



# Standing strong for payers and patients

**Dr. Steve Miller, SVP, Chief Medical Officer**  
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WILLIAM BLAIR 37<sup>TH</sup> ANNUAL  
GROWTH STOCK CONFERENCE 6.14.17



# Safe harbor statement; Non-GAAP measures; Market and industry data

## SAFE HARBOR STATEMENT

During this presentation, the Company will make forward-looking statements, including but not limited to our 2017 full year and quarterly guidance, our long-term outlook and our statements related to the Company's plans, objectives, expectations (financial and otherwise) or intentions. Actual results may differ materially from those projected or suggested in any forward-looking statements. Factors that may impact these forward-looking statements can be found in Item 1A – "Risk Factors" in the Company's Management's Discussion and Analysis of Financial Condition and Results of Operations and Annual Report on Form 10-K filed with the SEC on February 14, 2017 and the Company's Quarterly Report on Form 10-Q filed with the SEC on April 24, 2017. Copies of this document can be found at the Investor Information section of Express Scripts' website at <http://www.express-scripts.com/corporate>.

We do not undertake any obligation to release publicly any revisions to such forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. We also do not currently intend to release publicly any updates regarding our relationship with Anthem after the date hereof, whether as a result of renewed discussions with Anthem or otherwise.

## NON-GAAP FINANCIAL MEASURES

While the Company reports financial results in accordance with U.S. generally accepted accounting principles ("GAAP"), this presentation also includes non-GAAP financial measures. These non-GAAP measures, including EBITDA, adjusted EBITDA, EBITDA per adjusted claim, adjusted SG&A and adjusted earnings per diluted share, are not prepared in accordance with GAAP, nor are they a substitute for, GAAP measures. The Company believes these non-GAAP measures provide management and investors with useful information about the earnings impact of certain expenses and are useful for (i) comparison of our earnings to those of other companies; (ii) a better understanding of the Company's ongoing core performance; (iii) planning and forecasting for future periods; and (iv) assessing period-to-period performance trends. Management assesses the Company's operating performance using EBITDA and adjusted EBITDA in order to better isolate the impact of certain expenses that may not be comparable between periods or indicative of the ongoing performance of our core operations. EBITDA per adjusted claim provides management and investors with useful information about the earnings and performance of the Company on a per unit basis. For additional information regarding non-GAAP measures and a reconciliation to the comparable GAAP measures of these non-GAAP financial measures see the "Appendix".

## MARKET AND INDUSTRY DATA

Unless we indicate otherwise, we base the information concerning our industry contained in this presentation on our general knowledge of and expectations concerning the industry. Our market position and market share is based on our estimates using data from various industry sources and assumptions that we believe to be reasonable based on our knowledge of the industry. We have not independently verified data from industry sources and cannot guarantee its accuracy or completeness. In addition, we believe that data regarding the industry and our market position and market share within such industry provides general guidance but is inherently imprecise.

# We uniquely make medicine affordable

## A PBM DRIVEN TO REIN IN RISING PRESCRIPTION DRUG COSTS

Aggregating the purchasing power of 83 million people

Employing innovative tools to lower costs

- Generic Fill Rate at 85% in 2016 vs. 57% in 2006
- Formulary management strategies
- Clinical and value-based contracting solutions

Managing retail pharmacy networks

- Driving down costs through competition
- Ensuring affordability and access



Growing demand for our innovative solutions that protect payers and patients and delivering value beyond

# Meeting high prices with bold actions

THE HILL

**PBM**s on the frontline with cost lowering solutions

Bloomberg Markets

**Lower \$1,000 Pill Price? We'd Love It, Says Express Scripts**

thepharmaletter

'Rebates don't raise prices, drugmakers do,' says PBM

Bloomberg Business

**Big Pharma Losing Leverage as Payers Raise Pressure on Price**

FiercePharma

**Express Scripts going to value pricing for inflammatory drugs**

# Keeping costs in check: Trend drops 27% in 2016 vs. 2015



**- 1.0%**  
traditional



**3.8%**  
total trend



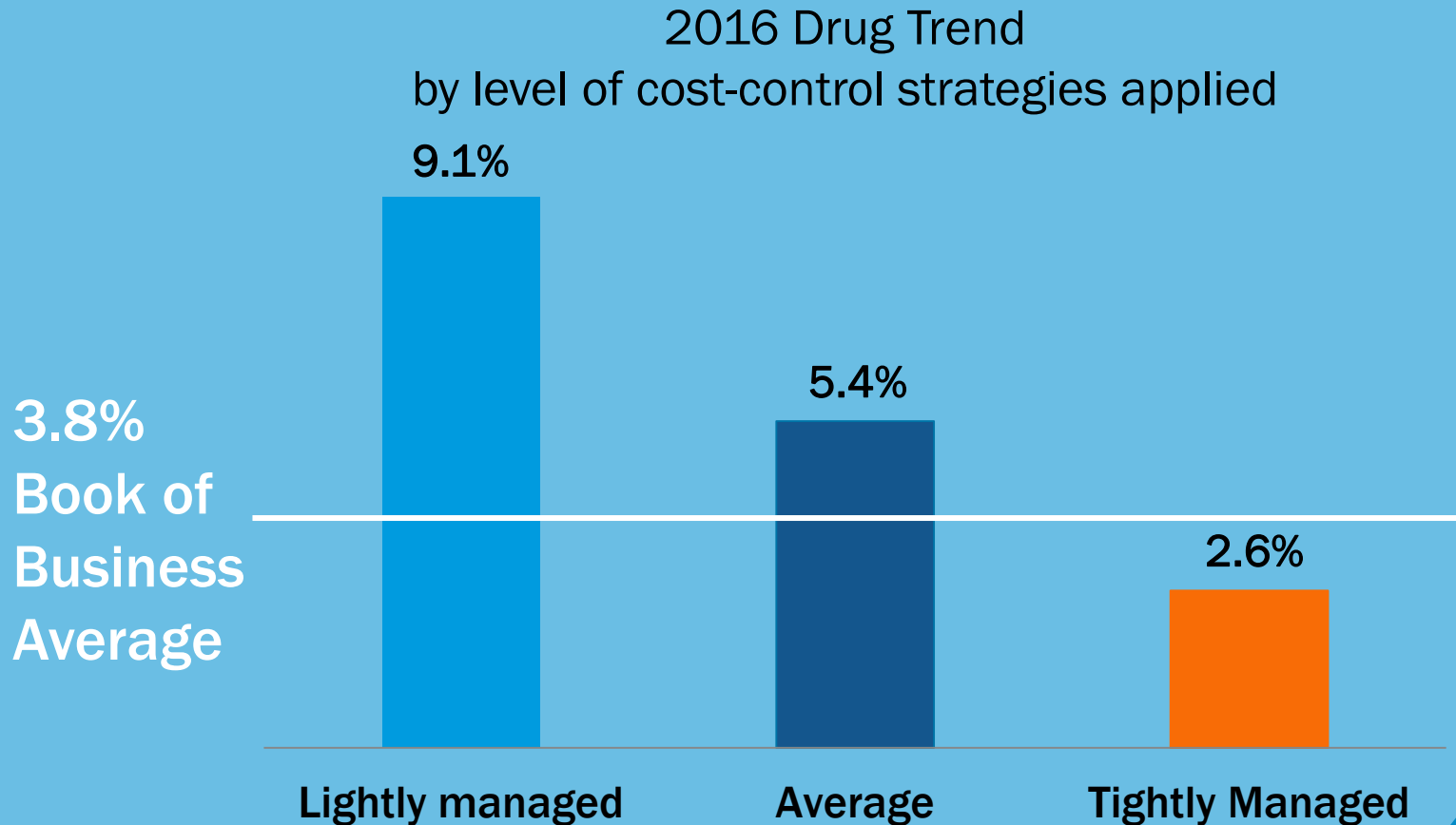
**13.3%**  
specialty

Management tools  
kept specialty  
spend at lowest  
level since 2003

Source: Express Scripts 2016 Drug Trend Report

Note: Trend numbers compare January-December 2016 to same period in 2015 for commercially insured plans managed by Express Scripts. Reflects total cost for both payers and patients, net of rebates.

# Tightly managed = better results



Source: Express Scripts 2016 Drug Trend Report

Note: Trend numbers compare January-December 2016 to same period in 2015 for commercially insured plans managed by Express Scripts. Reflects total cost for both payers and patients, net of rebates.

# Our foundation for driving value beyond



**Biggest pain points**



**Superior care**



**Value-based risk sharing**



**Exceptional discounts**



**MS**



**Pulmonary**



**Diabetes**



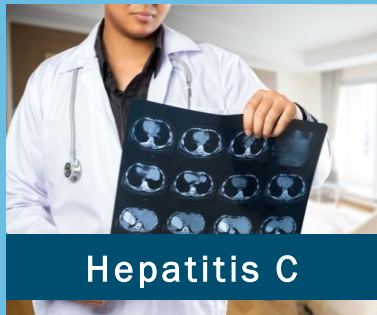
**Cancer**



**Inflammatory**



**High Cholesterol**



**Hepatitis C**

# Pulmonary Care Value Program<sup>SM</sup>

## Challenge

U.S. Prevalence

Asthma = 1 in 12

COPD = 1 in 15

1 of 2

Asthma patients do not use their Inhalers correctly

Growing population

37M<sup>1</sup>

in the U.S. have asthma or COPD

Without better adherence, costs will continue to soar, the average asthma-related hospitalization is

\$6,600



## Solution

High-tech tools for better care

Pulmonary TRC<sup>®</sup>  
Remote Monitoring and  
Mango Health Solution



Lowest cost, clinically equivalent Rx use



Step Therapy Programs  
Formulary Management

First quality-based pharmacy network



10,000+ retail



home delivery

90-day supply

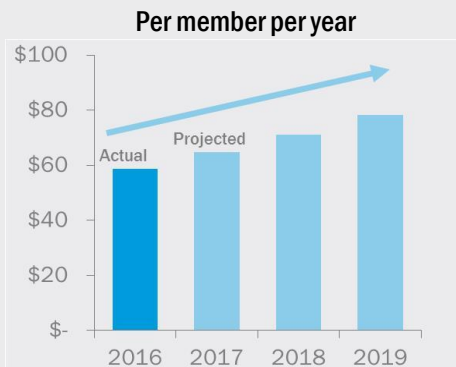
<sup>1</sup> National Heart, Lung and Blood Institute.



# Multiple Sclerosis Care Value Program<sup>SM</sup>

## Challenge

Spending – expected to grow 34% by 2019



25%

of MS patients discontinue  
Therapy in the first 90 days

New Treatments + More Diagnosis =  
Increasing costs

More Options  
+15%

Trend Driver  
#4

Costly Care  
\$70K+



## Solution



**Drive value**  
Create competition  
By National Preferred Formulary  
or Utilization Management Tools

**Share risk**  
Early discontinuation  
reimbursement up to



**\$2,500**

per 30-day Rx for first three fills

Specialized Care leads to 5%  
higher adherence for MS patient  
Tailored Support



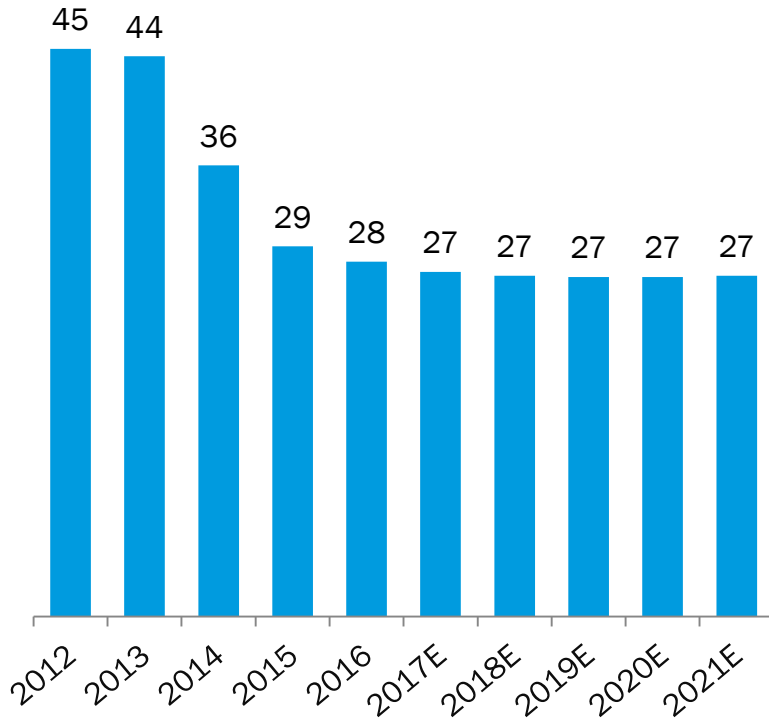
Accredo Specialty  
Pharmacy



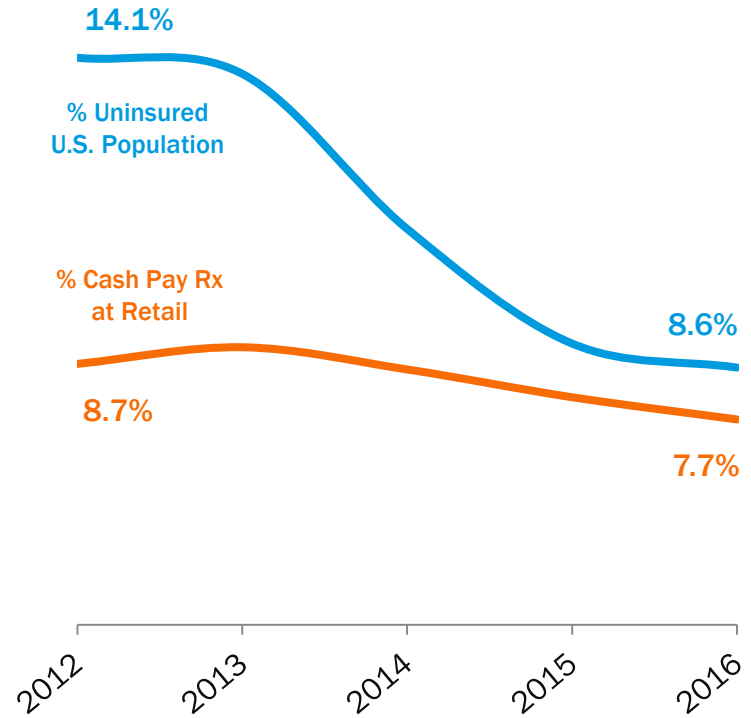
MS Therapeutic Resource  
Center<sup>®</sup>

# Patients in need of more affordable and accessible medications

Total U.S. Uninsured Population (millions)

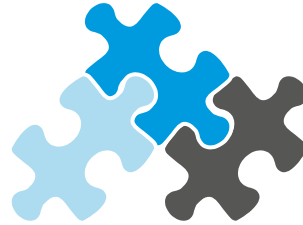


Uninsured Rate vs. Retail Cash Pay Rx



Source: QuintilesIMS, National Prescription Audit; PayerTrak, Dec 2016; U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, National Center for Health Statistics, National Health Interview Survey; Centers for Medicare & Medicaid Services, Office of the Actuary, NHE Projections 2016-2025, Table 17: Health Insurance Enrollment and Enrollment Growth Rates

# Inside Rx: A collaborative program, delivering for patients



## Pharma

Gives value to patient and moves away from coupons

## ESRX

Increased claims, Pharma value, a new consumer market

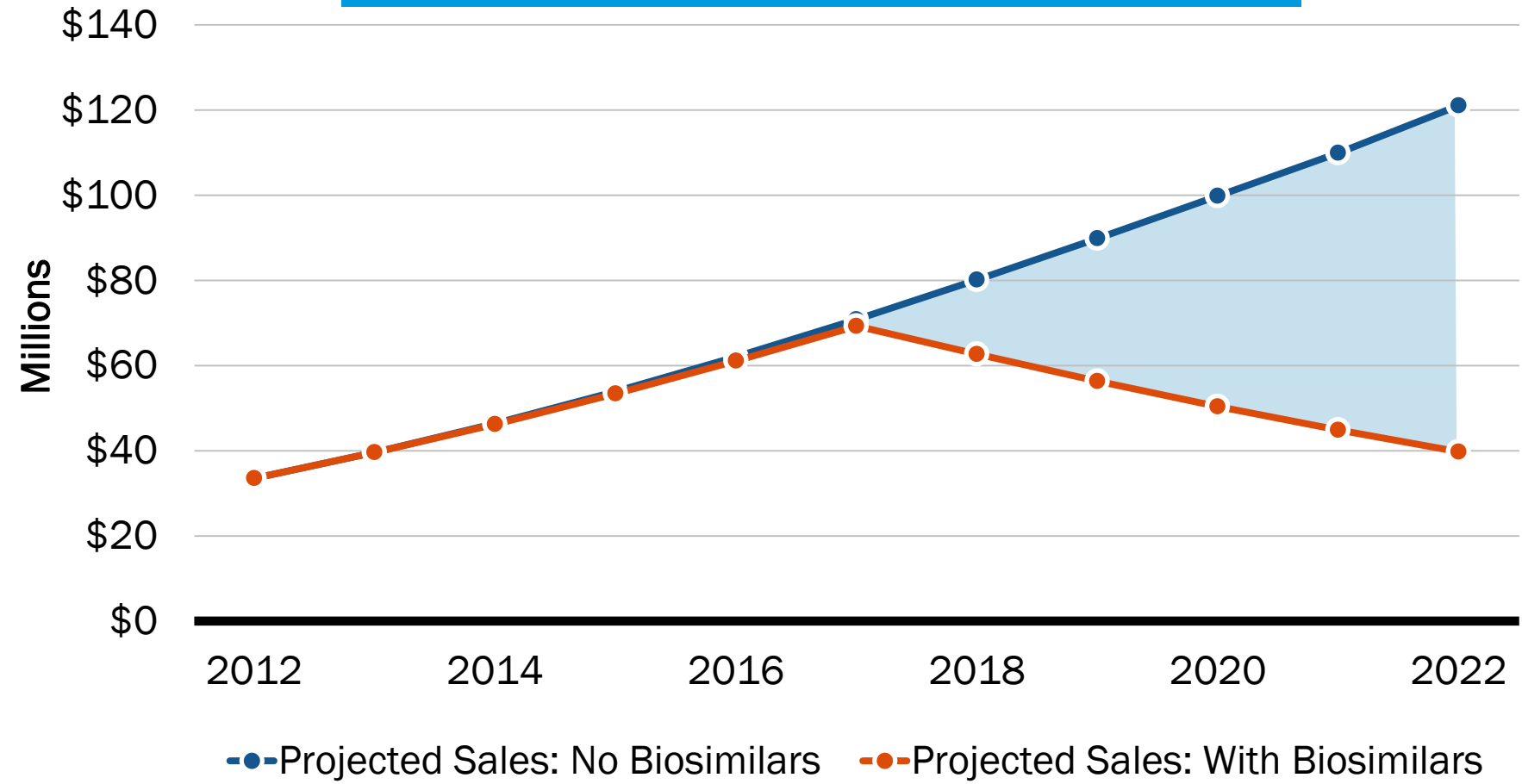
## Retail

Increased volume and foot traffic

**One Goal: To get patients the lowest price on medications.**

# Projected biosimilar savings

**\$250 BILLION through 2024**



Source: Potential Savings of Biogenerics in the United States, S Miller, J Houts - Express Scripts, 2007

# 16 companies, 12 originator drugs, \$38.5 billion at stake

|   |   |  |   |
|---|---|--|---|
| <b>Humira</b><br>10 companies<br>\$6.5B in revenue        | <b>Mabthera/Rituxan</b><br>8 companies<br>\$3.6B in revenue | <b>Enbrel</b><br>7 companies<br>\$4.4B in revenue  | <b>Neulasta</b><br>7 companies<br>\$3.6B in revenue |
| <b>Herceptin</b><br>6 companies<br>\$2.2B in revenue      | <b>Remicade</b><br>5 companies<br>\$4.2B in revenue         | <b>Avastin</b><br>5 companies<br>\$2.9B in revenue | <b>Lantus</b><br>5 companies<br>\$5.6B in revenue   |
| <b>Epogen/Procrit</b><br>4 companies<br>\$2.7B in revenue | <b>Aranesp</b><br>2 companies<br>\$800M in revenue          | <b>Erbix</b><br>2 companies<br>\$700M in revenue   | <b>Synagis</b><br>1 company<br>\$500M in revenue    |

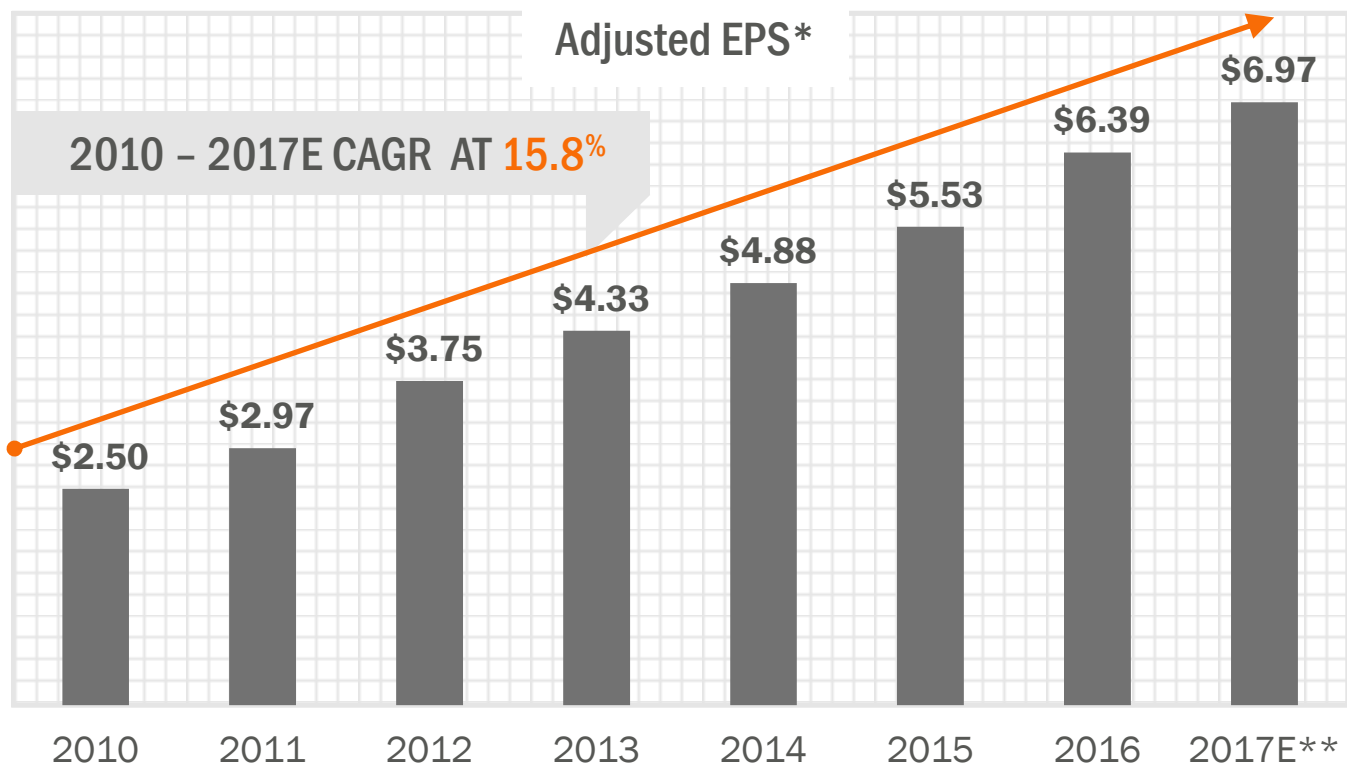
**Biosimilar R&D: The race is on!**

# Financial Update

**Ben Bier, VP Investor Relations**



# Proven ability to deliver long-term growth

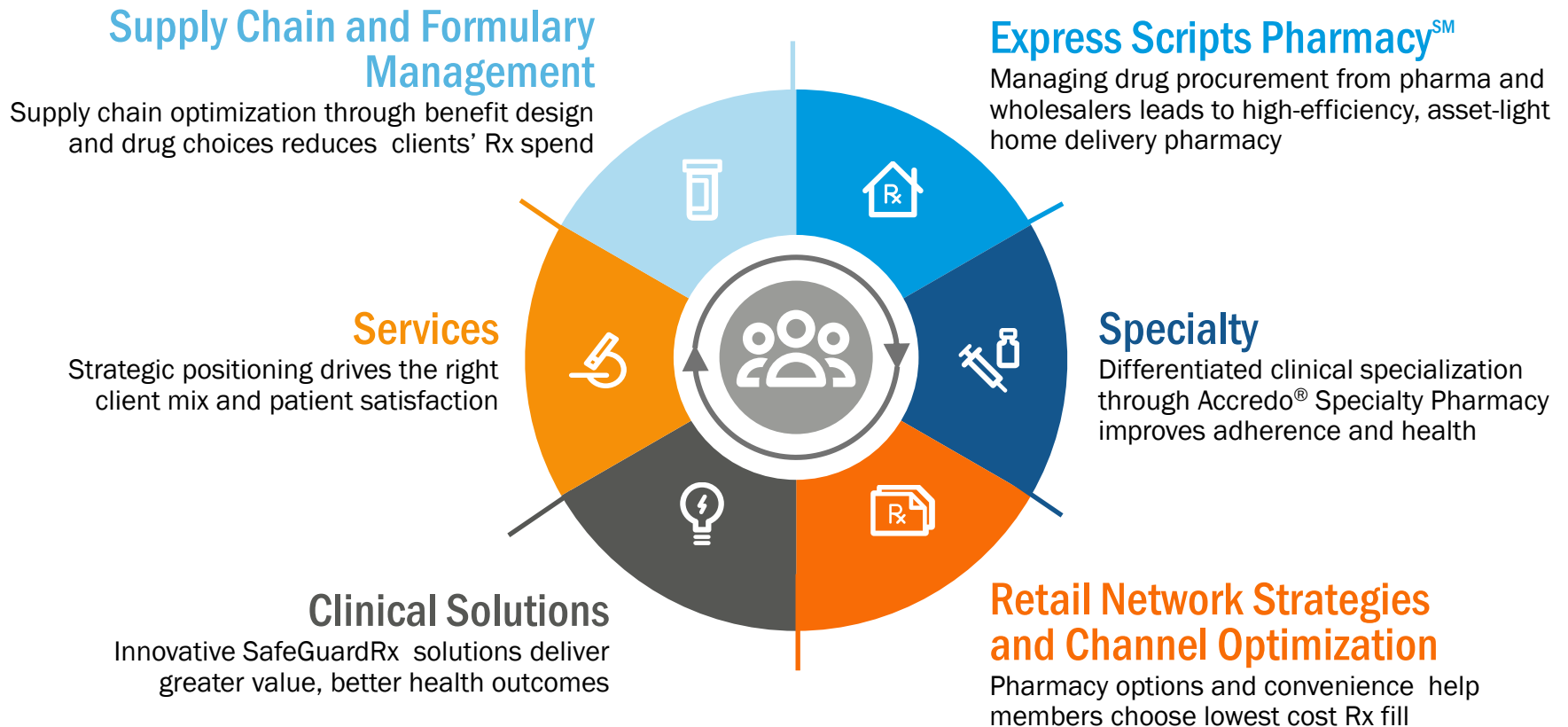


Model of alignment drives results

\*See appendix for reconciliation of Non-GAAP measures.

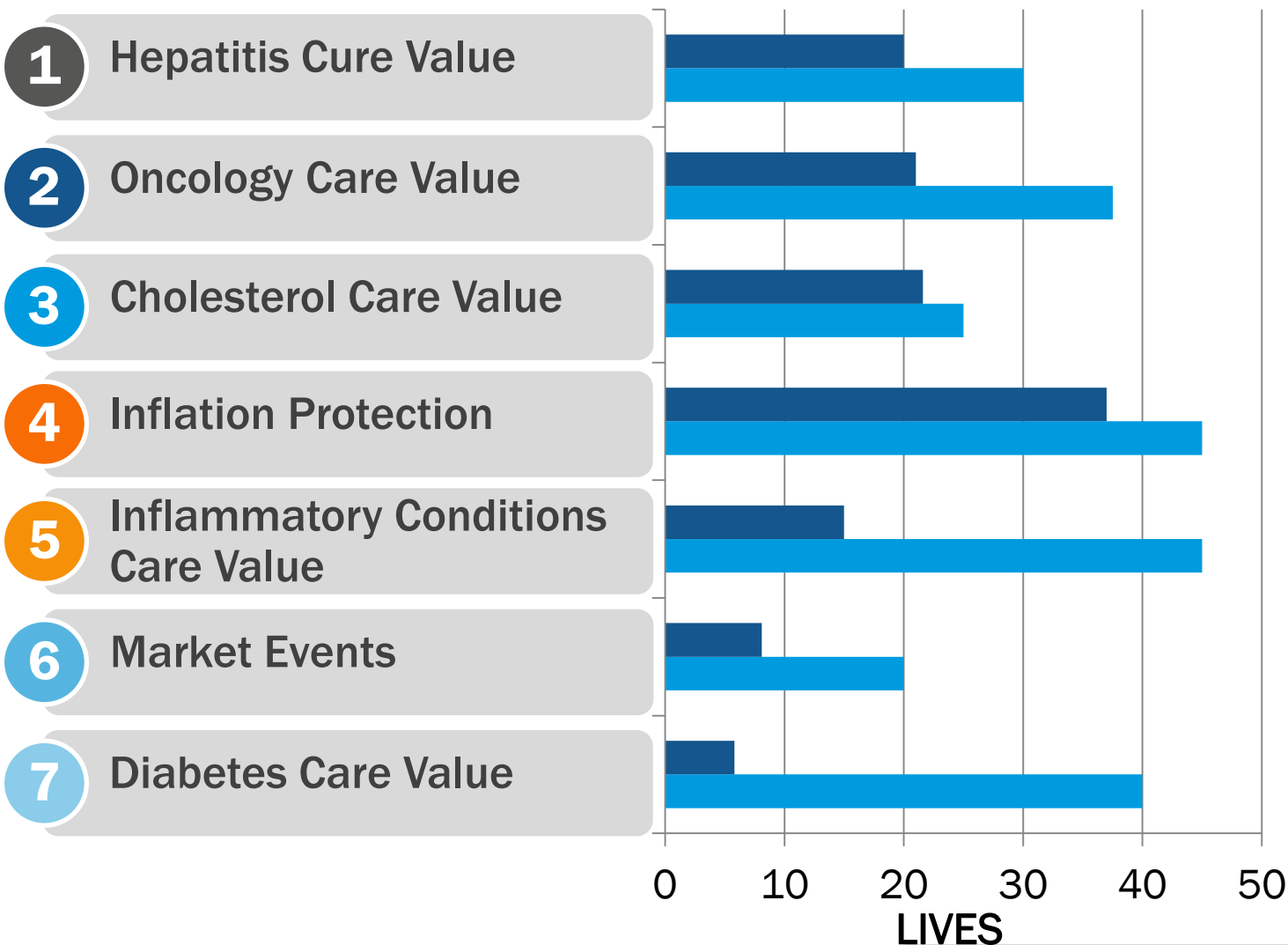
\*\*Figure represents midpoint of adjusted EPS guidance range for 2017, updated on April 24, 2017 and speaks only as of that date. This figure is provided only for historical purposes and has not been updated to reflect subsequent developments or possible changes in expectations since April 24, 2017 and does not necessarily reflect the company's current views or expectations. See Appendix for footnotes.

# Balanced portfolio of growth drivers





# SafeGuardRx<sup>SM</sup> an innovative approach



Leverages traditional PBM tools + value-based reimbursement contracting to drive value for patients & clients

■ Today's Penetration  
■ Long-Term Opportunity

# Core PBM well positioned for long-term growth

|                | DRIVERS                         | IMPACT    | CONSIDERATIONS   | CORE PBM '17-'20 EBITDA CAGR IMPACT |
|----------------|---------------------------------|-----------|--|-------------------------------------|
| Trends         | Volume                          | Neutral/- | Modest headwind due to slower utilization and industry dynamics, offset by expanding coverage      | +/- 50 bps                          |
|                | Inflation                       | +         | Moderate contribution from drug price inflation  |                                     |
| Current Assets | Client Price Concessions        | -         | Client and member drug trend control   | ~ 200 - 300 bps                     |
|                | Supply Chain Management         | +         | Independent model creates re-contracting opportunities, ability to capitalize on new drug launches |                                     |
|                | Accredo Specialty               | +         | Annual specialty spend continues to grow   |                                     |
|                | Express Scripts Pharmacy        | +         | Delivering member experience and better health outcomes through home delivery                      |                                     |
|                | Clinical Solutions              | +         | Adoption of new programs (i.e. SafeGuardRx, Smart90)   |                                     |
| Other          | Expense management              | +         | Continued focus on expense reductions  | ~ 50 bps                            |
|                | Biosimilars; Medical Management | +         | Future opportunities   | Incremental growth                  |
|                | Consumer Solutions              | +         | Delivering innovative solutions directly to patients   |                                     |

# Focused on long-term financial framework

## Strong Outlook

- Targeting a core PBM EBITDA CAGR of 2% to 4% in 2020
- Continued historical EPS growth

## Robust Cash Generation

- Generate substantial free cash flow
- Focus on working capital management

## Capital Deployment

- High ROI capital expenditures
- Disciplined approach to M&A
- Deploy excess cash to shareholders

## Balance Sheet

- Generally target ~2x debt-to-EBITDA leverage
- Maintain strong investment-grade credit ratings

Leveraging core earnings growth and disciplined capital deployment to drive shareholder value

# Express Scripts is built for growth

**The rising cost of prescription drugs is unsustainable for payers and patients**

**The constantly shifting health care landscape requires an innovative and comprehensive approach**

**Express Scripts is uniquely aligned with payers in improving care while controlling cost**

**We are the  
leaders in  
value-based care**



EXPRESS SCRIPTS®



# Appendix

# Footnotes

## Supplemental Information Regarding Non-GAAP Financial Measures

The following provides supplemental information regarding the non-GAAP financial measures presented herein, including the reconciliation of such measures to the most directly comparable financial measures calculated in accordance with GAAP. Adjusted EPS and EBITDA are non-GAAP financial measures presented herein, are not calculated or presented in accordance with GAAP, and should be considered in addition to, but not as a substitute for, or superior to, financial measures prepared in accordance with GAAP. The Company believes that these non-GAAP financial measures provide management and investors with useful information about the earnings impact of certain expenses and are useful for (i) comparison of our earnings to those of other companies; (ii) a better understanding of the Company's ongoing core performance; (iii) planning and forecasting for future periods; and (iv) assessing period-to-period performance trends. Management assesses the Company's operating performance using EBITDA in order to better isolate the impact of certain expenses that may not be comparable between periods or indicative of the ongoing performance of our core operations. EBITDA per adjusted claim provides management and investors with useful information about the earnings and performance of the Company on a per unit basis.

*2017 Guidance Information:* Due to the inherent difficulty of forecasting the timing and amount of certain items that would impact EPS and net income, including discrete tax items, the Company is unable to reasonably estimate the related impact of such items to EPS and net income, the GAAP financial measures most directly comparable to adjusted EPS and EBITDA, respectively. Accordingly, the Company is unable to provide a reconciliation of 2017 guidance for either adjusted EPS to EPS or EBITDA to net income. For the same reasons, the Company is unable to address the probable significance of the unavailable information, which could have a significant impact on the Company's second quarter and full-year 2017 GAAP financial results. With respect to adjusted EPS, amortization of intangible assets is expected to be approximately \$0.39 and \$1.56 per share for the second quarter and full-year 2017, respectively.

# 2015-2016 Earnings Per Diluted Share Reconciliation

## Calculation of Express Scripts Holding Company Unaudited Adjusted Diluted EPS

|   | Year Ended<br>December 31, |                |
|---|----------------------------|----------------|
|   | 2016                       | 2015           |
| <b>Diluted EPS attributable to Express Scripts, as reported</b> | <b>\$ 5.39</b>             | <b>\$ 3.56</b> |
| <b>Excluding items indicated:</b>                               |                            |                |
| Transaction and integration costs <sup>*</sup>                  | -                          | 0.74           |
| Other compensation costs <sup>*</sup>                           | 0.06                       | -              |
| Legal settlement <sup>*</sup>                                   | -                          | 0.09           |
| Debt redemption costs <sup>*</sup>                              | 0.22                       | 0.01           |
| Discrete tax items  | (1.00)                     | (0.11)         |
| Amortization of intangible assets <sup>*</sup>                  | 2.90                       | 2.49           |
| Tax impact of excluded items                                    | (1.18)                     | (1.25)         |
| <b>Diluted EPS attributable to Express Scripts, adjusted</b>    | <b>\$ 6.39</b>             | <b>\$ 5.53</b> |

<sup>\*</sup>Presented on a pre-tax basis. A change to the presentation of this table was made to reflect the tax impact of non-GAAP excluded items as a single adjustment for the three months and year ended December 31, 2016 and 2015.



# 2014-2015 Earnings Per Diluted Share Reconciliation

## Calculation of Express Scripts Holding Company Unaudited Adjusted Diluted EPS

|   | Year Ended<br>December 31, |                |
|---|----------------------------|----------------|
|   | 2015                       | 2014           |
| <b>Diluted EPS attributable to Express Scripts, as reported</b> | <b>\$ 3.56</b>             | <b>\$ 2.64</b> |
| <b>Excluding items indicated:</b>                               |                            |                |
| Transaction and integration costs                               | 0.47                       | 0.89           |
| Legal settlement  | 0.05                       | -              |
| Debt redemption costs   | 0.01                       | 0.06           |
| Discrete tax items  | (0.11)                     | (0.15)         |
| Amortization of intangible assets                               | 1.55                       | 1.44           |
| <b>Diluted EPS attributable to Express Scripts, adjusted</b>    | <b>\$ 5.53</b>             | <b>\$ 4.88</b> |

# 2012-2013 Earnings Per Diluted Share Reconciliation

## Calculation of Express Scripts Holding Company Adjusted EPS from Continuing Operations

|  | Year Ended<br>December 31, |                |
|--|----------------------------|----------------|
|  | 2013                       | 2012           |
| <b>EPS from continuing operations attributable to Express Scripts, as reported</b> | <b>\$ 2.31</b>             | <b>\$ 1.80</b> |
| Non-recurring items:   |                            |                |
| Transaction and integration costs  | 0.55                       | 0.61           |
| Interest income  | (0.03)                     | -              |
| Debt redemption costs  | 0.05                       | -              |
| Pre-close financing costs  |                            | 0.07           |
| Discrete tax items   | (0.06)                     | (0.01)         |
| Amortization of intangible assets  | 1.51                       | 1.28           |
| <b>EPS from continuing operations attributable to Express Scripts, adjusted</b>    | <b>\$ 4.33</b>             | <b>\$ 3.75</b> |

# 2010-2011 Earnings Per Diluted Share Reconciliation

## Calculation of Adjusted EPS

|  | Year Ended<br>December 31, |                |
|--|----------------------------|----------------|
|  | 2011                       | 2010           |
| <b>EPS from continuing operations, as reported</b>   | \$ 2.53                    | \$ 2.21        |
| <b>Non-recurring/transaction-related items:</b>      |                            |                |
| Medco transaction-related costs                      | 0.08                       | -              |
| Medco financing costs                                | 0.13                       | -              |
| NextRx integration-related costs                     | -                          | 0.14           |
| Benefit related to client contract amendment         | -                          | (0.03)         |
| Accrual related to client contractual dispute        | 0.04                       |                |
| <b>Amortization of:</b>                              |                            |                |
| Legacy intangible assets                             | 0.04                       | 0.04           |
| NextRx-related intangible assets                     | 0.15                       | 0.14           |
| <b>EPS from continuing operations, adjusted</b>      | <u>\$ 2.97</u>             | <u>\$ 2.50</u> |
| <b>EPS from discontinued operations, as reported</b> | \$ -                       | \$ (0.04)      |
| <b>Non-recurring items:</b>                          |                            |                |
| Impairment and other charges                         | -                          | 0.04           |
| <b>EPS from discontinued operations, adjusted</b>    | <u>\$ -</u>                | <u>\$ -</u>    |
| <b>Total EPS, adjusted</b>                           | <u>\$ 2.97</u>             | <u>\$ 2.50</u> |