortization of property and equipment	2,722	2,775	3,773	3,425	12,695
Amortization of intangible assets	15,409	15,410	15,437	15,211	61,467
Transaction-related expenses	-	-	354	1,115	1,469
Impairment of intangible assets	-	-	27,826	-	27,826
Total operating expenses	<u>95,931</u>	<u>99,533</u>	<u>132,808</u>	<u>116,547</u>	<u>444,819</u>
Operating income	23,707	33,773	4,128	34,916	96,524
Other expense (income)	16,746	20,816	15,993	15,264	68,819
Income tax expense (benefit)	3,326	5,177	(4,571)	10,469	14,401
Gain on discontinued operations, net of tax	559	-	-	-	559
Net income (loss)	<u>\$ 4,194</u>	<u>\$ 7,780</u>	<u>\$ (7,294)</u>	<u>\$ 9,183</u>	<u>\$ 13,863</u>
Earnings (loss) per share:					
Basic	\$ 0.05	\$ 0.10	\$ (0.09)	\$ 0.12	\$ 0.18
Diluted	0.05	0.10	(0.09)	0.12	0.18
Effective Tax Rate	47.8%	39.9%	38.5%	53.3%	52.0%
<u>Stock-based Compensation (included within the lines shown above)</u>					
Cost of revenue	\$ 194	\$ 197	193	379	963
Selling, general and administrative expenses	409	419	212	1,396	2,436
Total stock-based compensation	<u>\$ 603</u>	<u>\$ 616</u>	<u>\$ 405</u>	<u>\$ 1,775</u>	<u>\$ 3,399</u>

Cotiviti Holdings, Inc.

2016 Adjusted EBITDA (Non-GAAP)

<i>(unaudited, in thousands)</i>	Q1	Q2	YTD 2016
Net income	\$ 8,084	\$ 10,893	\$ 18,977
Adjustments to net income:			
Depreciation and amortization	20,042	20,019	40,061
Interest expense	16,060	14,660	30,720
Other non-operating (income) expense ^(a)	(299)	(359)	(658)
Income tax expense	5,393	6,676	12,069
Transaction-related expenses and other ^(b)	240	653	893
Stock-based compensation ^(c)	1,074	3,428	4,502
Loss on extinguishment of debt ^(d)	-	7,068	7,068
Adjusted EBITDA	<u>\$ 50,594</u>	<u>\$ 63,038</u>	<u>\$ 113,632</u>
<i>% of revenue</i>	<i>35%</i>	<i>40%</i>	<i>38%</i>

^(a) Represents other non-operating (income) expense that consists primarily of gains and losses on transactions settled in foreign currencies. Income received for certain sub-leases is included herein.

^(b) Represents transaction-related expenses that consist primarily of certain expenses associated with the preparation for our Initial Public Offering and certain corporate development activity.

^(c) Represents expense related to stock-based compensation awards granted to certain employees, officers and non-employee directors as long-term incentive compensation. We recognize the related expense for these awards ratably over the vesting period.

^(d) Represents loss on extinguishment of debt that consists primarily of fees paid and write-offs of unamortized debt issuance costs and original issue discount in connection with the repricing of our long-term debt in 2015 and the early repayment of a portion of our long-term debt in 2016.

Cotiviti Holdings, Inc.

2015 Adjusted EBITDA (Non-GAAP)

<i>(unaudited, in thousands)</i>	Q1	Q2	Q3	Q4	2015
Net income (loss)	\$ 4,194	\$ 7,780	\$ (7,294)	\$ 9,183	\$ 13,863
Adjustments to net income (loss):					
Depreciation and amortization	18,131	18,185	19,210	18,636	74,162
Impairment of intangible assets ^(a)	-	-	27,826	-	27,826
Interest expense	16,922	16,753	16,180	15,706	65,561
Other non-operating (income) expense ^(b)	(176)	(21)	(187)	(442)	(826)
Income tax expense (benefit)	3,326	5,177	(4,571)	10,469	14,401
Gain on discontinued operations, net of tax ^(c)	(559)	-	-	-	(559)
Transaction-related expenses and other ^(d)	-	-	354	1,115	1,469
Stock-based compensation ^(e)	603	616	405	1,775	3,399
Loss on extinguishment of debt ^(f)	-	4,084	-	-	4,084
Adjusted EBITDA	<u>\$ 42,441</u>	<u>\$ 52,574</u>	<u>\$ 51,923</u>	<u>\$ 56,442</u>	<u>\$ 203,380</u>
% of revenue	35%	39%	38%	37%	38%

^(a) Represents an impairment charge during the quarter ended September 30, 2015 as a result of our rebranding and the related impact to our tradenames.

^(b) Represents other non-operating (income) expense that consists primarily of gains and losses on transactions settled in foreign currencies. Income received for certain sub-leases is included herein.

^(c) Represents payment on a \$900 note receivable (\$559 net of taxes) related to a business that was disposed of in 2012. This note receivable had been reported in the loss on discontinued operations in 2012 upon the sale of that business. Since the date of sale, we had elected to fully reserve the note receivable as the collectability was determined to be uncertain.

^(d) Represents transaction-related expenses that consist primarily of certain expenses associated with the preparation for our Initial Public Offering and certain corporate development activity.

^(e) Represents expense related to stock-based compensation awards granted to certain employees, officers and non-employee directors as long-term incentive compensation. We recognize the related expense for these awards ratably over the vesting period.

^(f) Represents loss on extinguishment of debt that consists primarily of fees paid and write-offs of unamortized debt issuance costs and original issue discount in connection with the repricing of our long-term debt in 2015 and the early repayment of a portion of our long-term debt in 2016.

Cotiviti Holdings, Inc.

2016 Adjusted EBITDA Guidance (Non-GAAP)

<i>(unaudited, in millions)</i>	Low	High
Net income	\$ 42	\$ 45
Adjustments to net income (excluding income taxes) ⁽¹⁾	163	160
Income tax expense ⁽²⁾	28	30
Adjusted EBITDA	<u>\$ 233</u>	<u>\$ 235</u>

⁽¹⁾ Adjustments to net income include depreciation and amortization, interest expense, other non-operating (income) expense, transaction-related expenses and other, stock-based compensation and loss on extinguishment of debt.

⁽²⁾ A 40% tax rate is assumed to approximate the Company's effective tax rate.

Cotiviti Holdings, Inc.

2016 Adjusted Net Income (Non-GAAP)

<i>(unaudited, in thousands)</i>	Q1	Q2	YTD 2016
Net income	\$ 8,084	\$ 10,893	\$ 18,977
Adjustments to net income:			
Amortization of Acquired Intangible Assets - Non Tax Deductible	10,402	10,402	20,804
Amortization of Acquired Intangible Assets - Tax Deductible	4,805	4,806	9,611
Loss on extinguishment of debt	-	7,068	7,068
Transaction-related expenses and other	240	653	893
Stock-based compensation	1,074	3,428	4,502
Tax effect of above adjustments ⁽¹⁾	(2,352)	(6,121)	(8,473)
Adjusted Net Income	<u>\$ 22,253</u>	<u>\$ 31,129</u>	<u>\$ 53,382</u>
Adjusted Net Income per diluted share	\$ 0.29	\$ 0.37	\$ 0.66

(1) This line represents the tax impact of the amortization of acquired intangible assets - tax deductible, loss on extinguishment of debt and stock-based compensation assuming a 40% tax rate.

Cotiviti Holdings, Inc.

2015 Adjusted Net Income (Non-GAAP)

<i>(unaudited, in thousands)</i>	Q1	Q2	Q3	Q4	2015
Net income (loss)	\$ 4,194	\$ 7,780	\$ (7,294)	\$ 9,183	\$ 13,863
Adjustments to net income (loss):					
Amortization of Acquired Intangible Assets - Non Tax Deductible	10,597	10,597	10,591	10,402	42,187
Amortization of Acquired Intangible Assets - Tax Deductible	4,812	4,813	4,846	4,809	19,280
Impairment of intangible assets	-	-	27,826	-	27,826
Loss on extinguishment of debt	-	4,084	-	-	4,084
Transaction-related expenses and other	-	-	354	1,115	1,469
Stock-based compensation	603	616	405	1,775	3,399
Gain on discontinued operations	(900)	-	-	-	(900)
Tax effect of above adjustments ⁽¹⁾	(1,806)	(3,805)	(10,220)	(2,634)	(18,465)
Adjusted Net Income	<u>\$ 17,500</u>	<u>\$ 24,085</u>	<u>\$ 26,508</u>	<u>\$ 24,650</u>	<u>\$ 92,743</u>
Adjusted Net Income per diluted share	\$ 0.23	\$ 0.31	\$ 0.34	\$ 0.32	\$ 1.19

(1) This line represents the tax impact of the amortization of acquired intangible assets - tax deductible, a portion of impairment of intangible assets, loss on extinguishment of debt, stock-based compensation and gain on discontinued operations assuming a 40% tax rate.

Cotiviti Holdings, Inc.

Consolidated Balance Sheet Data

Balance Sheet Data:

<i>(in thousands)</i>	June 30, 2016	December 31, 2015
	<u>(unaudited)</u>	
Cash and cash equivalents	\$ 45,703	\$ 149,365
Total assets	2,003,428	2,147,007
Total long-term debt	803,663	1,034,070
Total liabilities	1,116,605	1,359,411
Total stockholders' equity	886,823	787,596
Net debt leverage	3.5x	4.5x
Working capital	25,175	123,887

Cotiviti Holdings, Inc.

Cash Flow Data

Cash Flow Data:

(in thousands)

	Six Months Ended		Year Ended
	June 30,		December 31,
	2016	2015	2015
	<i>(unaudited)</i>		
Operating Cash Flow	\$ 72,574	\$ 12,844	\$ 63,154
Capex	14,019	6,324	22,982
Free Cash Flow	58,555	6,520	40,172

