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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

**(MARK ONE)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
| x | | | **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** | | |

**For the quarter ended March 31, 2022**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
| o | | | **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** | | |

**For the transition period from                    to**

**Commission file number: 001-39228**

**MULTIPLAN CORPORATION**

(Exact Name of Registrant as Specified in Its Charter)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |
| **Delaware** | | |  | | | **84-3536151** | | |
| (State or other jurisdiction of incorporation or organization) | | |  | | | (I.R.S. Employer Identification No.) | | |

**115 Fifth Avenue**

**New York, NY 10003**

(Address of principal executive offices)

**(212) 780-2000**

(Issuer’s telephone number)

Securities registered pursuant to Section 12(b) of the Act:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Title of each class** | | |  | | | **Trading Symbol** | | |  | | | **Name of each exchange on which registered** | | |
| Shares of Class A common stock, $0.0001 par value per share | | |  | | | MPLN | | |  | | | New York Stock Exchange | | |
|  | | |  | | |  | | |  | | |  | | |
| Warrants | | |  | | | MPLN.WS | | |  | | | New York Stock Exchange | | |

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes   x  No   o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes   x  No   o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of “large accelerated filer”, “accelerated filer”, “smaller reporting company”, and “emerging growth company” in Rule 12b-2 of the Exchange Act.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Large accelerated filer | | | x | | |  | | | Accelerated filer | | | o | | |
| Non-accelerated filer | | | o | | |  | | | Smaller reporting company | | | o | | |
|  | | |  | | |  | | | Emerging growth company | | | o | | |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.  o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes     No

As of May 4, 2022, 639,013,168 shares of Class A common stock, par value $0.0001 per share, were issued and outstanding.

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GLOSSARY

Unless otherwise stated in this Quarterly Report on Form 10-Q (this "Quarterly Report") or the context otherwise requires, references to:

"2021 Annual Report" are to our Annual Report on Form 10-K for the fiscal year ended December 31, 2021;

"2020 Omnibus Incentive Plan" are to our 2020 Omnibus Incentive Plan, as it may be amended and/or restated from time to time;

"5.50% Senior Secured Notes" are to the $1,050,000,000 in aggregate principal amount of 5.50% Senior Secured Notes due 2028 issued by MPH;

"5.750% Notes" are to the $1,300,000,000 in aggregate principal amount of 5.750% Senior Notes due 2028 issued by MPH;

"7.125% Notes" are to the 7.125% Senior Notes due 2024 issued by MPH. All of the outstanding 7.125% Notes were redeemed on October 29, 2020;

"Adjusted EPS" are to adjusted earnings per share;

"ASU" are to Accounting Standard Update;

"Board" are to the board of directors of the Company;

"CARES Act" are to The Coronavirus Aid, Relief, and Economic Security Act;

"Cash Interest" are to interest paid in cash on the Senior Convertible PIK Notes;

"Churchill" are to Churchill Capital Corp III, a Delaware corporation, which changed its name to MultiPlan Corporation following the consummation of the Transactions;

"Churchill IPO" are to the initial public offering by Churchill which closed on February 19, 2020;

"Churchill's Class A common stock" are, prior to consummation of the Transactions, to Churchill's Class A common stock, par value $0.0001 per share and, following consummation of the Transactions, to our Class A common stock, par value $0.0001 per share;

"Class A common stock" are to MultiPlan's Class A common stock, par value $0.0001 per share;

"Closing" are to the consummation of the Mergers;

"Closing Date" are to October 8, 2020, the date on which the Transactions were consummated;

"Common PIPE Investment" are to the private placement pursuant to which Churchill entered into subscription agreements with certain investors whereby such investors subscribed for (a) 130,000,000 shares of Churchill's Class A common stock at a purchase price of $10.00 per share for an aggregate commitment of $1,300,000,000 and (b) warrants to purchase 6,500,000 shares of Churchill's Class A Common Stock (for each share of Churchill's Class A common stock subscribed, the investor received 1/20th of a warrant to purchase one share of Churchill's Class A common stock, with each whole warrant having a strike price of $12.50 per share and a maturity date of October 8, 2025). The Common PIPE Investment was subject to an original issue discount (which was paid in additional shares of Churchill's Class A common stock) of 1% for subscriptions of $250,000,000 or less and 2.5% for subscriptions of more than $250,000,000, which resulted in an additional 2,050,000 shares of Churchill's Class A common stock being issued. The Common PIPE Investment was consummated on the Closing Date;

"common stock" are, prior to the consummation of the Transactions, to Churchill's Class A common stock and Churchill's Class B common stock and, following consummation of the Transactions, to the Class A common stock;

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"Company" are, prior to the consummation of the Transactions, to Churchill and, following consummation of the Transactions, to MultiPlan Corporation;

"Convertible PIPE Investment" are to the private placement pursuant to which the Company entered into subscription agreements with certain investors whereby such Convertible PIPE Investors agreed to buy $1,300,000,000 in aggregate principal amount of Senior Convertible PIK Notes. The Convertible PIPE Investment was consummated on the Closing Date;

"Convertible PIPE Investors" are to the investors participating in the Convertible PIPE Investment;

"COVID-19" are to the COVID-19 pandemic;

"DHP" are to Discovery Health Partners;

"Director RSUs" are to restricted stock units issued to the Company's Non-Employee Directors under the 2020 Omnibus Incentive Plan (other than those Non-Employee Directors who have elected to forego their right to director compensation);

"Employee RS" are to grants of restricted stock awarded to certain employees under the 2020 Omnibus Incentive Plan;

"Employee RSUs" are to grants of restricted stock units awarded to certain employees under the 2020 Omnibus Incentive Plan;

"Employee NQSOs" are to grants of non-qualified stock options awarded to certain employees under the 2020 Omnibus Incentive Plan;

"EPS" are to Earnings and Loss Per Share;

"Exchange Act" are to the Securities Exchange Act of 1934, as amended;

"FASB" are to the Financial Accounting Standards Board;

"First Merger Sub" are to Music Merger Sub I, Inc., a Delaware corporation and direct, wholly owned subsidiary of the Company;

"Fixed Value RSUs" are to restricted stock units granted based on a fixed monetary amount under the 2020 Omnibus Incentive Plan in accordance with the terms of the related side letter;

"founder shares" are to shares of Churchill's Class B common stock and Churchill's Class A common stock issued upon the automatic conversion thereof in connection with the Closing;

"GAAP" are to generally accepted accounting principles in United States of America;

"H&F" are to Hellman & Friedman Capital Partners VIII, L.P.;

"Holdings" are to Polaris Investment Holdings, L.P.;

"HST" are to HSTechnology Solutions, Inc.;

"Integration expenses" are costs associated with the integration of acquired companies into MultiPlan;

"KG" are to The Klein Group, LLC, an affiliate of Michael Klein and the Sponsor and an affiliate and wholly owned subsidiary of M. Klein and Company. KG (and not the Sponsor) was engaged by Churchill to act as Churchill's financial advisor in connection with the Transactions, and as a placement agent in connection with the PIPE Investment as more fully described herein;

"LIBOR" are to London Interbank Offered Rate;

"M. Klein and Company" are to M. Klein and Company, LLC, a Delaware limited liability company, and its affiliates;

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"Merger Agreement" are to that certain Agreement and Plan of Merger, dated as of July 12, 2020, by and among Churchill, MultiPlan Parent, Holdings, First Merger Sub and Second Merger Sub, as the same has been or may be amended, modified, supplemented or waived from time to time;

"Mergers" are to, together, (a) the merger of First Merger Sub with and into MultiPlan Parent with MultiPlan Parent being the surviving company in the merger (the "First Merger") and (b) immediately following and as part of the same transaction as the First Merger, the merger of MultiPlan Parent with and into Second Merger Sub, with Second Merger Sub surviving the merger as a wholly owned subsidiary of Churchill (the "Second Merger");

"MPH" are to MPH Acquisition Holdings LLC;

"MultiPlan" are, prior to consummation of the Transactions, to MultiPlan Parent and its consolidated subsidiaries and, following consummation of the Transactions, to MultiPlan Corporation and its consolidated subsidiaries;

"MultiPlan Parent" are to Polaris Parent Corp., a Delaware corporation;

"Non-Employee Director" are to each member of our Board that is not an employee of the Company or any parent or subsidiary of the Company;

"Non-income taxes" includes personal property taxes, real estate taxes, sales and use taxes and franchise taxes which are included in cost of services and general and administrative expenses;

"Other (income) expenses" represents miscellaneous income, miscellaneous expenses, gain or loss on disposal of assets, gain or loss on disposal of leases, tax penalties, and management fees;

"Payors" are our customers which include large national insurance companies, Blue Cross and Blue Shield plans, provider-sponsored and independent health plans, third party administrators, bill review companies, Taft-Hartley plans and other entities that pay medical bills related to the commercial healthcare, government, workers' compensation and auto medical markets

"PSAV" are to percentage of savings;

"PEPM" are to per-employee-per-month;

"PIK Interest" are to interest paid through an increase in the principal amount of the outstanding Senior Convertible PIK Notes or through the issuance of additional Senior Convertible PIK Notes;

"PIPE Investment" are to, collectively, the Common PIPE Investment and the Convertible PIPE Investment;

"PIPE Warrants" are to the warrants to purchase Churchill's Class A common stock issued in connection with the Common PIPE Investment, on terms identical to the terms of the Private Placement Warrants, other than the exercise period that started on November 7, 2020, the exercise price which is $12.50 per share and the redemption feature that exists for all holders of the PIPE warrants.

"Polaris" is Polaris Parent Corp., a Delaware corporation and direct, wholly owned subsidiary of Holdings and parent company to MultiPlan, Inc.;

"PPOs" are to Preferred Provider Organizations;

"Private Placement Warrants" are to warrants issued to the Sponsor in a private placement simultaneously with the closing of the Churchill IPO and the Working Capital Warrants whose terms are identical to the Private Placement Warrants;

"Public Warrants" are to the Company's warrants sold as part of the units in the Churchill IPO (whether they were purchased in the Churchill IPO or thereafter in the open market);

"Refinancing" are to (a) the consummation of the 5.750% Notes offering by MPH and the increase of the revolving credit facility under the senior secured credit facilities from $100.0 million to $450.0 million and (b) the repayment of all outstanding 7.125% Notes and $369.0 million of indebtedness under MPH's term loan facility with the net proceeds of the 5.750% Notes offering, together with cash on hand, which occurred on October 29, 2020;

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"Revolver B" are to the revolving credit facility in conjunction with Term Loan B and maturing on August 24, 2026;

"Revolver G" are to the revolving credit facility in conjunction with Term Loan G and replaced by Revolver B on August 24, 2021;

"revolving credit facility" are to MPH's $450.0 million senior secured revolving credit facility;

"SEC" are to the United States Securities and Exchange Commission;

"Second Merger Sub" are to Music Merger Sub II, LLC, a Delaware limited liability company and direct, wholly owned subsidiary of the Company;

"Senior Convertible PIK Notes" are the 6.00% / 7.00% Convertible Senior PIK Toggle Notes due 2027;

"Senior PIK Notes" are to the 8.500% / 9.250% Senior PIK Toggle Notes due 2022 issued by Polaris Intermediate Corp. on November 21, 2017. All of the outstanding Senior PIK Notes were redeemed on October 8, 2020;

"senior secured credit facilities" are to MPH's senior secured credit facilities which, before August 24, 2021, consist of (a) a $2,341.0 million term loan facility maturing on June 7, 2023 and (b) a $450.0 million revolving credit facility maturing on June 7, 2023, and as of and after August 24, 2021 consist of (a) a $1,325.0 million term loan facility maturing on September 1, 2028 and (b) a $450.0 million revolving credit facility maturing on August 24, 2026;

"Sponsor" are to Churchill Sponsor III, LLC, a Delaware limited liability company and an affiliate of M. Klein and Company in which certain of Churchill's directors and officers hold membership interests;

"Sponsor Note" are to the unsecured promissory note issued by the Company to the Sponsor in an aggregate principal amount of $1,500,000. The Sponsor converted the unpaid balance of the Sponsor Note into Working Capital Warrants in connection with the Closing;

"Subscription Agreements" are to, collectively, the (a) common stock subscription agreements entered into (i) by and between Churchill and the PIF and (ii) by and among Churchill, Holdings and MultiPlan Parent, on the one hand, and certain investment funds, on the other hand, in each case, dated as of July 12, 2020 and entered into in connection with the Common PIPE Investment and (b) subscription agreements, dated as of July 12, 2020, entered into in connection with the Convertible PIPE Investment;

"Term Loan B" are to a term loan payable borrowed on August 24, 2021 in the amount of $1,325.0 million with a group of lenders due and payable on September 1, 2028;

"Term Loan G" are to a term loan payable borrowed on June 7, 2016 in the amount of $3,500.0 million with a group of lenders and was repaid in full on August 24, 2021;

"Transactions" are to the Mergers, together with the other transactions contemplated by the Merger Agreement and the related agreements;

"Transaction-related expenses" represents transaction costs, including those related to the Transactions and the acquisitions of HST and DHP.

"warrants" are to the Public Warrants, the Private Placement Warrants, the PIPE Warrants and the Working Capital Warrants;

"we," "our" or "us" are to MultiPlan and its consolidated subsidiaries; and

"Working Capital Warrants" are to the warrants to purchase Churchill's Class A common stock pursuant to the terms of the Sponsor Note, on terms identical to the terms of the Private Placement Warrants.

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**Part I. Financial Information**

**Item 1. Financial Statements**

**MULTIPLAN CORPORATION**

**Unaudited Condensed Consolidated Balance Sheets**

*(in thousands, except share and per share data)*

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **March 31, 2022** | | |  | | | **December 31, 2021** | | |
| **Assets** | | |  | | |  | | |  | | |
| Current assets: | | |  | | |  | | |  | | |
| Cash and cash equivalents | | | $ | 350,830 |  |  | | | $ | 185,328 |  |
| Restricted cash | | | 2,958 | |  |  | | | 3,051 | |  |
| Trade accounts receivable, net | | | 78,206 | |  |  | | | 99,905 | |  |
| Prepaid expenses | | | 21,872 | |  |  | | | 24,910 | |  |
| Prepaid taxes | | | — | |  |  | | | 5,064 | |  |
| Other current assets, net | | | 909 | |  |  | | | 999 | |  |
| Total current assets | | | 454,775 | |  |  | | | 319,257 | |  |
| Property and equipment, net | | | 221,047 | |  |  | | | 213,238 | |  |
| Operating lease right-of-use assets | | | 27,715 | |  |  | | | 30,104 | |  |
| Goodwill | | | 4,363,121 | |  |  | | | 4,363,070 | |  |
| Other intangibles, net | | | 3,199,883 | |  |  | | | 3,285,037 | |  |
| Other assets | | | 9,227 | |  |  | | | 9,701 | |  |
| Total assets | | | $ | 8,275,768 |  |  | | | $ | 8,220,407 |  |
| **Liabilities and Shareholders’ Equity** | | |  | | |  | | |  | | |
| Current liabilities: | | |  | | |  | | |  | | |
| Accounts payable | | | $ | 10,939 |  |  | | | $ | 13,005 |  |
| Accrued interest | | | 78,147 | |  |  | | | 55,685 | |  |
| Accrued taxes | | | 41,983 | |  |  | | | — | |  |
| Operating lease obligation, short-term | | | 7,219 | |  |  | | | 6,883 | |  |
| Current portion of long-term debt | | | 13,250 | |  |  | | | 13,250 | |  |
| Accrued compensation | | | 24,558 | |  |  | | | 25,419 | |  |
| Other accrued expenses | | | 25,872 | |  |  | | | 27,666 | |  |
| Total current liabilities | | | 201,968 | |  |  | | | 141,908 | |  |
| Long-term debt | | | 4,878,386 | |  |  | | | 4,879,144 | |  |
| Operating lease obligation, long-term | | | 24,037 | |  |  | | | 26,725 | |  |
| Private Placement Warrants and unvested founder shares | | | 61,259 | |  |  | | | 74,000 | |  |
| Deferred income taxes | | | 718,533 | |  |  | | | 753,825 | |  |
| Other liabilities | | | 109 | |  |  | | | 135 | |  |
| Total liabilities | | | 5,884,292 | |  |  | | | 5,875,737 | |  |
| Commitments and contingencies (Note 5) | | |  | | |  | | |  | | |
| Shareholders’ equity: | | |  | | |  | | |  | | |
| Shareholder interests | | |  | | |  | | |  | | |
| Preferred stock, $0.0001 par value — 10,000,000 shares authorized; no shares issued | | | — | |  |  | | | — | |  |
| Common stock, $0.0001 par value — 1,500,000,000 shares authorized; 666,045,694 and 665,456,180 issued; 638,928,288 and 638,338,774 shares outstanding | | | 67 | |  |  | | | 67 | |  |
| Additional paid-in capital | | | 2,314,488 | |  |  | | | 2,311,660 | |  |
| Retained earnings | | | 269,090 | |  |  | | | 225,112 | |  |
| Treasury stock — 27,117,406 and 27,117,406 shares | | | (192,169) | |  |  | | | (192,169) | |  |
| Total shareholders’ equity | | | 2,391,476 | |  |  | | | 2,344,670 | |  |
| Total liabilities and shareholders’ equity | | | $ | 8,275,768 |  |  | | | $ | 8,220,407 |  |

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

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**MULTIPLAN CORPORATION**

**Unaudited Condensed Consolidated Statements of Income and Comprehensive Income**

*(in thousands, except share and per share data)*

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  |  | **Three Months Ended March 31,** | | | | | | |  |  |  |  |  |  |
|  | | |  |  |  |  | | | **2022** | | |  | | | **2021** | | |
| Revenues | | |  |  |  |  | | | $ | 298,046 |  |  | | | $ | 254,864 |  |
| Costs of services (exclusive of depreciation and amortization of intangible assets shown below) | | |  |  |  |  | | | 47,072 | |  |  | | | 39,730 | |  |
| General and administrative expenses | | |  |  |  |  | | | 32,588 | |  |  | | | 31,996 | |  |
| Depreciation | | |  |  |  |  | | | 16,596 | |  |  | | | 16,165 | |  |
| Amortization of intangible assets | | |  |  |  |  | | | 85,154 | |  |  | | | 84,708 | |  |
| Total expenses | | |  |  |  |  | | | 181,410 | |  |  | | | 172,599 | |  |
| Operating income | | |  |  |  |  | | | 116,636 | |  |  | | | 82,265 | |  |
| Interest expense | | |  |  |  |  | | | 71,445 | |  |  | | | 63,717 | |  |
| Interest income | | |  |  |  |  | | | (12) | |  |  | | | (4) | |  |
|  | | |  |  |  |  | | |  | | |  | | |  | | |
| Gain on investments | | |  |  |  |  | | | (289) | |  |  | | | — | |  |
| Change in fair value of Private Placement Warrants and unvested founder shares | | |  |  |  |  | | | (12,741) | |  |  | | | (40,375) | |  |
| Net income before taxes | | |  |  |  |  | | | 58,233 | |  |  | | | 58,927 | |  |
| Provision for income taxes | | |  |  |  |  | | | 14,255 | |  |  | | | 13,050 | |  |
| Net income | | |  |  |  |  | | | $ | 43,978 |  |  | | | $ | 45,877 |  |
|  | | |  |  |  |  | | |  | | |  | | |  | | |
| Weighted average shares outstanding – Basic | | |  |  |  |  | | | *638,497,587* | |  |  | | | *655,113,523* | |  |
| Weighted average shares outstanding – Diluted | | |  |  |  |  | | | *639,015,094* | |  |  | | | *655,113,653* | |  |
|  | | |  |  |  |  | | |  | | |  | | |  | | |
| Net income per share – Basic | | |  |  |  |  | | | *$* | *0.07* |  |  | | | *$* | *0.07* |  |
| Net income per share – Diluted | | |  |  |  |  | | | *$* | *0.07* |  |  | | | *$* | *0.07* |  |
|  | | |  |  |  |  | | |  | | |  | | |  | | |
| Comprehensive income | | |  |  |  |  | | | $ | 43,978 |  |  | | | $ | 45,877 |  |

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

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**MULTIPLAN CORPORATION**

**Unaudited Condensed Consolidated Statements of Shareholders' Equity**

*(in thousands, except share data)*

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | | **Three Months Ended March 31, 2022** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | | **Common Stock Issued** | | | | | | | | |  | | | **Additional Paid-in Capital** | | |  | | | **Retained Earnings** | | |  | | | **Treasury stock** | | | | | | | | |  | | | **Total Shareholders’ Equity** | | |
|  | | |  | | | **Shares** | | |  | | | **Amount** | | |  | | |  | | |  | | | **Shares** | | |  | | | **Amount** | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Balance at beginning of period** | | |  | | | 665,456,180 | |  |  | | | $ | 67 |  |  | | | $ | 2,311,660 |  |  | | | $ | 225,112 |  |  | | | (27,117,406) | |  |  | | | $ | (192,169) |  |  | | | $ | 2,344,670 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| 2020 Omnibus Incentive Plan | | |  | | | 589,514 | |  |  | | | — | |  |  | | | 4,785 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 4,785 | |  |
| Tax withholding related to vesting of equity awards | | |  | | | — | |  |  | | | — | |  |  | | | (1,957) | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | (1,957) | |  |
| Net income | | |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 43,978 | |  |  | | | — | |  |  | | | — | |  |  | | | 43,978 | |  |
| **Balance at end of period** | | |  | | | 666,045,694 | |  |  | | | $ | 67 |  |  | | | $ | 2,314,488 |  |  | | | $ | 269,090 |  |  | | | (27,117,406) | |  |  | | | $ | (192,169) |  |  | | | $ | 2,391,476 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | | **Three Months Ended March 31, 2021** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | | **Common Stock Issued** | | | | | | | | |  | | | **Additional Paid-in Capital** | | |  | | | **Retained Earnings** | | |  | | | **Treasury stock** | | | | | | | | |  | | | **Total Shareholders’ Equity** | | |
|  | | |  | | | **Shares** | | |  | | | **Amount** | | |  | | |  | | |  | | | **Shares** | | |  | | | **Amount** | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Balance at beginning of period** | | |  | | | 664,183,318 | |  |  | | | $ | 66 |  |  | | | $ | 2,530,410 |  |  | | | $ | 116,999 |  |  | | | (9,107,963) | |  |  | | | $ | (89,610) |  |  | | | $ | 2,557,865 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Cumulative effect of ASU 2020-06 on the accounting for convertible instruments | | |  | | | — | |  |  | | | — | |  |  | | | (233,874) | |  |  | | | 6,033 | |  |  | | | — | |  |  | | | — | |  |  | | | (227,841) | |  |
| 2020 Omnibus Incentive Plan | | |  | | | 93,750 | |  |  | | | — | |  |  | | | 968 | |  |  | | | — | |  |  | | |  | | |  | | | — | |  |  | | | 968 | |  |
| Tax withholding related to vesting of equity awards | | |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | (36,498) | |  |  | | | (264) | |  |  | | | (264) | |  |
| Net income | | |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 45,877 | |  |  | | | — | |  |  | | | — | |  |  | | | 45,877 | |  |
| **Balance at end of period** | | |  | | | 664,277,068 | |  |  | | | $ | 66 |  |  | | | $ | 2,297,504 |  |  | | | $ | 168,909 |  |  | | | (9,144,461) | |  |  | | | $ | (89,874) |  |  | | | $ | 2,376,605 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

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**MULTIPLAN CORPORATION**

**Unaudited Condensed Consolidated Statements of Cash Flows**

*(in thousands)*

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Three Months Ended March 31,** | | | | | | | | |
|  | | | **2022** | | |  | | | **2021** | | |
| Operating activities: | | |  | | |  | | |  | | |
| Net income | | | $ | 43,978 |  |  | | | $ | 45,877 |  |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |  | | |  | | |  | | |
| Depreciation | | | 16,596 | |  |  | | | 16,165 | |  |
| Amortization of intangible assets | | | 85,154 | |  |  | | | 84,708 | |  |
| Amortization of the right-of-use asset | | | 1,683 | |  |  | | | 1,779 | |  |
| Stock-based compensation | | | 3,130 | |  |  | | | 968 | |  |
| Deferred income taxes | | | (35,343) | |  |  | | | (47,049) | |  |
| Non-cash interest costs | | | 2,577 | |  |  | | | 2,884 | |  |
|  | | |  | | |  | | |  | | |
| Gain on equity investments | | | (289) | |  |  | | | — | |  |
| Loss on disposal of property and equipment | | | 49 | |  |  | | | 630 | |  |
| Change in fair value of Private Placement Warrants and unvested founder shares | | | (12,741) | |  |  | | | (40,375) | |  |
| Changes in assets and liabilities, net of assets acquired and liabilities assumed from acquisitions: | | |  | | |  | | |  | | |
| Accounts receivable, net | | | 21,699 | |  |  | | | 11,960 | |  |
| Prepaid expenses and other assets | | | 3,602 | |  |  | | | (3,555) | |  |
| Prepaid taxes | | | 5,064 | |  |  | | | — | |  |
| Operating lease obligation | | | (1,646) | |  |  | | | (150) | |  |
| Accounts payable and accrued expenses and other | | | 61,424 | |  |  | | | 97,065 | |  |
| Net cash provided by operating activities | | | 194,937 | |  |  | | | 170,907 | |  |
| Investing activities: | | |  | | |  | | |  | | |
| Purchases of property and equipment | | | (24,454) | |  |  | | | (18,113) | |  |
| Proceeds from sale of investment | | | 289 | |  |  | | | 5,616 | |  |
|  | | |  | | |  | | |  | | |
| HST Acquisition, net of cash acquired | | | — | |  |  | | | (28) | |  |
| DHP Acquisition, net of cash acquired | | | — | |  |  | | | (149,873) | |  |
| Net cash used in investing activities | | | (24,165) | |  |  | | | (162,398) | |  |
| Financing activities: | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |
| Repayments of Term Loan B | | | (3,313) | |  |  | | | — | |  |
|  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |
| Taxes paid on settlement of vested share awards | | | (1,957) | |  |  | | | (264) | |  |
|  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |
| Borrowings on finance leases, net | | | — | |  |  | | | 32 | |  |
| Net cash used in financing activities | | | (5,270) | |  |  | | | (232) | |  |
| Net increase in cash and cash equivalents | | | 165,502 | |  |  | | | 8,277 | |  |
| Cash and cash equivalents at beginning of period | | | 185,328 | |  |  | | | 126,755 | |  |
| Cash and cash equivalents at end of period | | | $ | 350,830 |  |  | | | $ | 135,032 |  |
|  | | |  | | |  | | |  | | |
| Cash and cash equivalents | | | $ | 350,830 |  |  | | | $ | 135,032 |  |
| Restricted cash | | | 2,958 | |  |  | | | — | |  |
| Cash, cash equivalents and restricted cash at end of period | | | $ | 353,788 |  |  | | | $ | 135,032 |  |
|  | | |  | | |  | | |  | | |
| **Noncash investing and financing activities:** | | |  | | |  | | |  | | |
| Purchases of property and equipment not yet paid | | | $ | 4,918 |  |  | | | $ | 5,056 |  |
| Operating lease right-of-use assets obtained in exchange for operating lease liabilities | | | $ | 40 |  |  | | | $ | — |  |
| **Supplemental disclosure of cash flow information:** | | |  | | |  | | |  | | |
| Cash paid during the period for: | | |  | | |  | | |  | | |
| Interest | | | $ | (46,197) |  |  | | | $ | (22,279) |  |
| Income taxes, net of refunds | | | $ | (2,833) |  |  | | | $ | (3,000) |  |

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

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**MULTIPLAN CORPORATION**

**Notes to Unaudited Condensed Consolidated Financial Statements**

**1.General Information and Basis of Accounting**

**General Information**

We are a provider of data analytics and technology-enabled solutions designed to bring affordability, efficiency and fairness to the U.S. healthcare industry. We do so through services focused on reducing medical cost and improving payment accuracy for the payors of healthcare, which are health insurers, self-insured employers and other health plan sponsors (typically through their health plan administrators), and, indirectly, the plan members who are the consumers of healthcare services.

Throughout the notes to the unaudited condensed consolidated financial statements, unless otherwise noted, "we," "us," "our", "MultiPlan", and the "Company" and similar terms refer to Polaris and its subsidiaries prior to the consummation of the Transactions, and MultiPlan and its subsidiaries after the Transactions.

**Basis of Presentation and Consolidation**

The accompanying unaudited condensed consolidated financial statements of MultiPlan Corporation have been prepared pursuant to the rules and regulations for reporting on Form 10-Q. Certain information and disclosures required by accounting principles generally accepted in the United States (GAAP) for complete consolidated financial statements have been condensed or omitted pursuant to the SEC’s rules and regulations, although management believes that the disclosures are adequate and make the information presented not misleading. The unaudited condensed consolidated financial statements and notes herein should be read in conjunction with the audited consolidated financial statements of MultiPlan Corporation and the notes thereto, included in the Company’s 2021 Annual Report. In the opinion of management, all adjustments, which are of a normal and recurring nature (except as otherwise noted), necessary for a fair statement of the Company’s financial position as of March 31, 2022 and December 31, 2021, and its results of operations for the three months ended March 31, 2022 and 2021 and cash flows for the three months ended March 31, 2022 and 2021 have been included.

**Summary of Significant Accounting Policies**

**Use of Estimates**

The preparation of the unaudited condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting periods. Actual results could differ from the Company's estimates. Estimates are periodically reviewed in light of changes in circumstances, facts and experience. Changes in estimates are recorded in the period in which they become known. Significant estimates and assumptions reflected in these unaudited condensed consolidated financial statements include, but are not limited to, revenue recognition, recoverability of long-lived assets, goodwill, valuation of Private Placement Warrants and unvested founder shares, valuation of stock-based compensation awards and income taxes.

**COVID-19**

COVID-19 has negatively impacted our business, results of operations and financial condition since the first quarter of 2020 as various federal, state, and local governments and private entities mandated, and in some cases continue to mandate, restrictions on travel, restrictions on public gatherings, closure of non-essential commerce, and shelter in place orders. For the three months ended March 31, 2022, the Company’s revenues continue to be negatively impacted as a result of the medical charges received on non-COVID claims from customers not yet reaching pre-COVID-19 pandemic levels due to fewer elective medical procedures and non-essential medical services. Such negative impacts, however, have been to a lesser extent compared to the same period in 2020 and 2021 as vaccination rates have increased and restrictions on medical services have been lifted. The extent of the ultimate impact of COVID-19 will depend on the severity and duration of the evolving pandemic. Future developments remain uncertain, including the number of confirmed cases, the emergence of highly contagious variants, and any actions taken by federal, state and local governments such as economic relief efforts, as well as U.S. and global economies, consumer behavior and healthcare utilization patterns.

**Segment Reporting**

Operating segments are defined as components of an entity for which separate financial information is available and regularly reviewed by the chief operating decision maker. The Company manages its operations as a single segment for the

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**MULTIPLAN CORPORATION**

**Notes to Unaudited Condensed Consolidated Financial Statements**

purposes of assessing performance and making decisions. The Company's singular focus is being a leading value-added provider of data analytics and technology-enabled end-to-end cost management, payment and revenue integrity solutions to the U.S. healthcare industry.

In addition, all of the Company's revenues and long-lived assets are attributable to operations in the United States for all periods presented.

**Revenue Recognition**

*Disaggregation of Revenue*

The following table presents revenues disaggregated by services and contract types:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  |  | **Three Months Ended March 31,** | | | | |  |  |  |  |  |  |
| **(in thousands)** | | |  |  |  |  | **2022** | | |  | | | **2021** | | |
| Revenues | | |  |  |  |  |  | | |  | | |  | | |
| **Network-Based Services** | | |  |  |  |  | **$** | **68,624** |  |  | | | **$** | **69,365** |  |
| *PSAV* | | |  |  |  |  | *51,963* | |  |  | | | *54,242* | |  |
| *PEPM* | | |  |  |  |  | *14,938* | |  |  | | | *13,515* | |  |
| *Other* | | |  |  |  |  | *1,723* | |  |  | | | *1,608* | |  |
| **Analytics-Based Services** | | |  |  |  |  | **196,118** | |  |  | | | **157,160** | |  |
| *PSAV* | | |  |  |  |  | *190,292* | |  |  | | | *153,078* | |  |
| *PEPM* | | |  |  |  |  | *5,826* | |  |  | | | *4,082* | |  |
| **Payment and Revenue Integrity Services** | | |  |  |  |  | **33,304** | |  |  | | | **28,339** | |  |
| *PSAV* | | |  |  |  |  | *33,184* | |  |  | | | *28,280* | |  |
| *PEPM* | | |  |  |  |  | *120* | |  |  | | | *59* | |  |
| **Total Revenues** | | |  |  |  |  | **$** | **298,046** |  |  | | | **$** | **254,864** |  |
|  | | |  |  |  |  |  | | |  | | |  | | |

Due to the nature of our arrangements, certain estimates may be constrained if it is probable that a significant reversal of revenue will occur when the uncertainty is resolved. For our percentage of savings contracts, portions of revenue that is recognized and collected in a reporting period may be returned or credited in subsequent periods. These credits are the result of payers not utilizing the discounts that were initially calculated, or differences between the Company’s estimates of savings achieved for a customer and the amounts self-reported in the following month by that same customer. Significant judgment is used in constraining estimates of variable consideration, and is based upon both client-specific and aggregated factors that include historical billing and adjustment data, client contract terms, and performance guarantees. We update our estimates at the end of each reporting period as additional information becomes available. There have not been any material changes to estimates of variable consideration for performance obligations satisfied prior to the three months ended March 31, 2022.

The timing of payments from customers from time to time generates contract assets or contract liabilities, however these amounts are immaterial in all periods presented.

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**MULTIPLAN CORPORATION**

**Notes to Unaudited Condensed Consolidated Financial Statements**

**2.Long-Term Debt**

As of March 31, 2022, and December 31, 2021, long-term debt consisted of the following:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Key Terms** | | | | | | | | | | | | | | | | | | | | |  | | | **March 31, 2022** | | |  | | | **December 31, 2021** | | |
| **(in thousands)** | | | **Character** | | |  | | | **Priority** | | |  | | | **Maturity** | | |  | | | **Coupon** | | |  | | |  | | |
| Term Loan B | | | Term Loan | | |  | | | Senior Secured | | |  | | | 9/1/2028(1) | | |  | | | Variable(2) | | |  | | | $ | 1,318,375 |  |  | | | $ | 1,321,688 |  |
| 5.50% Senior Secured Notes | | | Notes | | |  | | | Senior Secured | | |  | | | 9/1/2028 | | |  | | | 5.50% | | |  | | | 1,050,000 | |  |  | | | 1,050,000 | |  |
| 5.750% Notes | | | Notes | | |  | | | Senior Unsecured | | |  | | | 11/1/2028 | | |  | | | 5.750% | | |  | | | 1,300,000 | |  |  | | | 1,300,000 | |  |
| Senior Convertible PIK Notes | | | Convertible Notes(3) | | |  | | | Senior Unsecured | | |  | | | 10/15/2027 | | |  | | | Cash Interest 6.00%, PIK Interest 7.00% | | |  | | | 1,300,000 | |  |  | | | 1,300,000 | |  |
| Finance lease obligations, non-current | | | Other | | |  | | | Senior Secured | | |  | | | 2022-2024 | | |  | | | 3.38% - 20.31% | | |  | | | 49 | |  |  | | | 71 | |  |
| Long-term debt | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | | 4,968,424 | |  |  | | | 4,971,759 | |  |
| Less: current portion of long-term debt | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | | (13,250) | |  |  | | | (13,250) | |  |
| Discount - Term Loan B | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | | (12,436) | |  |  | | | (12,864) | |  |
| Discount – Senior Convertible PIK Notes | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | | (26,711) | |  |  | | | (27,715) | |  |
| Less: debt discounts, net | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | | (39,147) | |  |  | | | (40,579) | |  |
| Debt issuance costs - Term Loan B | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | | (6,775) | |  |  | | | (7,008) | |  |
| Debt issuance costs - 5.50% Senior Secured Notes | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | | (13,801) | |  |  | | | (14,188) | |  |
| Debt issuance costs - 5.750% Notes | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | | (17,065) | |  |  | | | (17,590) | |  |
| Less: debt issuance costs, net | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | | (37,641) | |  |  | | | (38,786) | |  |
| Long-term debt, net | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | | $ | 4,878,386 |  |  | | | $ | 4,879,144 |  |

(1)Beginning December 31, 2021 and quarterly thereafter, we shall repay a principal amount of the Term Loan B equal to 0.25% of the initial aggregate principal of $1,325.0 million. These scheduled principal repayments may be reduced by any voluntary or mandatory prepayments made in accordance with the credit agreement.

(2)Interest on Term Loan B and Revolver B is calculated, at MPH's option, as (a) LIBOR (or, with respect to the term loan facility only, 0.50%, whichever is higher), plus the applicable margin, or (b) the highest rate of (1) prime rate, (2) the federal funds effective rate, plus 0.50%, (3) the LIBOR for an interest period of one month, plus 1.00% and (4) 0.50% for Term Loan B and 1.00% for Revolver B, in each case, plus an applicable margin of 4.25% for Term Loan B and between 3.50% and 4.00% for Revolver B, depending on MPH's first lien debt to consolidated EBITDA ratio. The interest rate in effect for Term Loan B was 4.76% as of March 31, 2022.

(3)The Senior Convertible PIK Notes are convertible into shares of Class A common stock based on a $13.00 conversion price, subject to customary anti-dilution adjustments.

**3.Private Placement Warrants and Unvested Founder Shares**

The Company classifies the Private Placement Warrants and unvested founder shares as a liability on its unaudited condensed consolidated balance sheets as these instruments are precluded from being indexed to our own stock given the terms allow for a settlement that does not meet the scope of the fixed-for-fixed exception in Accounting Standards Codification 815.

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The Private Placement Warrants and unvested founder shares were initially recorded at fair value on the date of consummation of the Transactions and are subsequently adjusted to fair value at each subsequent reporting date. The fair value of the unvested founder shares and unvested Private Placement Warrants is obtained using a Monte Carlo model and the fair value of the remaining Private Placement Warrants using a Black Scholes model, together referenced as the "option pricing" model. The Company will continue to adjust the liability for changes in fair value for the founder shares until the earlier of the re-vesting or forfeiture of these instruments. The Company will continue to adjust the liability for changes in fair value for the Private Placement Warrants until the warrant is equity classified.

As of March 31, 2022 and December 31, 2021, the fair value of the Private Placement Warrants were $29.3 million and $38.0 million, respectively, and the fair value of the unvested founder shares were $32.0 million and $36.0 million, respectively. For the three months ended March 31, 2022, and primarily as a result of the variations in the price of the Company's Class A common stock over those periods, the fair value of the Private Placement Warrants decreased by $8.7 million and the fair value of the unvested founder shares decreased by $4.0 million. The corresponding gain is recognized within change in fair value of Private Placement Warrants and unvested founder shares in the unaudited condensed consolidated statements of income and comprehensive income.

**4.Fair Value Measurements**

Fair value measurements are based on the premise that fair value represents an exit price representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the following three-tier fair value hierarchy has been used in determining the inputs used in measuring fair value:

•Level 1 — Quoted prices in active markets for identical assets or liabilities on the reporting date.

•Level 2 — Inputs, other than quoted prices in active markets (Level 1), that are observable for the asset or liability, either directly or indirectly.

•Level 3 — Unobservable inputs in which there is little or no market data, which require the entity to develop its own assumptions

**Financial instruments**

Certain financial instruments which are not measured at fair value on a recurring basis include cash and cash equivalents, accounts receivable and accounts payable, which approximate fair value due to their short-term nature. The financial instrument that potentially subjects the Company to concentrations of credit risk consists primarily of accounts receivable.

As of March 31, 2022 and December 31, 2021, the Company's carrying amount and fair value of long-term debt consisted of the following:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **March 31, 2022** | | | | | | | | |  | | | **December 31, 2021** | | | |  |  |  |
| **(in thousands)** | | | **Carrying Amount** | | |  | | | **Fair Value** | | |  | | | **Carrying Amount** | | |  | **Fair Value** | | |
| Liabilities: | | |  | | |  | | |  | | |  | | |  | | |  |  | | |
| Term Loan B, net of discount | | | $ | 1,305,939 |  |  | | | $ | 1,270,026 |  |  | | | $ | 1,308,824 |  |  | $ | 1,294,312 |  |
| 5.50% Senior Secured Notes | | | 1,050,000 | |  |  | | | 1,008,420 | |  |  | | | 1,050,000 | |  |  | 1,029,680 | |  |
| 5.750% Notes | | | 1,300,000 | |  |  | | | 1,177,800 | |  |  | | | 1,300,000 | |  |  | 1,245,436 | |  |
| Senior Convertible PIK Notes, net of discount | | | 1,273,289 | |  |  | | | 968,336 | |  |  | | | 1,272,285 | |  |  | 1,245,958 | |  |
| Finance lease obligations | | | 49 | |  |  | | | 49 | |  |  | | | 71 | |  |  | 71 | |  |
| Total Liabilities | | | $ | 4,929,277 |  |  | | | $ | 4,424,631 |  |  | | | $ | 4,931,180 |  |  | $ | 4,815,457 |  |

As of March 31, 2022, the fair value of long-term debt, including current maturities of finance lease obligations, was obtained using quoted prices in active markets. As such, this is considered a Level 1 fair value measurement.

As of December 31, 2021, we estimated the fair value of long-term debt, including current maturities of finance lease obligations, based on estimates using present value techniques that were significantly affected by the assumptions used

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**MULTIPLAN CORPORATION**

**Notes to Unaudited Condensed Consolidated Financial Statements**

concerning the amount and timing of estimated future cash flows and discount rates that reflect varying degrees of risk. Assumptions included interest rates currently available for instruments with similar terms as well as the five, seven, and eight-year Treasury bill rates. As such, this was considered a Level 2 fair value measurement.

**Recurring fair value measurements**

The Private Placement Warrants and unvested founder shares are measured at fair value on a recurring basis. The fair value of these instruments was determined based on significant inputs not observable in the market which would represent a level 3 measurement within the fair value hierarchy. The Company uses an option pricing simulation to estimate the fair value of these instruments.

**Non-recurring fair value measurements**

We also measure certain non-financial assets at fair value on a nonrecurring basis, primarily goodwill and long-lived tangible and intangible assets, in connection with periodic evaluations for potential impairment. We estimate the fair value of these assets using primarily unobservable inputs and, as such, these are considered Level 3 fair value measurements. There were no material impairment charges for these assets for fiscal years 2022 and 2021.

**5.Commitments and Contingencies**

**Commitments**

The Company has certain irrevocable letters of credit used to satisfy real estate lease agreements for three of our offices in lieu of security deposits in the amount of $1.8 million outstanding as of March 31, 2022 and December 31, 2021.

**Claims and Litigation**

The Company is a defendant in various lawsuits and other pending and threatened litigation and other adversarial matters as well as regulatory investigations, all of which have arisen in the ordinary course of business. While the ultimate outcome with respect to such proceedings cannot be predicted with certainty, the Company does not believe they will result, individually or in the aggregate, in a material adverse effect upon our financial condition or results of operations, or cash flows.

On March 25, 2021 and April 9, 2021, we were named as a defendant in two putative class action lawsuits relating to the Transactions that have since been consolidated under the caption In Re MultiPlan Corp. Stockholders Litigation, Consolidated C.A. No. 2021-0300-LWW (Del.Ch) ("Delaware Stockholder Litigation"). The Delaware Stockholder Litigation asserts breach of fiduciary duty claims and aiding and abetting breach of fiduciary duty claims against the former directors of the Churchill board, the Sponsor, KG and M. Klein (collectively, the "Churchill Defendants") and the Company. The Delaware Stockholder Litigation complaint alleges that the Transactions were a product of an unfair process by Churchill, which was allegedly impacted by conflicts of interest, resulting in mispricing of the Transactions. The complaint seeks, among other things, damages, certain equitable relief including the reopening of redemptions, and attorneys’ fees and costs. The Company and the Churchill Defendants filed motions to dismiss the complaint. On January 3, 2022, the Chancery Court issued a ruling granting in part the Company’s motion to dismiss and denying the motion to dismiss filed by the Churchill Defendants. The Company is therefore dismissed from the Delaware Stockholder Litigation, which is proceeding against the Churchill Defendants. Certain of the Churchill Defendants have contractual indemnification rights to the Company.

We accrue for costs associated with certain contingencies, including, but not limited to, settlement of legal proceedings, regulatory compliance matters and self-insurance exposures when such costs are probable and reasonably estimable. Such accruals are included in other accrued expenses on the accompanying unaudited condensed consolidated balance sheets. In addition, we accrue for legal fees incurred in defense of asserted litigation and regulatory matters as such legal fees are incurred. To the extent it is probable under our existing insurance coverage that we are able to recover losses and legal fees related to contingencies, we record such recoveries concurrently with the accrual of the related loss or legal fees. Significant management judgment is required to estimate the amounts of such contingent liabilities and the related insurance recoveries. In our determination of the probability and ability to estimate contingent liabilities and related insurance recoveries we consider the following: litigation exposure based on currently available information, consultations with external legal counsel, adequacy and applicability of existing insurance coverage and other pertinent facts and circumstances regarding the contingency. Liabilities established to provide for contingencies are adjusted as further information develops, circumstances change, or contingencies are resolved; and such changes are recorded in the accompanying unaudited condensed consolidated statements of income and comprehensive income during the period of the change and appropriately reflected in other accrued liabilities on the accompanying unaudited condensed consolidated balance sheets.

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**MULTIPLAN CORPORATION**

**Notes to Unaudited Condensed Consolidated Financial Statements**

**6.Basic and Diluted Earnings Per Share**

Basic and diluted earnings per share was calculated as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  |  | **Three Months Ended March 31,** | | | | |  |  |  |  |  |  |
| **($ in thousands, except number of shares and per share data)** | | |  |  |  |  | **2022** | | |  | | | **2021** | | |
| ***Numerator for earnings per share calculation*** | | |  |  |  |  |  | | |  | | |  | | |
| Net Income | | |  |  |  |  | $ | 43,978 |  |  | | | $ | 45,877 |  |
| ***Denominator for earnings per share calculation*** | | |  |  |  |  |  | | |  | | |  | | |
| Weighted average number of shares outstanding – basic | | |  |  |  |  | 638,497,587 | |  |  | | | 655,113,523 | |  |
| Effect of stock-based compensation | | |  |  |  |  | 517,507 | |  |  | | | 130 | |  |
| Weighted average number of shares outstanding – diluted | | |  |  |  |  | 639,015,094 | |  |  | | | 655,113,653 | |  |
| ***Income per share – basic and diluted:*** | | |  |  |  |  |  | | |  | | |  | | |
| Net income per share – basic | | |  |  |  |  | $ | 0.07 |  |  | | | $ | 0.07 |  |
| Net income per share – diluted | | |  |  |  |  | $ | 0.07 |  |  | | | $ | 0.07 |  |

As of the three months ended March 31, 2022 and 2021, we have excluded from the calculation of diluted net income per share the instruments whose effect would have been anti-dilutive, including (i) 58,500,000 warrants outstanding, (ii) 100,000,000 shares which may be issued upon conversion of the Senior Convertible PIK Notes, and (iii) 12,404,080 unvested founder shares. Additionally, we have excluded from the calculation of diluted net income per share awards within the 2020 Omnibus Incentive Plan, whose effect would have been anti-dilutive of 13,066,509 and 4,303,074 for the three months ended March 31, 2022 and 2021, respectively.

**7.Related Party Transactions**

The accompanying unaudited condensed consolidated statements of income and comprehensive income include expenses and revenues to and from related parties for the three months ended March 31, 2022 and 2021 as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  |  | **Three Months Ended March 31,** | | | | |  |  |  |  |  |  |
| **(in thousands)** | | |  |  |  |  | **2022** | | |  | | | **2021** | | |
| Revenues | | |  |  |  |  | $ | 643 |  |  | | | $ | 567 |  |
| Total revenues from related parties | | |  |  |  |  | 643 | |  |  | | | 567 | |  |
| Cost of services | | |  |  |  |  | (612) | |  |  | | | (690) | |  |
| General and administrative | | |  |  |  |  | — | |  |  | | | (265) | |  |
| Total expense from related parties | | |  |  |  |  | $ | (612) |  |  | | | $ | (955) |  |

The accompanying unaudited condensed consolidated balance sheets include accruals from related parties as of March 31, 2022 and December 31, 2021 as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
| **(in thousands)** | | | **March 31, 2022** | | |  | | | **December 31, 2021** | | |
| Current liabilities: | | |  | | |  | | |  | | |
| Accounts payable | | | $ | 2,015 |  |  | | | $ | 2,297 |  |
| Total liabilities from related parties | | | $ | 2,015 |  |  | | | $ | 2,297 |  |

In 2022 and 2021, the related party transactions included the following:

•The Company purchased PPO network services from a company controlled by Hellman & Friedman LLC, an affiliate of H&F, to supplement our provider network. We also recognize revenues from that same company for the use of our provider network and other claims processing services.

•The Company has obtained insurance brokered through a company controlled by Hellman & Friedman LLC.

•The Company reimburses Hellman & Friedman LLC for reasonable out of pocket expenses that include travel, lodging, meals, and any similar expenses.

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•Companies controlled or managed by members of the Board have participated in the PIPE Investment, including the Senior Convertible PIK Notes.

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**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following discussion and analysis of the Company’s financial condition and results should be read in conjunction with the unaudited condensed consolidated financial statements and accompanying notes thereto contained elsewhere in this Quarterly Report and together with the information included in the Company’s 2021 Annual Report. Certain information contained in the discussion and analysis set forth below includes forward-looking statements that involve risks and uncertainties; the results described below are not necessarily indicative of the results to be expected in any future periods.*

**Cautionary Note Regarding Forward-looking Statements**

All statements other than statements of historical fact included in this Quarterly Report including, without limitation, statements under this “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” regarding the Company’s financial position, business strategy and the plans and objectives of management for future operations, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 or Section 21E of the Securities Exchange Act of 1934, each as amended, including, in particular, statements about our plans, strategies and prospects as well as estimates of industry growth for the next quarter and beyond. When used in this Quarterly Report, words such as “believes,” “estimates,” “anticipates,” “expects,” “seeks,” “projects,” “intends,” “plans,” “may,” “will” or “should” or, in each case, their negative or other variations or comparable terminology represent forward-looking statements that include matters that are not historical facts. They may appear in a number of places throughout this Quarterly Report and these forward-looking statements reflect management’s expectations regarding our future growth, results of operations, operational and financial performance and business prospects and opportunities. Such forward-looking statements are based on available current market material and management’s expectations, beliefs and forecasts concerning future events impacting our business. Factors that may impact such forward-looking statements include:

•the impact of COVID-19 and its related effects on our projected results of operations, financial performance or other financial metrics;

•loss of our customers, particularly our largest customers;

•decreases in our existing market share or the size of our Preferred Provider Organization (“PPO”) networks;

•effects of competition;

•effects of pricing pressure;

•the inability of our customers to pay for our services;

•decreases in discounts from providers;

•the loss of our existing relationships with providers;

•the loss of key members of our management team;

•pressure to limit access to preferred provider networks;

•the ability to achieve the goals of our strategic plans and recognize the anticipated strategic, operational, growth and efficiency benefits when expected;

•our ability to identify, complete and successfully integrate acquisitions;

•changes in our industry;

•interruptions or security breaches of our information technology systems and other cyber security attacks;

•our ability to protect proprietary applications;

•our inability to expand our network infrastructure;

•our ability to maintain effective internal controls over financial reporting;

•our ability to continue to attract, motivate and retain a large number of skilled employees, and adapt to the effects of inflationary pressure on wages;

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•changes in our regulatory environment, including healthcare law and regulations;

•the expansion of privacy and security laws;

•heightened enforcement and investigations activity by government agencies;

•our ability to pay interest and principal on our notes and other indebtedness;

•the possibility that we may be adversely affected by other political, economic, business, and/or competitive factors;

•other factors disclosed in this Quarterly Report; and

•other factors beyond our control.

The forward-looking statements are based on our current expectations and beliefs concerning future developments and their potential effects on our business. There can be no assurance that future developments affecting our business will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to, those factors referred to under the heading “*Risk Factors*” in Part II, Item 1A of this Quarterly Report or as described in our 2021 Annual Report. Should one or more of these risks or uncertainties materialize, or should any of the assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. We do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

**Company Overview**

MultiPlan is a leading provider of data analytics and technology-enabled solutions designed to bring affordability, efficiency and fairness to the United States healthcare industry. We do so through services focused on reducing medical cost and improving payment accuracy for the payors of healthcare, which are health insurers, self-insured employers and other health plan sponsors (typically through their health plan administrators), and, indirectly, the plan members who are the consumers of healthcare services.

Founded initially in 1980 as a New York-based hospital network, MultiPlan has evolved both organically and through acquisition into a national organization offering three categories of services:

•Analytics-Based Services: data-driven algorithms which detect claims over-charges and either negotiate or recommend fair reimbursement using a variety of data sources and pricing algorithms;

•Network-Based Services: contracted discounts with healthcare providers to form one of the largest independent preferred provider organizations ("PPO") in the United States with over 1.2 million under contract, as well as outsourced network development and/or management services; and

•Payment and Revenue Integrity Services: data, technology, and clinical expertise deployed to identify and remove improper and unnecessary charges before or after claims are paid, or to identify and help restore and preserve underpaid premium dollars.

Although the end beneficiary of our services are employers and other plan sponsors and their health plan members, our direct customers are mostly health plan administrators ("Payors"). We offer these Payors a single electronic gateway to a comprehensive set of services in each of the above three categories, which are used in combination or individually to reduce the medical cost burden on their health plan customers and members while fostering fair and efficient payments to the providers. These comprehensive offerings have enabled us to maintain long-term relationships with a number of our customers, including relationships of over 25 years with some of the nation's largest Payors. For the three months ended March 31, 2022 and year ended December 31, 2021 our comprehensive services identified approximately $5.6 billion and $21.7 billion in potential medical cost savings, respectively.

We believe our solutions provide a strong value proposition to Payors, their health plan customers and healthcare consumers, as well as to providers. Overall, our service offerings aim to reduce healthcare costs in a manner that is orderly, efficient and fair to all parties. In addition, because in most instances the fee for our services is directly linked to the savings we identify, our revenue model is aligned with the interests of our customers.

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**Uncertainty Relating to the COVID-19 Pandemic**

As discussed above in Note 1 General Information and Basis of Accounting of the notes to the unaudited condensed consolidated financial statements included in this Quarterly Report, COVID-19 has negatively impacted our business, results of operations and financial condition since the first quarter of 2020.

Effects from COVID-19 began to impact our business in first quarter 2020 with various federal, state, and local governments and private entities mandating restrictions on travel, restrictions on public gatherings, closure of non-essential commerce, and shelter in place orders. We temporarily closed all of our offices and restricted travel in 2020 and 2021 due to concern for our employees’ health and safety and also in compliance with state orders. Most of our approximately 2,400 employees continue to work remotely. Other than these modifications, we have not experienced any material changes to our operations including receiving and processing transactions with our customers as a result of COVID-19.

For the three months ended March 31, 2022, the Company’s revenues continue to be negatively impacted as a result of the medical charges received on non-COVID claims from customers not yet reaching pre-COVID-19 pandemic levels due to fewer elective medical procedures and non-essential medical services. Such negative impacts, however, are to a lesser extent compared to the same period in 2020 and 2021, as vaccination rates have increased and restrictions on medical services have been lifted. The extent of the ultimate impact of COVID-19 will depend on the severity and duration of the evolving pandemic. Future developments remain uncertain, including the number of confirmed cases, the emergence of highly contagious variants, and any actions taken by federal, state and local governments such as economic relief efforts, as well as U.S. and global economies, consumer behavior and healthcare utilization patterns.

**Factors Affecting Our Results of Operations**

***Medical Cost Savings***

Our business and revenues are driven by the ability to lower medical costs through claims savings for our customers. The medical charges of those claims can influence our ability to generate claim savings.

The following table presents the medical charges processed and the potential savings identified for the periods presented:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  |  | **Three Months Ended March 31,** | | | | | | |  | | | **Change** | | |  |  |  |  |  |  |
| **(in millions)** | | |  |  |  |  | | | **2022** | | |  | | | **2021** | | |  | | |  | | |
| Medical charges processed(1)(3) | | |  |  |  |  | | | $ | 31,692.1 |  |  | | | $ | 27,777.2 |  |  | | | 14.1 | | % |
| Potential medical cost savings(2)(3) | | |  |  |  |  | | | $ | 5,627.8 |  |  | | | $ | 5,159.6 |  |  | | | 9.1 | | % |

While the medical charges processed on claims received from customers have increased, the medical charges on our non-COVID-19 services have not yet returned to pre-pandemic levels as a result of fewer elective medical procedures and non-essential medical services. A portion of this increase is the result of medical charges and related savings for COVID-19 services, such as COVID-19 testing, treatment, and vaccines, which were higher in the three months ended March 31, 2022 as compared to the three months ended March 31, 2021.

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(1)Medical charges processed represent the aggregate dollar amount of claims processed by our cost management and payment accuracy solutions in the period presented. The dollar amount of the claim for purposes of this calculation is the dollar amount of the claim prior to any reductions that may be made as a result of the claim being processed by our solutions. Medical charges processed exclude medical charges processed by DHP in both time periods.

(2)Potential medical cost savings represent the aggregate amount of potential savings in dollars identified by our cost management and payment accuracy solutions in the period presented. Since certain of our fees are based on the amount of savings achieved by our customers, and our customers are the final adjudicator of the claims and may choose not to reduce claims or reduce claims by only a portion of the potential savings identified, potential medical cost savings may not directly correlate with the amount of fees earned in connection with the processing of such claims. Potential medical cost savings exclude potential medical cost savings identified by DHP in both time periods.

(3)Changes to previously reported medical charges processed and potential medical cost savings are due to claim development such as client claim resubmissions or cancellation of claims. Examples of these changes include, but are not limited to,

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adjudication changes, billing changes, and elimination of claims that were later determined to be invalid. In second quarter 2021, we introduced a change in reporting methodology to exclude from the current and prior periods certain claims, the inclusion of which distorts the underlying trends in our core claim processing activities. We believe this change in methodology improves the comparability of current and prior periods. Medical charges processed and potential medical cost savings for the three months ended March 31, 2021 have been restated from $4.9 billion to $5.2 billion to reflect the development of claims and the change in methodology.

**Components of Results of Operations**

***Revenues***

We generate revenues from several sources including: (i) Network-Based Services that process claims at a discount compared to billed fee-for-service rates and by using an extensive network, (ii) Analytics-Based Services that use our leading and proprietary information technology platform to offer customers solutions to reduce medical costs, and (iii) Payment and Revenue Integrity Services that use data, technology, and clinical expertise to identify improper, unnecessary and excessive charges. Payors typically compensate us through either a PSAV achieved or a PEPM rate.

***Costs of Services (exclusive of depreciation and amortization of intangible assets)***

Costs of services (exclusive of depreciation and amortization of intangible assets) consist of all costs specifically associated with claims processing activities for customers, sales and marketing, and the development and maintenance of our networks, analytics-based services, and payment and revenue integrity services. Two of the largest components in costs of services are personnel expenses and access and bill review fees. Access and bill review fees include fees for accessing non-owned third-party provider networks, expenses associated with vendor fees for database access and systems technology used to reprice claims, and outsourced services. Third-party network expenses are fees paid to non-owned provider networks used to supplement our owned network assets to provide more network claim savings to our customers.

***General and Administrative Expenses***

General and administrative expenses include corporate management and governance functions composed of general management, legal, treasury, tax, real estate, financial reporting, auditing, benefits and human resource administration, communications, public relations, billing and information management. In addition, general and administrative expenses include taxes, insurance, advertising, transaction costs, and other general expenses.

***Depreciation Expense***

Depreciation expense consists of depreciation and amortization of property and equipment related to our investments in leasehold improvements, furniture and equipment, computer hardware and software, and internally generated capitalized software development costs. We provide for depreciation and amortization on property and equipment using the straight-line method to allocate the cost of depreciable assets over their estimated useful lives.

***Amortization of intangible assets***

Amortization of intangible assets includes amortization of the value of our customer relationships, provider network, technology, and trademarks which were identified in valuing the intangible assets in connection with the June 6, 2016 acquisition by H&F, as well as recent acquisitions of HST and DHP by the Company.

***Interest expense***

Interest expense consists of accrued interest and related interest payments on our outstanding long-term debt and amortization of debt issuance costs and discounts.

***Interest income***

Interest income consists primarily of bank interest.

***Change in fair value of Private Placement Warrants and unvested founder shares***

The Company remeasures at each reporting period the fair value of the Private Placement Warrants and unvested founder shares. The changes in fair value are primarily due to the changes in the stock price of the Company's Class A common stock, the expected stock volatility and the passage of time over the reporting period.

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***Income tax expense***

Income tax expense consists of federal, state, and local income taxes.

**Non-GAAP Financial Measures**

We use EBITDA, Adjusted EBITDA and Adjusted EPS to evaluate our financial performance. EBITDA, Adjusted EBITDA and adjusted EPS are financial measures that are not presented in accordance with GAAP. We believe the presentation of these non-GAAP financial measures provides useful information to investors in assessing our financial condition and results of operations across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our financial operating results of our core business.

These measurements of financial performance have important limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. Additionally, they may not be comparable to other similarly titled measures of other companies. Some of these limitations are:

•such measures do not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;

•such measures do not reflect changes in, or cash requirements for, our working capital needs;

•such measures do not reflect the significant interest expense, or cash requirements necessary to service interest or principal payments on our debt;

•such measures do not reflect any cash requirements for any future replacement of depreciated assets;

•such measures do not reflect the impact of stock-based compensation upon our results of operations;

•such measures do not reflect our income tax (benefit) expense or the cash requirements to pay our income taxes;

•such measures do not reflect the impact of certain cash charges resulting from matters we consider not to be indicative of our ongoing operations; and

•other companies in our industry may calculate these measures differently from how we do, limiting their usefulness as a comparative measure.

In evaluating EBITDA, Adjusted EBITDA and Adjusted EPS, you should be aware that in the future we may incur expenses similar to those eliminated in the presentation.

EBITDA, Adjusted EBITDA, and Adjusted EPS are widely used measures of corporate profitability eliminating the effects of financing and capital expenditures from the operating results. We define EBITDA as net income adjusted for interest expense, interest income, income tax expense, depreciation, amortization of intangible assets, and non-income taxes. We define Adjusted EBITDA as EBITDA further adjusted to eliminate the impact of certain items that we do not consider to be indicative of our core business, including other expenses, change in fair value of Private Placement Warrants and unvested founder shares, transaction related expenses, gain on investments and stock-based compensation. See our unaudited condensed consolidated financial statements included in this Quarterly Report for more information regarding these adjustments. Adjusted EBITDA is used in our agreements governing our outstanding indebtedness for debt covenant compliance purposes. Our Adjusted EBITDA calculation is consistent with the definition of Adjusted EBITDA used in our debt instruments.

Adjusted EPS is used in reporting to our Board and executive management and as a component of the measurement of our performance. We believe that this measure provides useful information to investors because it is the profitability measure we use to evaluate earnings performance on a comparable year-to-year basis. Adjusted EPS is defined as net income adjusted for amortization of intangible assets, stock-based compensation, transaction related expenses, gain on investments, other expense, change in fair value of Private Placement Warrants and unvested founder shares and tax effect of adjustments to arrive at Adjusted net income divided by our basic weighted average number of shares outstanding.

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The following table presents a reconciliation of net income to EBITDA and Adjusted EBITDA for the periods presented:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  |  | **Three Months Ended March 31,** | | | | |  |  |  |  |  |  |
| **(in thousands)** | | |  |  |  |  | **2022** | | |  | | | **2021** | | |
|  | | |  |  |  |  |  | | |  | | |  | | |
| Net income | | |  |  |  |  | $ | 43,978 |  |  | | | $ | 45,877 |  |
| Adjustments: | | |  |  |  |  |  | | |  | | |  | | |
| Interest expense | | |  |  |  |  | 71,445 | |  |  | | | 63,717 | |  |
| Interest income | | |  |  |  |  | (12) | |  |  | | | (4) | |  |
| Income tax provision | | |  |  |  |  | 14,255 | |  |  | | | 13,050 | |  |
| Depreciation | | |  |  |  |  | 16,596 | |  |  | | | 16,165 | |  |
| Amortization of intangible assets | | |  |  |  |  | 85,154 | |  |  | | | 84,708 | |  |
| Non-income taxes | | |  |  |  |  | 553 | |  |  | | | 513 | |  |
| EBITDA | | |  |  |  |  | $ | 231,969 |  |  | | | $ | 224,026 |  |
| Adjustments: | | |  |  |  |  |  | | |  | | |  | | |
| Other (income) expenses | | |  |  |  |  | (890) | |  |  | | | 658 | |  |
| Integration expenses | | |  |  |  |  | 1,672 | |  |  | | | 559 | |  |
| Change in fair value of Private Placement Warrants and unvested founder shares | | |  |  |  |  | (12,741) | |  |  | | | (40,375) | |  |
| Transaction-related expenses | | |  |  |  |  | 2,555 | |  |  | | | 5,225 | |  |
| Gain on investments | | |  |  |  |  | (289) | |  |  | | | — | |  |
|  | | |  |  |  |  |  | | |  | | |  | | |
| Stock-based compensation | | |  |  |  |  | 3,130 | |  |  | | | 968 | |  |
| Adjusted EBITDA | | |  |  |  |  | $ | 225,406 |  |  | | | $ | 191,061 |  |

Material differences between MultiPlan Corporation and MPH for the three months ended March 31, 2022 include differences in interest expense, change in fair value of Private Placement Warrants and unvested founder shares, and stock-based compensation. For the three months ended March 31, 2022, interest expense for MultiPlan Corporation is $20.5 million higher than interest expense for MPH, due to interest expense incurred by MultiPlan Corporation on the Senior Convertible PIK Notes (issued on October 8, 2020). For the three months ended March 31, 2022, the change in fair value of Private Placement Warrants and unvested founder shares, and stock-based compensation are recorded in the parent company MultiPlan Corporation and not in the MPH operating company and therefore represent differences between MultiPlan Corporation and MPH.

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The following table presents a reconciliation of net income to Adjusted EPS for the periods presented:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **($ in thousands, except share and per share amounts)** | | |  |  | **Three Months Ended March 31,** | | | | |  |  |  |  |  |  |
|  |  |  |  | **2022** | | |  | | | **2021** | | |
|  | | |  |  |  |  |  | | |  | | |  | | |
| Net income | | |  |  |  |  | $ | 43,978 |  |  | | | $ | 45,877 |  |
| Adjustments: | | |  |  |  |  |  | | |  | | |  | | |
| Amortization of intangible assets | | |  |  |  |  | 85,154 | |  |  | | | 84,708 | |  |
| Stock-based compensation | | |  |  |  |  | 3,130 | |  |  | | | 968 | |  |
| Transaction-related expenses | | |  |  |  |  | 2,555 | |  |  | | | 5,225 | |  |
| Gain on investments | | |  |  |  |  | (289) | |  |  | | | — | |  |
|  | | |  |  |  |  |  | | |  | | |  | | |
| Other (income) expenses | | |  |  |  |  | (890) | |  |  | | | 658 | |  |
| Integration expenses | | |  |  |  |  | 1,672 | |  |  | | | 559 | |  |
| Change in fair value of Private Placement Warrants and unvested founder shares | | |  |  |  |  | (12,741) | |  |  | | | (40,375) | |  |
| Estimated tax effect of adjustments | | |  |  |  |  | (22,489) | |  |  | | | (22,864) | |  |
| Adjusted net income | | |  |  |  |  | $ | 100,080 |  |  | | | $ | 74,756 |  |
|  | | |  |  |  |  |  | | |  | | |  | | |
| Weighted average shares outstanding – Basic | | |  |  |  |  | 638,497,587 | | |  | | | 655,113,523 | | |
|  | | |  |  |  |  |  | | |  | | |  | | |
|  | | |  |  |  |  |  | | |  | | |  | | |
| Net income per share – basic | | |  |  |  |  | $ | 0.07 |  |  | | | $ | 0.07 |  |
|  | | |  |  |  |  |  | | |  | | |  | | |
| Adjusted EPS | | |  |  |  |  | $ | 0.16 |  |  | | | $ | 0.11 |  |

**Factors Affecting the Comparability of our Results of Operations**

As a result of a number of factors, our historical results of operations may not be comparable to our results of operations in future periods and may not be directly comparable from period to period. Set forth below is a brief discussion of the key factors impacting the comparability of our results of operations.

***DHP Acquisition***

On February 26, 2021, the Company completed the acquisition of DHP, an analytics and technology company offering healthcare payment and revenue integrity services. The Company acquired 100 percent of the voting equity interest of DHP. The acquisition strengthens MultiPlan's service offering in the payment integrity market with new and complementary services to help its Payor customers manage the overall cost of care and improve their competitiveness. It also adds revenue integrity services for plans that receive premiums from the Centers for Medicare and Medicaid Services.

The results of operations and financial condition of DHP have been included in the Company's consolidated results from the date of acquisition. In 2021 and for the three months ended March 31, 2022, DHP's impact on revenues and net earnings was not material. In connection with the DHP acquisition, the Company incurred transaction costs of $0.1 million and $4.7 million for the three months ended March 31, 2022 and March 31, 2021, respectively. The transaction-related expenses have been expensed as incurred and are included in general and administrative expenses in the accompanying unaudited condensed consolidated statements of income and comprehensive income.

***Debt Refinancings, Repayments and Repricing***

On August 24, 2021, MPH issued new senior secured credit facilities composed of $1,325.0 million of Term Loan B and $450.0 million of a Revolver B, and $1,050.0 million in aggregate principal amount of 5.50% Senior Secured Notes. MPH used the net proceeds from Term Loan B, issued with a discount of 1.00%, and the 5.50% Senior Secured Notes to repay all of the outstanding balance of its Term Loan G for a total redemption price of $2,354.6 million, and pay fees and expenses in connection therewith.

Interest on Term Loan B and Revolver B is calculated, at MPH’s option, as (a) LIBOR (or, with respect to Term Loan B only, 0.50%, if higher), plus the applicable margin, or (b) the highest rate of (1) the prime rate, (2) the federal funds effective rate, plus 0.50%, (3) the LIBOR for an interest period of one month, plus 1.00% and (4) 0.50% for Term Loan B and 1.00% for Revolver B, in each case, plus an applicable margin of 4.25% for Term Loan B and between 3.50% and 4.00% for Revolver B,

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depending on MPH’s first lien debt to consolidated EBITDA ratio. The interest rate in effect for Term Loan B was 4.76% as of March 31, 2022 and the interest rate in effect for Term Loan G was 3.75% as of March 31, 2021.

The Company is obligated to pay a commitment fee on the average daily unused amount of Revolver B. The annual commitment fee can range from an annual rate of 0.25% to 0.50% based on the Company's first lien debt to consolidated EBITDA ratio, as defined in the agreement.

The interest rate on the 5.50% Senior Secured Notes is fixed at 5.50%, and is payable semi-annually on March 1 and September 1 of each year.

In connection with the issuance of our debt instruments, the Company incurred specific expenses, including commissions, fees and expenses of investment bankers and underwriters, registration and listing fees, accounting and legal fees pertaining to the financing and other external, incremental expenses paid to advisors that were directly attributable to realizing the proceeds of the debt issues. These costs were capitalized and are being amortized over the term of the related debt using the effective interest method. The amortization of the debt issuance costs and discounts are included in interest expense in the accompanying unaudited condensed consolidated statements of income and comprehensive income.

***Stock-Based Compensation***

Since the consummation of the Transactions, the Company has operated under the 2020 Omnibus Incentive Plan effective October 8, 2020. To date, awards granted under the 2020 Omnibus Incentive Plan have been in the form of Employee RS, Employee RSUs, Fixed Value RSUs, Employee NQSOs and Director RSUs. Stock-based compensation is measured at the grant date based on the fair value of the award.

During the three months ended March 31, 2022, the Company has granted 7.3 million Employee NQSOs and 3.9 million Employee RSUs under the 2020 Omnibus Incentive Plan. For the three months ended March 31, 2022 and 2021, the Company recorded stock-based compensation expense under the 2020 Omnibus Incentive Plan of $3.1 million and $1.0 million, respectively, in the accompanying unaudited condensed consolidated statements of income and comprehensive income.

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**Results of Operations for the Three Months Ended March 31, 2022 and 2021**

The following table provides the results of operations for the periods indicated:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  |  |  |  | **Three Months Ended March 31,** | | |  | **Change** | | | | | | | | |  |  |  |  |  |  |  |  |  |  |  |  |
| **($ in thousands)** | | |  |  |  |  |  |  |  |  | **2022** | | |  | | | **2021** | | |  | | | **$** | | |  | | | **%** | | |
| **Revenues** | | |  |  |  |  |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Network-Based Services | | |  |  |  |  |  |  |  |  | $ | 68,624 |  |  | | | $ | 69,365 |  |  | | | $ | (741) |  |  | | | (1.1) | | % |
| Analytics-Based Services | | |  |  |  |  |  |  |  |  | 196,118 | |  |  | | | 157,160 | |  |  | | | 38,958 | |  |  | | | 24.8 | | % |
| Payment and Revenue Integrity Services | | |  |  |  |  |  |  |  |  | 33,304 | |  |  | | | 28,339 | |  |  | | | 4,965 | |  |  | | | 17.5 | | % |
| **Total Revenues** | | |  |  |  |  |  |  |  |  | 298,046 | |  |  | | | 254,864 | |  |  | | | 43,182 | |  |  | | | 16.9 | | % |
| **Costs of services (exclusive of depreciation and amortization of intangible assets shown below)** | | |  |  |  |  |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Personnel expenses excluding stock-based compensation | | |  |  |  |  |  |  |  |  | 39,157 | |  |  | | | 32,632 | |  |  | | | 6,525 | |  |  | | | 20.0 | | % |
| Stock-based compensation | | |  |  |  |  |  |  |  |  | 600 | |  |  | | | 10 | |  |  | | | 590 | |  |  | | | NM | | |
| Personnel expenses including stock-based compensation | | |  |  |  |  |  |  |  |  | 39,757 | |  |  | | | 32,642 | |  |  | | | 7,115 | |  |  | | | 21.8 | | % |
| Access and bill review fees | | |  |  |  |  |  |  |  |  | 3,758 | |  |  | | | 3,715 | |  |  | | | 43 | |  |  | | | 1.2 | | % |
| Other cost of services expenses | | |  |  |  |  |  |  |  |  | 3,557 | |  |  | | | 3,373 | |  |  | | | 184 | |  |  | | | 5.5 | | % |
| **Total costs of services (exclusive of depreciation and amortization of intangible assets shown below)** | | |  |  |  |  |  |  |  |  | 47,072 | |  |  | | | 39,730 | |  |  | | | 7,342 | |  |  | | | 18.5 | | % |
| General and administrative expenses excluding stock-based compensation and transaction-related expenses | | |  |  |  |  |  |  |  |  | 27,503 | |  |  | | | 25,813 | |  |  | | | 1,690 | |  |  | | | 6.5 | | % |
| Stock-based compensation | | |  |  |  |  |  |  |  |  | 2,530 | |  |  | | | 958 | |  |  | | | 1,572 | |  |  | | | 164.1 | | % |
| Transaction-related expenses | | |  |  |  |  |  |  |  |  | 2,555 | |  |  | | | 5,225 | |  |  | | | (2,670) | |  |  | | | (51.1) | | % |
| **Total general and administrative expenses** | | |  |  |  |  |  |  |  |  | 32,588 | |  |  | | | 31,996 | |  |  | | | 592 | |  |  | | | 1.9 | | % |
| Depreciation expense | | |  |  |  |  |  |  |  |  | 16,596 | |  |  | | | 16,165 | |  |  | | | 431 | |  |  | | | 2.7 | | % |
| Amortization of intangible assets | | |  |  |  |  |  |  |  |  | 85,154 | |  |  | | | 84,708 | |  |  | | | 446 | |  |  | | | 0.5 | | % |
| **Operating income** | | |  |  |  |  |  |  |  |  | 116,636 | |  |  | | | 82,265 | |  |  | | | 34,371 | |  |  | | | 41.8 | | % |
| Interest expense | | |  |  |  |  |  |  |  |  | 71,445 | |  |  | | | 63,717 | |  |  | | | 7,728 | |  |  | | | 12.1 | | % |
| Interest income | | |  |  |  |  |  |  |  |  | (12) | |  |  | | | (4) | |  |  | | | (8) | |  |  | | | 200.0 | | % |
|  | | |  |  |  |  |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Gain on investments | | |  |  |  |  |  |  |  |  | (289) | |  |  | | | — | |  |  | | | (289) | |  |  | | | NM | | |
| Change in fair value of Private Placement Warrants and unvested founder shares | | |  |  |  |  |  |  |  |  | (12,741) | |  |  | | | (40,375) | |  |  | | | 27,634 | |  |  | | | 68.4 | | % |
| **Net income before taxes** | | |  |  |  |  |  |  |  |  | 58,233 | |  |  | | | 58,927 | |  |  | | | (694) | |  |  | | | (1.2) | | % |
| Provision for income taxes | | |  |  |  |  |  |  |  |  | 14,255 | |  |  | | | 13,050 | |  |  | | | 1,205 | |  |  | | | 9.2 | | % |
| **Net income** | | |  |  |  |  |  |  |  |  | $ | 43,978 |  |  | | | $ | 45,877 |  |  | | | $ | (1,899) |  |  | | | (4.1) | | % |

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

NM = Not meaningful

*Revenues*

The increase of $43.2 million, or 16.9%, in revenues for the three months ended March 31, 2022 as compared to revenues for the three months ended March 31, 2021 was driven by an increase in revenues of $37.4 million primarily related to higher medical charges processed on claims received from customers, resulting in higher savings for such customers. Revenues from the acquisition of DHP were $8.7 million for the three months ended March 31, 2022, as compared to $2.9 million for the three months ended March 31, 2021. This period-over-period increase of $5.8 million also contributed to the increase in total revenues for this period. Excluding the increase of revenue from the acquisition of DHP, revenue grew by 14.9% in the three months ended March 31, 2022 as compared to the same period in the prior year.

Network-Based Services revenues decreased $0.7 million, or 1.1%, in the three months ended March 31, 2022 as compared to revenues for the three months ended March 31, 2021, reflecting substantially consistent period over period performance for this service line.

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Analytics-Based Services revenues increased $39.0 million, or 24.8%, for the three months ended March 31, 2022 as compared to revenues for the three months ended March 31, 2021 primarily driven by higher medical charges from customers, resulting in higher savings for such customers. The increase in medical charges processed reflects, in part, a favorable decline of the effects of the COVID-19 pandemic during the three months ended March 31, 2022, as compared to the three months ended March 31, 2021.

Payment and Revenue Integrity Services revenues increased $5.0 million, or 17.5%, for the three months ended March 31, 2022 as compared to revenues for the three months ended March 31, 2021 primarily due to the increase in revenues from the acquisition of DHP of $5.8 million as described above, offset by $0.8 million of declines in revenues in our pre-payment integrity service line.

*Costs of Services (exclusive of depreciation and amortization of intangible assets)*

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  |  |  |  | **Three Months Ended March 31,** | | |  | | | **Change** | | | | | | | | |  |  |  |  |  |  |  |  |  |  |  |  |
| **($ in thousands)** | | |  |  |  |  |  |  |  |  | | | **2022** | | |  | | | **2021** | | |  | | | **$** | | |  | | | **%** | | |
| Costs of services excluding stock-based compensation | | |  |  |  |  |  |  |  |  | | | $ | 46,472 |  |  | | | $ | 39,720 |  |  | | | $ | 6,752 |  |  | | | 17.0 | | % |
| Stock-based compensation | | |  |  |  |  |  |  |  |  | | | 600 | |  |  | | | 10 | |  |  | | | 590 | |  |  | | | NM | | |
| Cost of services (exclusive of depreciation and amortization of intangible assets) | | |  |  |  |  |  |  |  |  | | | $ | 47,072 |  |  | | | $ | 39,730 |  |  | | | $ | 7,342 |  |  | | | 18.5 | | % |

The increase of $7.3 million, or 18.5% in cost of services for the three months ended March 31, 2022, as compared to the three months ended March 31, 2021 was primarily due to increases in personnel expenses, including stock-based compensation as explained below.

The increase in personnel expenses, including contract labor, for the three months ended March 31, 2022, as compared to the three months ended March 31, 2021 was primarily due to increases in stock-based compensation of $0.6 million and non-stock compensation related expenses of $6.5 million primarily due to $3.1 million increase in compensation related expenses from the acquisition of DHP which was acquired on February 26, 2021. The remaining $3.4 million increase in compensation related expenses was primarily related to increases in salaries of $2.6 million, bonus and commission of $0.3 million, and fringe benefit expenses of $0.5 million, partially due to increases in employee headcount. The remaining increase in cost of services was due to increases of $0.2 million related to access and bill review fees and other costs of services.

*General and Administrative Expenses*

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  |  |  |  | **Three Months Ended March 31,** | | |  | **Change** | | | | | | | | |  |  |  |  |  |  |  |  |  |  |  |  |
| **($ in thousands)** | | |  |  |  |  |  |  |  |  | **2022** | | |  | | | **2021** | | |  | | | **$** | | |  | | | **%** | | |
| General and administrative expenses excluding stock-based compensation and transaction-related expenses | | |  |  |  |  |  |  |  |  | $ | 27,503 | |  | | | $ | 25,813 | |  | | | $ | 1,690 | |  | | | 6.5 | | % |
| Stock-based compensation | | |  |  |  |  |  |  |  |  | 2,530 | | |  | | | 958 | | |  | | | 1,572 | |  |  | | | 164.1 | | % |
| Transaction-related expenses | | |  |  |  |  |  |  |  |  | 2,555 | | |  | | | 5,225 | | |  | | | (2,670) | |  |  | | | (51.1) | | % |
| General and administrative expenses | | |  |  |  |  |  |  |  |  | $ | 32,588 | |  | | | $ | 31,996 | |  | | | $ | 592 | |  | | | 1.9 | | % |
|  | | |  |  |  |  |  |  |  |  |  | | |  | | |  | | |  | | |  | | |  | | |  | | |

The increase of $0.6 million, or 1.9%, in general and administrative expenses for the three months ended March 31, 2022, as compared to the three months ended March 31, 2021 was primarily due to an increase in personnel expenses of $4.8 million, an increase in integration expenses of $1.1 million primarily related to the acquisitions of HST and DHP, an increase in professional fees of $0.9 million including higher legal and consulting fees, an increase in insurance of $0.7 million primarily related to higher D&O insurance and Technology E&O insurance, and an increase in net other expenses of $0.1 million, offset by a decrease in transaction costs of $2.7 million and an increase in the capitalized software development offset of $4.3 million. The increase in personnel expenses of $4.8 million was due to an increase in compensation related expenses of $3.2 million, primarily in salaries, fringe benefits, and contract labor and an increase in stock-based compensation of $1.6 million.

*Depreciation Expense*

The increase of $0.4 million, or 2.7%, in depreciation expense for the three months ended March 31, 2022 as compared to the three months ended March 31, 2021 was due to purchases of property and equipment, including internally generated

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capitalized software in the three months ended March 31, 2022 and year ended December 31, 2021, respectively, partially offset by assets that were written-off or became fully depreciated in the period.

*Amortization of Intangible Assets*

The increase of $0.4 million, or 0.5%, in the amortization of intangible assets for the three months ended March 31, 2022, as compared to the three months ended March 31, 2021 was primarily due to the acquisition of DHP. This expense represents the amortization of intangible assets, as explained above and in the notes to the unaudited condensed consolidated financial statements.

*Interest Expense*

The increase of $7.7 million, or 12.1%, in interest expense for the three months ended March 31, 2022, as compared to the three months ended March 31, 2021 was due to the increase in interest rates and the effect of the refinancing on August 24, 2021 where MPH issued new senior secured credit facilities composed of Term Loan B and Revolver B, and issued the 5.50% Senior Secured Notes, using the net proceeds to repay all of the outstanding balance of Term Loan G. As a result of this refinancing, our annualized weighted average cash interest rate increased by 0.6% across our total debt in the three months ended March 31, 2022 as compared to the same period in prior year.

As of March 31, 2022, our long-term debt was $4,878.4 million and included (i) $1,305.1 million Term Loan B, discount on Term Loan B of $12.4 million, excluding the current portion of Term Loan B of $13.3 million (ii) $1,050.0 million of 5.50% Senior Secured Notes, (iii) $1,300.0 million of 5.750% Senior Notes, (iv) $1,300.0 million of Senior Convertible PIK Notes, discount on Senior Convertible PIK Notes of $26.7 million, and (v) $0.1 million of long-term finance lease obligations, net of (vi) debt issue costs of $37.6 million. As of March 31, 2022, our total debt had an annualized weighted average cash interest rate of 5.5%. As of March 31, 2021, our total debt had an annualized weighted average cash interest rate of 4.9%.

As of December 31, 2021, our long-term debt was $4,879.1 million and included (i) $1,308.4 million Term Loan B, discount on Term Loan B of $12.9 million, excluding the current portion of Term Loan B of $13.3 million (ii) $1,050.0 million of 5.50% Senior Secured Notes, (iii) $1,300.0 million of 5.750% Senior Notes, (iv) $1,300.0 million of Senior Convertible PIK Notes, discount on Senior Convertible PIK Notes of $27.7 million, and (iv) $0.1 million of long-term finance lease obligations, net of (v) debt issue costs of $38.8 million. As of December 31, 2021, our total debt had a weighted average cash interest rate of 4.6%.

*Change in fair value of Private Placement Warrants and unvested founder shares*

The Company remeasures the fair value of the Private Placement Warrants and unvested founder shares at each reporting period. From December 31, 2021 to March 31, 2022, the fair value of the Private Placement Warrants and the unvested founder shares decreased by $8.7 million and $4.0 million, respectively. The decrease was primarily due to the decrease in the expected stock volatility and the passage of time over that period.

*Provision for income taxes*

Our effective tax rate of 24.5% for the three months ended March 31, 2022 differed from the statutory rate primarily due to a non-deductible mark-to-market liability and state tax expense. Our effective tax rate of 22.1% for the three months ended March 31, 2021 differed from the statutory rate primarily due to a non-deductible mark-to-market liability, impact of our acquisitions and changes in the Company's deferred state tax rate due to operations, and state tax expense.

**Liquidity and Capital Resources**

As of March 31, 2022, we had cash and cash equivalents of $350.8 million and $448.2 million of loan availability under the revolving credit facility. On August 24, 2021, the maturity of the revolving credit facility was extended from June 7, 2023 to August 24, 2026. As of March 31, 2022, we have three letters of credit totaling $1.8 million of utilization against the revolving credit facility. The three letters of credit are used to satisfy real estate lease agreements for three of our offices in lieu of security deposits.

Our primary sources of liquidity are internally generated funds combined with our borrowing capacity under our revolving credit facility. We believe that these sources will provide sufficient liquidity for us to meet our working capital, capital expenditure and other cash requirements for at least the next twelve months. We may from time to time at our sole discretion, purchase, redeem or retire our long-term debt, through tender offers, in privately negotiated or open market transactions or otherwise. We plan to finance our capital expenditures with cash from operations. Furthermore, our future liquidity and future ability to fund capital expenditures, working capital and debt requirements are also dependent upon our future financial

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performance, which is subject to many economic, commercial, financial and other factors that are beyond our control, including the ability of financial institutions to meet their lending obligations to us. If those factors significantly change, our business may not be able to generate sufficient cash flow from operations or future borrowings may not be available to meet our liquidity needs. We anticipate that to the extent we require additional liquidity as a result of these factors or in order to execute our strategy, it would be financed either by borrowings under our senior secured credit facilities, by other indebtedness, additional equity financings or a combination of the foregoing. We may be unable to obtain any such additional financing on reasonable terms or at all.

**Cash Flow Summary**

The following table is derived from our unaudited condensed consolidated statements of cash flows:

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Three Months Ended March 31,** | | | | | | | | |
| **(in thousands)** | | | **2022** | | |  | | | **2021** | | |
| Net cash flows provided by (used in): | | |  | | |  | | |  | | |
| Operating activities | | | $ | 194,937 |  |  | | | $ | 170,907 |  |
| Investing activities | | | $ | (24,165) |  |  | | | $ | (162,398) |  |
| Financing activities | | | $ | (5,270) |  |  | | | $ | (232) |  |

***Cash Flows from Operating Activities***

Cash flows from operating activities provided $194.9 million for the three months ended March 31, 2022 and $170.9 million for the three months ended March 31, 2021. This $24.0 million, or 14.1%, increase in cash flows from operating activities was primarily the result of an increase in adjustments for non-cash items of $41.1 million, offset by changes in net working capital of $15.2 million and a decrease in net income of $1.9 million.

The $41.1 million increase in non-cash items was primarily due to an increase in deferred income taxes of $11.7 million, an increase in the change in fair value of Private Placement Warrants and unvested founder shares of $27.6 million, an increase in stock-based compensation of $2.2 million, an increase in depreciation of $0.4 million, and an increase in amortization of intangible assets of $0.4 million, offset by a decrease in loss on disposal of property and equipment of $0.6 million, a decrease in non-cash interest costs of $0.3 million including decreases in debt issue costs, a decrease in amortization of right of use asset of $0.1 million, and a gain on equity investments of $0.3 million.

During the three months ended March 31, 2022, $90.1 million was provided by changes in net working capital including an increase in accounts payable and accrued expenses and other expenses of $61.4 million primarily related to the timing of tax and interest payments throughout the year which increased our liabilities by $42.0 million and $22.5 million, respectively, a decrease in net accounts receivable of $21.7 million primarily due to timing of collections, a decrease in prepaid expenses and other assets of $3.6 million, and a decrease in prepaid taxes of $5.1 million, offset by a decrease in operating lease obligations of $1.6 million.

During the three months ended March 31, 2021, $105.3 million was provided by changes in net working capital including decreases in net accounts receivable of $12.0 million primarily due to timing of collections and increases in accounts payable and accrued expenses and other of $97.1 million primarily due to increases in accrued interest of $38.2 million and accrued taxes of $57.4 million, offset by increases in prepaid expenses and other assets of $3.6 million and decreases in operating lease obligations of $0.2 million.

***Cash Flows from Investing Activities***

For the three months ended March 31, 2022, net cash of $24.2 million was used in investing activities including $24.5 million for purchases of property and equipment and capitalization of software development. For the three months ended March 31, 2021, net cash of $162.4 million was used in investing activities including $149.9 million for the acquisition of DHP and $18.1 million for purchases of property and equipment and capitalization of software development, offset by proceeds from the sale of an investment of $5.6 million.

***Cash Flows from Financing Activities***

Cash flows used in financing activities for the three months ended March 31, 2022 were $5.3 million consisting of repayments of Term Loan B of $3.3 million and $2.0 million of taxes paid on net settlement of vested share awards.

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Cash flows used in financing activities for the three months ended March 31, 2021 were $0.2 million primarily consisting of taxes paid on net settlement of vested share awards of $0.3 million.

**Term Loans and Revolvers**

On August 24, 2021, MPH issued new senior secured credit facilities composed of $1,325.0 million of Term Loan B, $450.0 million of Revolver B, and $1,050.0 million in aggregate principal amount of 5.50% Senior Secured Notes. MPH used the net proceeds from Term Loan B, issued with a discount of 1.00%, and the 5.50% Senior Secured Notes to repay all of the outstanding balance of its Term Loan G of $2,341.0 million, and pay fees and expenses in connection therewith.

Interest on Term Loan B and Revolver B is calculated, at MPH's option, as (a) LIBOR (or, with respect to Term Loan B only, 0.50%, if higher), plus the applicable margin, or (b) the highest rate of (1) the prime rate, (2) the federal funds effective rate, plus 0.50%, (3) the LIBOR for an interest period of one month plus 1.00% and (4) 0.50% for Term Loan B and 1.00% for Revolver B, in each case, plus an applicable margin of 4.25% for Term Loan B and between 3.50% and 4.00% for Revolver B, depending on MPH's first lien debt to consolidated EBITDA ratio. The interest rate in effect for Term Loan B was 4.76% as of March 31, 2022 and the interest rate in effect for Term Loan G was 3.75% as of March 31, 2021.

Term Loan B matures on September 1, 2028 and Revolver B matures on August 24, 2026.

For all our debt agreements with an interest rate dependent on LIBOR, we are currently assessing and monitoring how transitioning from LIBOR to an alternative reference rate may affect us past 2023.

We are obligated to pay a commitment fee on the average daily unused amount of our revolving credit facility. The annual commitment fee rate was 0.375% at March 31, 2022 and 0.50% at December 31, 2021. The fee can range from an annual rate of 0.25% to 0.50% based on our leverage ratio, as defined in the agreement.

**Senior Notes**

On October 8, 2020, the Company issued $1,300.0 million in aggregate principal amount of Senior Convertible PIK Notes. The Senior Convertible PIK Notes were issued with a 2.5% discount with a maturity date of October 15, 2027.

The Senior Convertible PIK Notes are convertible into shares of Class A common stock based on a $13.00 conversion price, subject to customary anti-dilution adjustments. The interest rate on the Senior Convertible PIK Notes is fixed at 6% in cash and 7% in kind, and is payable semi-annually on April 15 and October 15 of each year.

On October 29, 2020, the Company issued $1,300.0 million in aggregate principal amount of the 5.750% Notes. The 5.750% Notes are guaranteed on a senior unsecured basis jointly and severally by the Company and its subsidiaries and have a maturation date of November 1, 2028. The 5.750% Notes were issued at par. The interest rate on the 5.750% Notes is fixed at 5.750%, and is payable semi-annually on May 1 and November 1 of each year.

On August 24, 2021 MPH issued $1,050.0 million in aggregate principal amount of 5.50% Senior Secured Notes with a maturation date of September 1, 2028. The interest rate on the 5.50% Senior Secured Notes is fixed at 5.50%, and is payable semi-annually on March 1 and September 1 of each year. The 5.50% Senior Secured Notes are guaranteed and secured as described below under "Guarantees and Security".

**Debt Covenants and Events of Default**

We are subject to certain affirmative and negative debt covenants under the debt agreements governing our indebtedness that limit our and/or certain of our subsidiaries' ability to engage in specific types of transactions. These covenants limit our and/or certain of our subsidiaries' ability to, among other things:

•incur additional indebtedness or issue disqualified or preferred stock;

•pay certain dividends or make certain distributions on capital stock or repurchase or redeem capital stock;

•make certain loans, investments or other restricted payments;

•transfer or sell certain assets;

•incur certain liens;

•place restrictions on the ability of its subsidiaries to pay dividends or make other payments to us;

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•guarantee indebtedness or incur other contingent obligations;

•prepay junior debt and make certain investments;

•consummate any merger, consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or dispose of all or substantially all of its business units, assets or other properties; and

•engage in transactions with our affiliates.

Certain covenants related to the 5.50% Senior Secured Notes will cease to apply to the 5.50% Senior Secured Notes for so long as such notes have investment grade ratings from both Moody’s Investors Service, Inc. and S&P Global Ratings.

In connection with the Refinancing, the Revolver Ratio was amended such that, if, as of the last day of any fiscal quarter of MPH, the aggregate amount of loans under the revolving credit facility, letters of credit issued under the revolving credit facility (to the extent not cash collateralized or backstopped or, in the aggregate, in excess of $10.0 million) and swingline loans are outstanding and/or issued in an aggregate amount greater than 35% of the total commitments in respect of the revolving credit facility at such time, the revolving credit facility will require MPH to maintain a maximum first lien secured leverage ratio of 6.75 to 1.00. Our consolidated first lien debt to consolidated EBITDA ratio is 2.32 times, 3.15 times, and 2.61 times as of March 31, 2022, March 31, 2021, and December 31, 2021, respectively.

As of March 31, 2022 and December 31, 2021 we were in compliance with all of the debt covenants.

The debt agreements governing the new senior secured credit facilities, Term Loan G, the Revolver G, the 5.750% Notes and the 5.50% Senior Secured Notes contain customary events of default, subject to grace periods and exceptions, which include, among others, payment defaults, cross-defaults to certain material indebtedness, certain events of bankruptcy, material judgments, in the case of the debt agreements governing the new senior secured credit facilities and the 5.50% Senior Secured Notes, failure of a guarantee on the liens on material collateral to remain in effect, in the case of the debt agreements governing the new senior secured credit facilities, Term Loan G and the Revolver G, any change of control. Upon the occurrence of an event of default under such debt agreements, the lenders and holders of such debt will be permitted to accelerate the loans and terminate the commitments, as applicable, thereunder and exercise other specified remedies available to the lenders and holders thereunder.

See the footnotes to the EBITDA and Adjusted EBITDA reconciliation table provided above under "*Non-GAAP Financial Measures*" for material differences between the financial information of MultiPlan and MPH.

**Guarantees and Security**

All obligations under the debt agreements governing Term Loan B, Revolver B and the 5.50% Senior Secured Notes are unconditionally guaranteed by MPH Acquisition Corp. 1, the direct holding company parent of MPH, and each existing and subsequently acquired or organized direct or indirect wholly owned U.S. organized restricted subsidiary of MPH (subject to certain exceptions). All such obligations, and the guarantees of such obligations, are secured, subject to permitted liens and other exceptions, by a first priority lien shared between the senior secured credit facilities and the 5.50% Senior Secured Notes on substantially all of MPH’s and the subsidiary guarantors’ tangible and intangible property, and a pledge of all of the capital stock of each of their respective subsidiaries.

**Critical Accounting Policies**

In preparing our Unaudited Condensed Consolidated Financial Statements, we are required to make judgments, assumptions and estimates, which we believe are reasonable and prudent based on the available facts and circumstances. These judgments, assumptions and estimates affect certain of our revenues and expenses and their related balance sheet accounts and disclosure of our contingent liabilities. We base our assumptions and estimates primarily on historical experience and consider known and projected trends. On an ongoing basis, we re-evaluate our selection of assumptions and the method of calculating our estimates. Actual results, however, may materially differ from our calculated estimates, and this difference would be reported in our current operations.

For a detailed description of our critical accounting estimates, see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” in Part II, Item 7 in our 2021 Annual Report. For a detailed discussion of our significant accounting policies, see Note 2 of Notes to the Consolidated Financial Statements in Part II, Item 8, “*Financial Statements and Supplementary Data*” in our 2021 Annual Report. As of March 31, 2022, our critical accounting policies and estimates have not changed from those described in our 2021 Annual Report.

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**Customer Concentration**

Three customers individually accounted for 34%, 19% and 10% of revenues for the year ended December 31, 2021. The loss of the business of one or more of our larger customers could have a material adverse effect on our results of operations. For further discussion on our customer concentration, please refer to Item 1A. “*Risk Factors*” in our 2021 Annual Report.

**Recent Accounting Pronouncements**

See Note 1 General Information and Basis of Accounting of the Notes to the unaudited condensed consolidated financial statements included in this Quarterly Report for additional information.

**Quantitative and Qualitative Disclosure About Market Risk**

See Item 3. Quantitative and Qualitative Disclosure about Market Risk below.

**Internal Controls Over Financial Reporting**

For further information on the Company’s internal controls over financial reporting see Item 4. Controls and Procedures.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Reference is made to our 2021 Annual Report and in particular Item 7A.“*Quantitative and Qualitative Disclosure about Market Risk*” therein. As of March 31, 2022, there were no material changes in the market risks described in our 2021 Annual Report.

**Item 4. Controls and Procedures**

**Evaluation of Disclosure Controls and Procedures**

Under the supervision and with the participation of our management, including the Company’s principal executive officer and principal financial and accounting officer, the Company conducted an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act.

Based on this evaluation, our principal executive officer and principal financial and accounting officers have concluded that, as of March 31, 2022, our disclosure controls and procedures were designed at a reasonable assurance level and were effective to provide reasonable assurance that the information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial and accounting officers, as appropriate, to allow timely decisions regarding required disclosures.

**Changes in Internal Control Over Financial Reporting**

There has been no change in our internal control over financial reporting during the three months ended March 31, 2022 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

**Inherent Limitations on Effectiveness of Controls**

Management recognizes that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud or error, if any, have been detected.

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**Part II - Other Information**

**Item 1. Legal Proceedings**

We are a defendant in various lawsuits and other pending and threatened litigation and other adversarial matters as well as regulatory investigations, all of which have arisen in the ordinary course of business. While the ultimate outcome with respect to such proceedings cannot be predicted with certainty, we believe they will not have a material adverse effect on our financial condition or results of operations.

On March 25, 2021 and April 9, 2021, we were named as a defendant in two putative class action lawsuits relating to the Transactions that have since been consolidated under the caption In Re MultiPlan Corp. Stockholders Litigation, Consolidated C.A. No. 2021-0300-LWW (Del.Ch) ("Delaware Stockholder Litigation"). The Delaware Stockholder Litigation asserts breach of fiduciary duty claims and aiding and abetting breach of fiduciary duty claims against the former directors of the Churchill board, the Sponsor, KG and M. Klein (collectively, the "Churchill Defendants") and the Company. The Delaware Stockholder Litigation complaint alleges that the Transactions were a product of an unfair process by Churchill, which was allegedly impacted by conflicts of interest, resulting in mispricing of the Transactions. The complaint seeks, among other things, damages, certain equitable relief including the reopening of redemptions, and attorneys’ fees and costs. The Company and the Churchill Defendants filed motions to dismiss the complaint. On January 3, 2022, the Chancery Court issued a ruling granting in part the Company’s motion to dismiss and denying the motion to dismiss filed by the Churchill Defendants. The Company is therefore dismissed from the Delaware Stockholder Litigation, which is proceeding against the Churchill Defendants. Certain of the Churchill Defendants have contractual indemnification rights to the Company.

We cannot reasonably estimate a potential future loss or a range of potential future losses and have not recorded a contingent liability accrual in connection with these matters as of March 31, 2022.

**Item 1A. Risk Factors**

There have been no material changes during the three months ended March 31, 2022 to the risk factors previously disclosed in Item 1A. “*Risk Factors*” in the Company's 2021 Annual Report.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

The table below represents the Company’s repurchase of shares of its Class A common stock during the three months ended March 31, 2022.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| (in thousands, except share data) | | |  | | | **Total Number of Shares Purchased** | | |  | | | **Average Price Paid Per Share** | | |  | | | **Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs** | | |  | | | **Approximate Dollar Value of Shares that May Yet Be Purchased** | | |
| **Period** | | |  | | |  | | |  | | |  | | |
| January 1 - 31, 2022 | | |  | | | — | |  |  | | | $ | — |  |  | | | — | |  |  | | | $ | 150,000 |  |
| February 1 - 28, 2022 | | |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| March 1 - 31, 2022 | | |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Total | | |  | | | — | |  |  | | | $ | — |  |  | | | — | |  |  | | | $ | 150,000 |  |

(a) On August 27, 2021, the Company announced a share repurchase program approved by its board of directors, authorizing, but not obligating, the repurchase of up to an aggregate amount of $250,000,000 of its Class A common stock from time to time through December 31, 2022. Repurchases under the share repurchase program may be made in amounts and at prices the Company deems appropriate and may be made pursuant to a trading plan intended to qualify under Rule 10b5-1 of the Exchange Act. Repurchases by the Company under the share repurchase program will be subject to general market and economic conditions, applicable legal requirements and other considerations, and the share repurchase program may be suspended, modified or discontinued at any time without prior notice at the Company’s discretion.

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**Item 6. Exhibits**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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|  | | |  | | | **Incorporated by Reference** | | | | | | | | | | | |
| **Exhibit Number** | | | **Description** | | | **Form** | | | **File No.** | | | **Exhibit** | | | **Filing Date** | | |
| 10.1+ | | | [Employment Agreement dated January 31, 2022, by and between MultiPlan Corporation and Dale White.](https://www.sec.gov/Archives/edgar/data/0001793229/000179322922000006/exhibit1011-31x2022.htm) | | | 8-K | | | 001-39228 | | | 10.1 | | | January 31, 2022 | | |
| 10.2 | | | [Amendment No. 1 to Investors Rights Agreement dated as of January 31, 2022, by and between MultiPlan Corporation and the other parties thereto.](https://www.sec.gov/Archives/edgar/data/0001793229/000179322922000006/exhibit1021-31x2022.htm) | | | 8-K | | | 001-39228 | | | 10.2 | | | January 31, 2022 | | |
| 10.3+ | | | [Form of Stock Award Agreement under the 2020 Omnibus Incentive Plan.](https://www.sec.gov/Archives/edgar/data/0001793229/000179322922000006/exhibit1031-31x2022.htm) | | | 8-K | | | 001-39228 | | | 10.3 | | | January 31, 2022 | | |
| 31.1 | | | [Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rules 13-a - 14(a) and 15-d-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](exhibit311q12022.htm) | | |  | | |  | | |  | | |  | | |
| 31.2 | | | [Certification of Principal Financial Officer Pursuant to Securities Exchange Act Rules 13-a - 14(a) and 15-d-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](exhibit312q12022.htm) | | |  | | |  | | |  | | |  | | |
| 32.1 | | | [Certification of Principal Executive Officer Pursuant to 18 U.S.C. of Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](exhibit321q12022.htm) | | |  | | |  | | |  | | |  | | |
| 32.2 | | | [Certification of Principal Financial Officer Pursuant to 18 U.S.C. of Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](exhibit322q12022.htm) | | |  | | |  | | |  | | |  | | |
| 101 | | | The following financial information from MultiPlan Corporation's Quarterly Report on Form 10-Q for the three months ended March 31, 2022 formatted in Inline XBRL (Extensible Business Reporting Language) includes: (i) the Unaudited Condensed Consolidated Balance Sheets, (ii) Unaudited Condensed Consolidated Statements of Income and Comprehensive Income, (iii) the Unaudited Condensed Statements of Changes in Stockholders' Equity, (iv) the Unaudited Condensed Consolidated Statements of Cash Flows, and (v) Notes to the Unaudited Condensed Consolidated Financial Statements. | | |  | | |  | | |  | | |  | | |
| 104 | | | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) | | |  | | |  | | |  | | |  | | |

+ Denotes a management contract or compensatory arrangement.

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**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Quarterly Report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: May 10, 2022

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|  | | | MULTIPLAN CORPORATION | | | | | |  |  |  |
|  | | |  | | |  | | |  | | |
|  | | | By: | | | /s/ James M. Head | | |  | | |
|  | | |  | | | James M. Head | | |  | | |
|  | | |  | | | Executive Vice President and Chief Financial Officer | | |  | | |

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