



# RESHAPING HEALTHCARE

UPHEALTH 4Q21 EARNINGS SUPPLEMENT

APRIL 18, 2022



# Disclaimer

## Presentation

This presentation (this “Presentation”) is provided for informational purposes only. The information contained herein does not purport to be all-inclusive or to contain all of the information that may be required to make a full analysis of UpHealth or any investment in UpHealth and includes information that has been prepared to assist parties in making their own evaluation with respect to UpHealth, Inc. (“UpHealth” or the “Company”). The data contained herein is derived from various internal and external sources. No representations or warranties, express or implied are given in, or in respect of, this Presentation, including no representation is made as to the reasonableness of the assumptions made within or the accuracy or completeness of any projections, modelling or back-testing or any other information contained herein. Any data on past performance, modelling or back-testing contained herein is no indication as to future performance. UpHealth assumes no obligation to update the information in this communication. This is not an offer to buy or sell, or a solicitation of an offer to buy or sell, any security or instrument of UpHealth.

Industry and market data used in this Presentation have been obtained from third-party industry publications and sources as well as from research reports prepared for other purposes. UpHealth has not independently verified the data obtained from these sources and cannot assure you of the data’s accuracy or completeness. This data is subject to change. Viewers of this Presentation should each make their own evaluation of UpHealth and of the relevance and adequacy of the information and should make such other investigations as they deem necessary.

## Forward Looking Statements

Certain statements included in this Presentation that are not historical facts are forward-looking statements within the meaning of U.S. federal securities laws. Forward-looking statements provide UpHealth’s current expectations or forecasts of future events. Forward-looking statements include statements about UpHealth’s expectations, beliefs, plans, objectives, intentions, assumptions and other statements that are not historical facts. The words “anticipates,” “believe,” “continue,” “could,” “estimate,” “expect,” “intends,” “may,” “might,” “plan,” “possible,” “potential,” “predicts,” “project,” “should,” “would” and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. These statements are based on various assumptions, whether or not identified in this Presentation, and on the current expectations and assumptions of UpHealth’s management and are not predictions of actual performance. Actual events and circumstances are difficult or impossible to predict and will differ from assumptions. Many actual events and circumstances are beyond the control of UpHealth. These forward-looking statements are subject to a number of risks and uncertainties, including UpHealth’s financial and business performance, including business metrics and any underlying assumptions thereunder; changes in its strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects and plans; product development timeline and expected start of production; the implementation, market acceptance and success of its business model; its ability to scale in a cost-effective manner; developments and projections relating to its competitors and industry; the impact of health epidemics, including the COVID-19 pandemic, on its business and the actions that it may take in response thereto; its expectations regarding its ability to obtain and maintain intellectual property protection and not infringe on the rights of others; its future capital requirements and sources and uses of cash; its ability to obtain funding for its operations; its business, expansion plans and opportunities; the outcome of any known and unknown litigation and regulatory proceedings. If any of these risks materialize or our assumptions prove incorrect, actual results could differ materially from the results implied by these forward-looking statements. There may be additional risks that UpHealth presently does not know or that UpHealth currently believes are immaterial that could also cause actual results to differ from those contained in the forward-looking statements. These and other risk factors are listed from time to time in the Company’s reports filed with the Securities and Exchange Commission from time to time. In addition, forward-looking statements reflect UpHealth’s expectations, plans or forecasts of future events and views as of the date of this Presentation. UpHealth anticipates that subsequent events and developments will cause its assessments to change. UpHealth undertakes no obligation to update or revise any forward-looking statements, whether as result of new information, future events or otherwise, except as may be required under applicable securities laws.

# Disclaimer

## **Financial Information; Non-GAAP Financial Measures**

The financial information and data contained in this Presentation are unaudited and do not conform to Regulation S-X promulgated by the U.S. Securities and Exchange Commission (the “SEC”). Some of the financial information and data contained in this Presentation, such as earnings before income taxes, depreciation and amortization (“EBITDA”), have not been prepared in accordance with United States generally accepted accounting principles (“GAAP”). UpHealth believes these non-GAAP measures of financial results provide useful information to management and investors regarding certain financial and business trends relating to UpHealth’s financial condition and results of operations, respectively. UpHealth’s management uses these non-GAAP measures for trend analyses and for budgeting and planning purposes. UpHealth believes that the use of these non-GAAP financial measures provides an additional tool for investors to use in evaluating projected operating results and trends in and in comparing UpHealth’s financial measures with other similar companies, many of which present similar non-GAAP financial measures to investors. Management does not consider these non-GAAP measures in isolation or as an alternative to financial measures determined in accordance with GAAP. The principal limitation of these non-GAAP financial measures is that they exclude significant expenses and income that are required by GAAP to be recorded in UpHealth’s financial statements. In addition, they are subject to inherent limitations as they reflect the exercise of judgments by management about which expense and income are excluded or included in determining these non-GAAP financial measures. In order to compensate for these limitations, management presents non-GAAP financial measures in connection with GAAP results. You should review UpHealth’s audited financial statements which are included in the Annual Report on Form 10-K filed with the SEC On April 18, 2022, as well as the reconciliation of non-GAAP financial measures set forth on slides 8, 13 and 14 of this Presentation.

## **Trademarks And Intellectual Property**

All trademarks, service marks, and trade names of UpHealth and its subsidiaries used herein are trademarks, service marks, or registered trade names of UpHealth. Any other product, company names, or logos mentioned herein are the trademarks and/or intellectual property of their respective owners, and their use is not intended to, and does not imply, a relationship with UpHealth, or an endorsement or sponsorship by or of UpHealth. Solely for convenience, the trademarks, service marks and trade names referred to in this presentation may appear without the ®, TM or SM symbols, but such references are not intended to indicate, in any way, that UpHealth will not assert, to the fullest extent under applicable law, their rights or the right of the applicable licensor to these trademarks, service marks and trade names.

# Fourth Quarter and Full Year 2021 financial results

## Full Year Financial Results

- Proforma revenue growth YoY of 28% to \$148.9 million
- Gross margin of 35%
- Proforma adjusted EBITDA of negative \$4.0 million
- GAAP net loss per share of (\$3.19) and non-GAAP net loss per share of (\$0.03), excluding goodwill impairment, acquisition-related costs, and other non-recurring expenses
- Strong balance sheet with net cash of \$58.2 million on December 31<sup>st</sup>, 2021, and no projected additional cash needed

## Business Updates

- Successful completion of business combination with GigCapital2 and subsequent integration of six companies
- Reorganized strategically along three business lines addressing large markets: Integrated Care Management, Virtual Care Infrastructure Businesses, and Services
  - Added four seasoned key executives with deep industry experience
- Cleaned up processes, institutionalized controls, and focused the team on ongoing transformation
- Announced CEO transition, incoming CEO expected to be announced in the coming weeks



# Summary

## Significant developments since March 30 announcement

### Subcontractor expenses

- Determination that Q2 and Q3 accrued expenses (contingent liability) to UPH's subcontractor under the European contract cannot be written off and that Q4 COGS must include expenses related to that subcontractor
  - Payment terms of contract subcontractor require that UPH is paid by its European customer before paying the subcontractor
  - Impact is \$17.8M of contingent liability remaining on the balance sheet, taking Q4 Adj. EBITDA from (\$12.5M) to (\$30.4M)
  - UPH added back the contingent liability to report \$(12.5M) in Q4 Adj. EBITDA, consistent with our release on 3/30

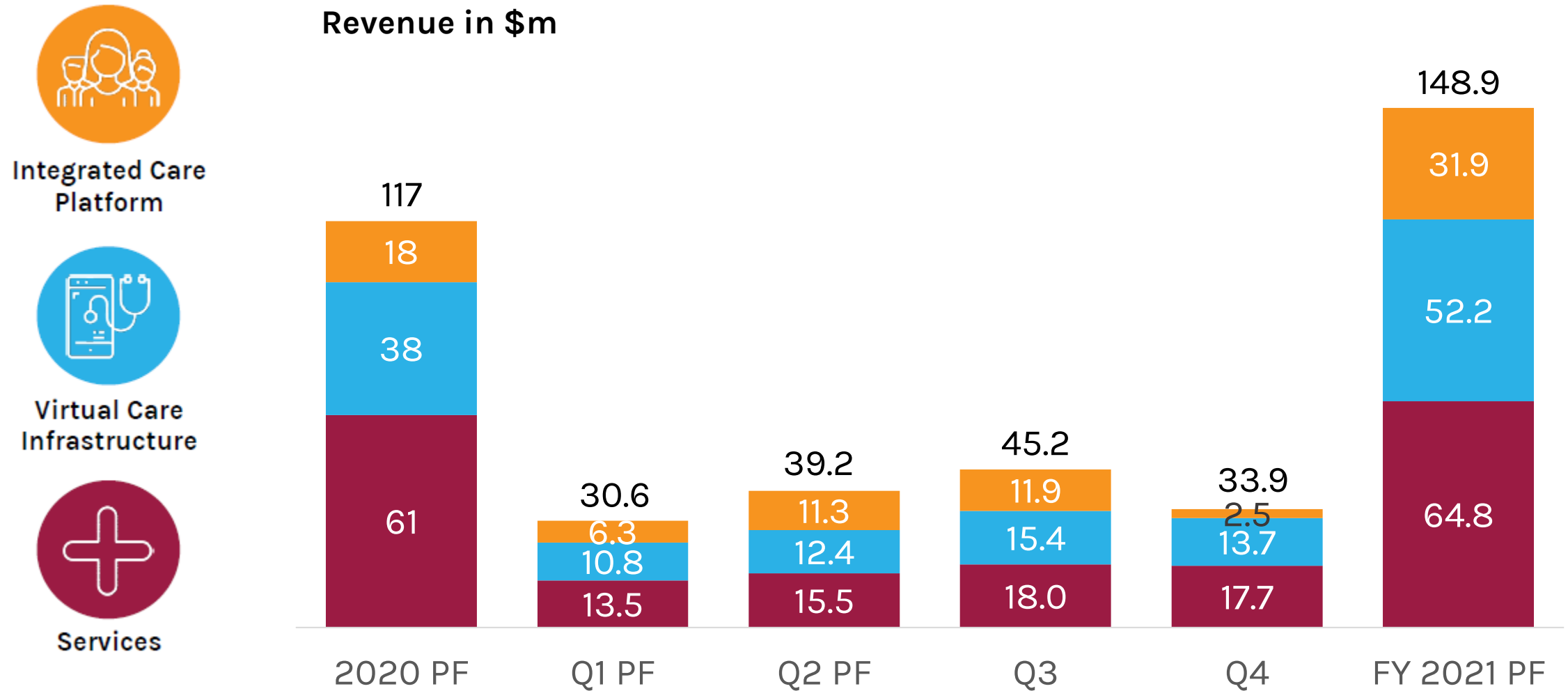
### Impairment analysis

- Following the March 30 earnings release, the Company revisited the impairment analysis previously completed on BHS and Thrasy and performed the analysis on all of the business units
- Based on discounted cash flows for each business unit, we wrote off \$298M of goodwill, which decreased to \$284M at December 31, 2021

# Q4 and FY2021 financial summary

	Q4 2021	FY2021 GAAP	FY2021 Pro Forma
Revenue	\$33.9	\$123.8	\$148.9
Gross Margin	\$13.0 / \$7.3	\$49.3 / \$43.6	\$58.6 / \$52.8
Gross Margin %	38% / 22%	40% / 35%	39% / 35%
Adjusted EBITDA	(\$12.5)	(\$6.5)	(\$4.0)
Adjusted EBITDA (before public company expenses)	(\$9.4)	(\$1.4)	\$1.1

# Year-over-year revenue growth



# Revenue and margins by business line

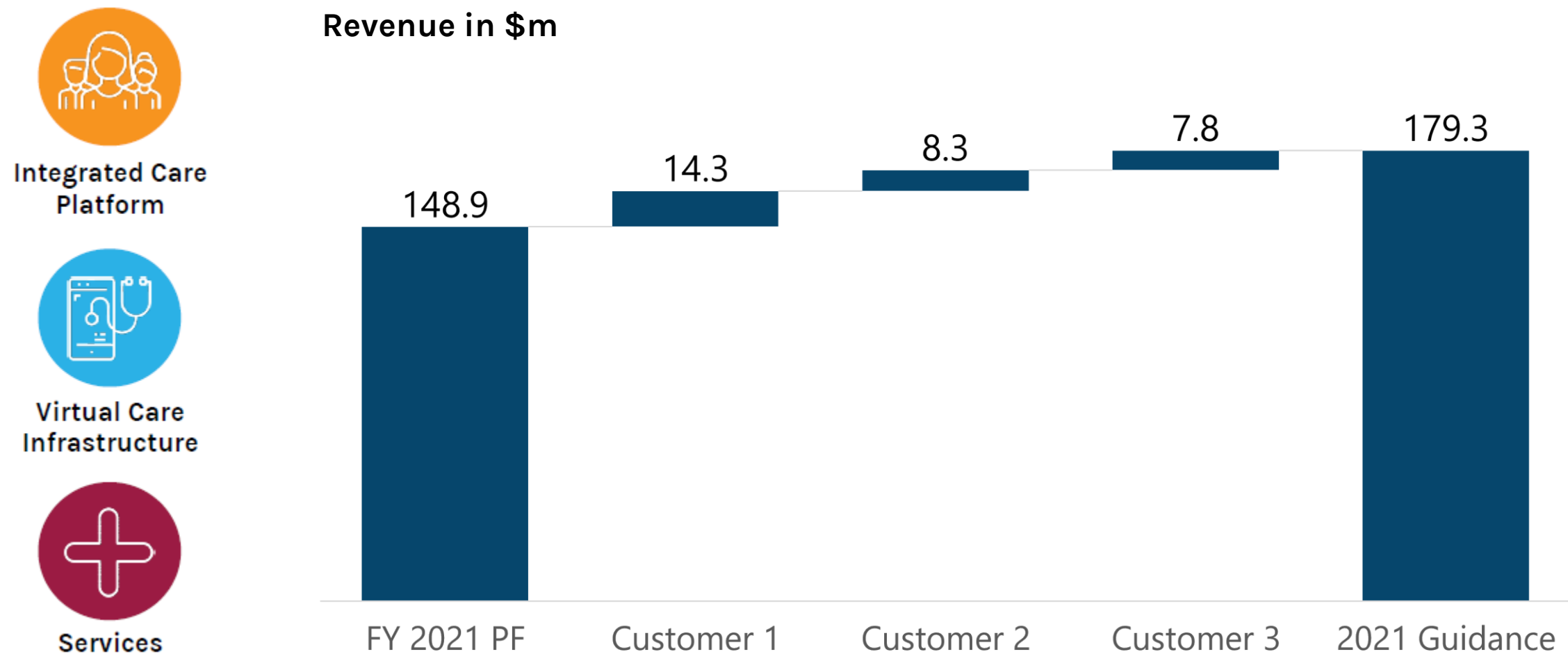
	Three Months Ended December 31, 2021		Year Ended December 31, 2021			
Revenue	GAAP		GAAP		Adjustments (1)	Pro Forma (2)
Integrated Care Platform	\$2.5		\$31.9		\$ -	\$31.9
Virtual Care infrastructure	13.7		36.6		15.6	52.2
Services	17.7		55.3		9.5	64.8
Total	\$33.9		\$123.8		\$25.1	\$148.9
<b>Gross margin</b>						
Integrated Care Platform	\$1.7	(\$4.2)	\$16.3	\$10.3	\$ -	\$16.3 \$10.3
Virtual Care infrastructure	5.2	5.4	13.9	14.2	6.1	20.0 20.3
Services	6.1		19.1		3.2	22.2 22.3
Total	\$13.0	\$7.3	\$49.3	\$43.6	\$9.3	\$58.6 \$52.8
<b>Gross margin %</b>						
Integrated Care Platform	72%	(169%)	51%	32%	nil	51% 32%
Virtual Care infrastructure	38%	39%	38%	39%	39%	38% 39%
Services	34%		35%		33%	34%
Total	38%	22%	40%	35%	37%	39% 35%

(1) Amounts reflect operating activity of UpHealth and subsidiaries during the period prior to each subsidiary's acquisition date, if acquired during the period.

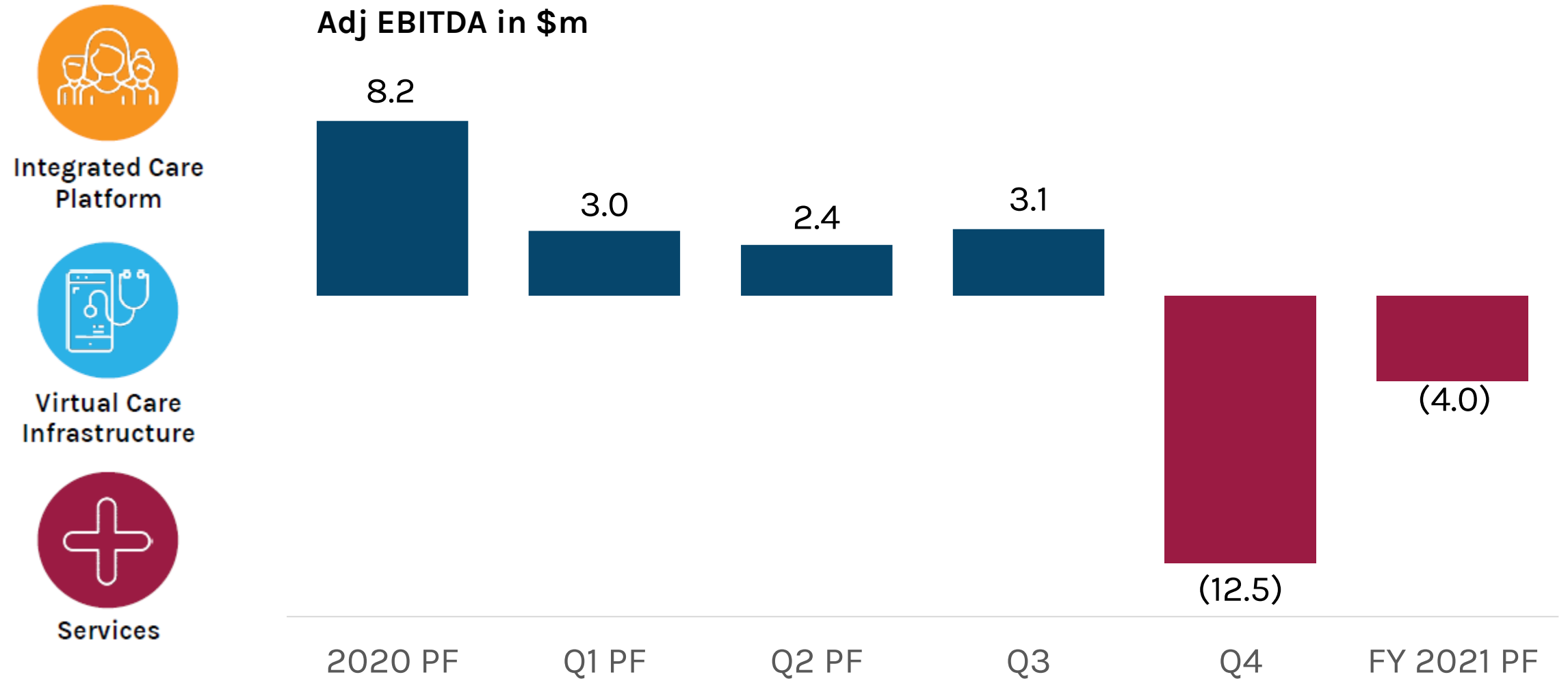
(2) Amounts reflect operating activity of UpHealth and subsidiaries during the period, as if acquired at the beginning of the period.



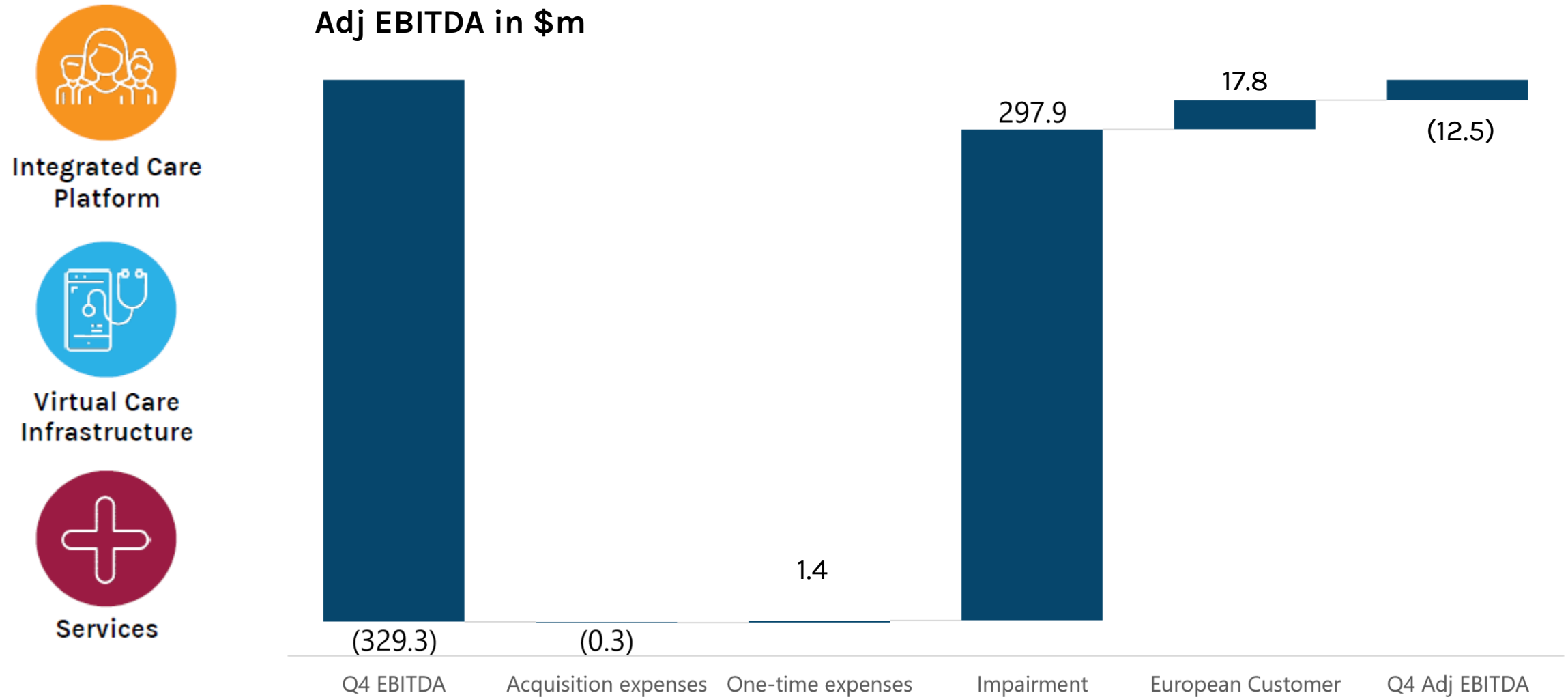
# Revenue bridge guidance to pro forma



# Adjusted EBITDA



# Q4 EBITDA to adjusted EBITDA bridge



# Financial targets (Non-GAAP)

	Q4 2021	FY2021	FY2022 Outlook	Long-Term Goals
Revenue Growth	6% <sup>1</sup>	28%	38-56%	35%
Gross Margins	38% / 22%	39% / 35%	42-43%	45-50%
Adjusted EBITDA Margin	N/A	N/A	7-8%	15-20%

Revenue of \$205 to \$233 million

Adjusted EBITDA of \$14 to \$19 million

# Adjusted EBITDA (Non-GAAP)

	Three Months Ended December 31, 2021		Year Ended December 31, 2021		
	GAAP		GAAP	Adjustments (1)	Pro Forma (2)
Net loss attributable to UpHealth, Inc.	\$ (336.0)		\$ (341.0)	\$ (4.3)	\$ (345.3)
Net loss attributable to non controlling interests	-		0.1	-	0.2
Net loss	(336.1)		(340.9)	(4.3)	(345.2)
Other expense	1.2		(37.2)	(1.2)	(38.4)
Income tax benefit	(2.1)		(2.4)	(0.1)	(2.5)
Loss from equity method investment	-		0.6	-	0.6
Loss from operations	(337.0)		(380.0)	(5.6)	(385.5)
Depreciation and amortization	7.0		16.8	2.7	19.5
Stock-based compensation	0.6		1.0	-	1.0
Contingent liability (3)	17.8		17.8	-	17.8
Acquisition, integrations, and transformation costs, lease abandonment expenses, goodwill impairment, and non-recurring expenses (4)	299.0		337.9	5.3	343.2
Adjusted EBITDA	\$ (12.5)		\$ (6.5)	\$ 2.5	\$ (4.0)

(1) Amounts reflect operating activity of UpHealth and subsidiaries during the period prior to each subsidiary's acquisition date, if acquired during the period.

(2) Amounts reflect operating activity of UpHealth and subsidiaries during the period, as if acquired at the beginning of the period.

(3) Amounts reflect contingent liability to be paid only if certain fully-reserved receivables are collected.

(4) Amounts reflect acquisition, integration and transformation costs, lease abandonment expenses, and goodwill impairment from the consolidated statements of operations, as well as other operating expenses considered to be non-recurring during the period.

# Net loss per share (Non-GAAP)

	Three Months Ended December 31, 2021	Year Ended December 31, 2021
Net loss per share attributable to UpHealth, Inc. – GAAP	\$ (2.36)	\$ (3.19)
Acquisition, integrations, and transformation costs, lease abandonment expenses, goodwill impairment, and non-recurring expenses (1)	2.10	3.16
Net loss per share attributable to UpHealth, Inc. – Non-GAAP	\$ (0.26)	\$ (0.03)

(1) Amounts reflect acquisition, integration and transformation costs, lease abandonment expenses, and goodwill impairment from the consolidated statements of operations, as well as other operating expenses considered to be non-recurring during the period, divided by weighted average shares outstanding for the period.



# Thank you