TabulaRasa HealthCare®

Second Quarter 2020 Earnings Call

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Forward-looking Statements & Non-GAAP Information

In addition to reporting all financial information required in accordance with GAAP, TRHC is also reporting gross margin excluding depreciation and amortization expense, Adjusted EBITDA and Adjusted Diluted EPS, each of which is considered a non-GAAP financial measure. Generally, a non-GAAP financial measure is a numerical measure of a company's performance or financial position that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP. Adjusted EBITDA consists of net income or loss excluding certain other expenses, which includes interest expense, provision (benefit) for income tax, depreciation and amortization, change in fair value of acquisition-related contingent consideration expense, acquisition-related expense and stock-based compensation expense. TRHC defines Adjusted Diluted EPS as net income or loss before fair value adjustments for acquisition-related contingent consideration, amortization of acquired intangibles, amortization of debt discount and issuance costs, acquisition-related expense, stock-based compensation expense and the tax impact of using a normalized tax rate on pre-tax income adjusted for those items expressed on a per share basis using weighted average diluted shares outstanding. TRHC considers acquisition-related expense to include non-recurring direct transaction and integration costs, severance, and the impact of purchase accounting adjustments related to the fair value of acquired deferred revenue. TRHC believes the exclusion of these items assists in providing a more complete understanding of the company’s underlying operations results and trends and allows for comparability with TRHC’s peer company index and industry and to be more consistent with TRHC’s expected capital structure on a going forward basis. Please note that other companies might define their non-GAAP financial measures differently than TRHC does. TRHC presents non-GAAP financial measures in this document because it considers them to be important supplemental measures of performance. TRHC uses these non-GAAP financial measures for planning purposes, including analysis of the company's performance against prior periods, the preparation of operating budgets and determination of appropriate levels of operating and capital investments. TRHC believes that these non-GAAP financial measures provide additional insight for analysts and investors in evaluating the company's financial and operational performance. TRHC also intends to provide these non-GAAP financial measures as part of the company's future earnings discussions and, therefore, their inclusion should provide consistency in the company's financial reporting.

This press release includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that we believe to be reasonable as of today’s date. Forward-looking statements give current expectation or forecasts of future events or our future financial or operating performance, and include TRHC’s expectations regarding healthcare regulations, industry trends, available opportunities to TRHC, the financial and operating performance of TRHC, the impacts of the COVID-19 pandemic, and TRHC’s expectations for 2021. Such statements are identified by use of the words “anticipates,” “believes,” “estimates,” “expects,” “intends,” “plans,” “predicts,” “projects,” “should,” and similar expressions. These forward-looking statements are based on management's good-faith expectations, judgements and assumptions as of the date of this press release. Actual results might differ materially from those explicit or implicit in the forward-looking statements. Important factors that could cause actual results to differ materially include: the impacts of the current COVID-19 pandemic and other health epidemics; our continuing losses and need to achieve profitability; fluctuations in our financial results; the acceptance and use of our products and services by PACE organizations; the need to innovate and provide useful products and services; risks related to changing healthcare and other applicable regulations; our ability to maintain relationships with a specified drug wholesaler; increasing consolidation in the healthcare industry; managing our growth effectively; our ability to adequately protect our intellectual property; the requirements of being a public company; our ability to recognize the expected benefits from acquisitions on a timely basis or at all; and the other risk factors set forth from time to time in our filings with the Securities and Exchange Commission (“SEC”), including those factors discussed under the caption “Risk Factors” in our most recent annual report on Form 10-K, filed with the SEC on March 2, 2020, and in subsequent reports filed with or furnished to the SEC, copies of which are available free of charge within the Investor Relations section of the Tabula Rasa HealthCare website http://ir.trhc.com or upon request from our Investor Relations Department. Tabula Rasa HealthCare assumes no obligation and does not intend to update these forward-looking statements, except as required by law, to reflect events or circumstances occurring after today’s date.

Q2 Highlights

- **Sales:** Another strong quarter within MedWise and specifically, sales to health plans, which increased exponentially vs. a year ago and 40% on a sequential vs. a strong Q1. This strength was offset by softness and a year-over-year decline within our CareVention segment due to COVID-19, resulting in flat overall sales performance vs. a year ago.
- **PACE:** After low point in May, census has improved in June, July & August with the number of deaths in July returning to normal levels, basically half of the record high we experienced in May. We continue to grow at materially faster rates than most recent CMS data (up 6.6% in July 2020 vs. a year ago) but not at the rates we have historically enjoyed.
- **MedWise Launch:** In late July, delivered MedWise and new feature MDS (MedWise Decision Support) to our PrescribeWellness community pharmacy network to assess simultaneous, accumulative, multi-drug interactions amongst complex medication regimens. We have closed early sales and are our building the pipeline.
- **Outcomes:** MedWise outcomes data within Medicaid managed care plan with average age of program participants of 46.5 shows significant potential reduction in our MedWise Risk Score (6.35 on average) and cost savings for patients on opioid therapy and high-risk patients.

Segment Results – Second Quarter 2020

	Q2 FY20	Q2 FY19	% Change	Commentary
Revenue				
CareVention HealthCare				
PACE product revenue	$ 38,930	$ 33,372	17%	New clients added post Q2 2019 added $1.7 million plus $4.5 million from existing clients.
PACE solutions	$ 11,522	$ 11,437	1%	Excluding impact of renegotiated contract beginning in Q1 2020, revenue is up $1.0M or 9%.
Total CareVention	**$ 50,452**	**$ 44,809**	**13%**	
MedWise HealthCare				
Product revenue	$ 443	$ -	NM	COVID-19 test kits sold through our PresribeWellness community pharmacy network started in Q2.
Medication safety services	$ 15,707	$ 22,498	-30%	Clinical interventions down due to: 1) CMS Star Rating boost in 2019 & 2) pull forward of work into 1H19 in anticipation for ramp of CVS in 2H19, which combined resulted in record revenue.
Software subscriptions	$ 10,232	$ 8,948	14%	
Total MedWise	**$ 26,382**	**$ 31,446**	**-16%**	
Total Revenue	**$ 76,834**	**$ 76,255**	**1%**	
Gross Margin (1)				(1) Excludes depreciation and amortization.
Product	$ 10,331	$ 8,511	21%	
Margin %	*26.2%*	*25.5%*		Higher Rx volume from growth in patients served & savings from new prime vendor in Q2 2019.
Services/software subscriptions	$ 14,805	$ 22,588	-34%	
Margin %	*39.5%*	*52.7%*		Lower medication safety services revenue combined with similar cost structure as a year ago.
Total Gross Margin	**$ 25,136**	**$ 31,099**	**-19%**	
Margin %	*32.7%*	*40.8%*		
Operating Expense (2)				(2) Excludes change in fair value of acquisition-related contingent consideration expense
Sales & Marketing	$ 5,027	$ 6,871	-27%	
R&D	$ 3,821	$ 5,197	-26%	Adjusted for capitalized software, Q2 2020 R&D up modestly to $7.0 million.
G&A	$ 16,327	$ 12,883	27%	Higher headcount and compensation to support growth including IT.
D&A	$ 10,211	$ 9,078	12%	Driven by PrescribeWellness acquisition and capitalized software amortization.
Total Operating Expense	**$ 35,386**	**$ 34,029**	**4%**	
Adjusted EBITDA (3)				(3) Adjusted EBITDA calculated by adding back stock compensation and acquisition-related costs to EBITDA.
CareVention HealthCare	$ 12,077	$ 11,466	5%	
Margin %	23.9%	25.6%		
MedWise HealthCare	$ 4,697	$ 9,059	-48%	Decreased due to reasons cited above, record revenue and profitability in Q2 2019.
Margin %	17.8%	28.8%		
Corporate shared services	$ (9,640)	$ (6,873)	40%	Reflects heavy investments in 2019 and first half of 2020 with overall headcount up 17% as of 6/30.
Adjusted EBITDA	**$ 7,134**	**$ 13,652**	**-48%**	

Third Quarter 2020 Outlook

$ in thousands	Q3-2019A	Q3-2020 Low	Q3-2020 High	Q3-2020 Low	Q3-2020 High
Total Revenue	$ 74,270	$ 74,000	$ 78,000	0%	5%
Adjusted EBITDA	$ 10,576	$ 7,000	$ 9,000	-34%	-15%

Key factors/assumptions:

- Within CareVention HealthCare, we expect revenue to be flat to modestly higher vs. Q2, driven by slowing PACE census growth, with Q3 2020 representing year-over-year growth in the 10% range.
- Within MedWise HealthCare, we expect revenue to be modestly lower to flat vs. Q2, driven by implementation delays associated with new contracts, with Q3 2020 representing a year-over-year decline in medication safety services. We expect medication safety services revenue during Q4 2020 to increase on a sequential & year-over-year basis as Q1 wins come online in Q3.
- With modest revenue growth, profitability is negatively impacted by our significant investments in recent quarters. For example, overall headcount is up 17% as of 6/30 vs. a year ago.

Full Year 2020 Outlook

$ in thousands	2019A	2020 Low	2020 High	2020 Low	2020 High
Total Revenue	$ 284,707	$ 300,000	$ 310,000	5%	9%
Adjusted EBITDA	$ 37,921	$ 27,000	$ 33,000	-29%	-13%

Key factors/assumptions:

- In order of importance, revenue range lowered due to: 1) COVID-19 related delays in closing health plans deals with project timelines in some cases moving to 2021, 2) COVID-19 related slowing PACE census growth, 3) implementation delays associated with Q1 wins with our largest win shifting to 2021, and 4) cancellation of all of the major pharmacy tradeshows, negatively impacting Prescribe Wellness.
- Expect sequential revenue growth from Q3 to Q4, which would represent improved year-over-year revenue growth and profitability vs. Q3 growth rates and margins, led by our MedWise HealthCare segment.
- Free cash flow (defined as CFO less capital expenditures and capitalized software) estimate of breakeven to $5 million.

2021: Early Thoughts

- **Overall:** Currently see a path to return to historical *organic* growth rates with profitability expanding at a materially faster rate as we benefit from major investments and hiring in 2019 and first half of 2020.
- **CareVention:** Key factors driving current view include: 1) improving internal PACE census trends during June, July & August, 2) a strong number of new PACE clients and expansions scheduled for the 2H of 2020 and 2021 with backlog in aggregate representing 25% growth on a PACE center basis vs. our total number of PACE centers as of July 31, 2020, and 3) large late-stage deals representing thousands of PACE lives and well in excess of $10 million in annual revenue.
- **MedWise:** Key factors driving current view include: 1) strong results within existing large health plans leading to active expansion discussions ongoing and 2) major new pharmacy win coming online has potential to drive double-digit software subscriptions growth in 2021.