



# 2018 Guidance Conference Call

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**FINANCIAL GUIDANCE CONFERENCE CALL 12.14.17**



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# Safe harbor statement; Non-GAAP financial 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 and 2018 full-year, our long-term outlook, our Enterprise Value initiative and expected cost savings 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 October 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 adjusted EBITDA 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 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. 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.

# Agenda

- ✓ Delivering results in 2017
- ✓ 2018 guidance
- ✓ Enterprise Value Initiative underway
- ✓ Expanding strategic platform with eviCore
- ✓ Growth driven by differentiated solutions driving client savings



100% focused  
on **creating**  
**value** and  
**putting medicine**  
in reach

# 2017 Updated Financial Guidance

(In millions, except per share metrics)	2017 Core Guidance*	2017 Updated Consolidated Guidance	2017 Previous Consolidated Guidance
Total adjusted claims <sup>1</sup>	1,158 to 1,172	1,392 to 1,408	1,392 to 1,408
Adjusted EBITDA**	\$4,910 to \$4,970	\$7,370 to \$7,450	\$7,350 to \$7,470
Cash flow from operations	N/A	\$4,700 to \$5,200	\$4,700 to \$5,200
Diluted weighted avg. shares outstanding	N/A	580 to 585	580 to 585
<b>Adjusted earnings per diluted share*</b>	<b>N/A</b>	<b>\$7.00 to \$7.08</b>	<b>\$6.97 to \$7.05</b>

\*The Company is providing this information to assist in an analysis of the underlying performance of the Company's Core business, which excludes the contributions from Anthem, Coventry and Catamaran, which we also refer to as the "Transitioning Clients."

\*\* For a reconciliation of the non-GAAP financial measures to the comparable GAAP measure, see supplemental information regarding non-GAAP financial measures in the Appendix. All earnings per diluted share, adjusted EBITDA, and adjusted earnings per diluted share amounts are presented as attributable to Express Scripts, excluding non-controlling interest representing the share allocated to members of our consolidated affiliates.

## 2017 Adjusted EPS expected growth of 10-11%

# 2018 Financial Guidance

(In millions, except per share metrics)	2018 Core Guidance* (including eviCore)	2018 Consolidated Guidance	CHANGE**	
			Core vs. 2017 (including eviCore)	Consolidated vs. 2017
Total adjusted claims <sup>1</sup>	1,125 to 1,165	1,345 to 1,395	(3%) - flat	(4%) - flat
Revenue	\$80,500 to \$83,000	\$99,000 to \$102,000		
Adjusted EBITDA <sup>***</sup>	\$5,250 to \$5,400	\$7,600 to \$7,800	6% - 9%	3% - 5%
Cash flow from operations		\$4,900 to \$5,400		(1%) - 9%
Diluted weighted avg. shares outstanding		540 to 560		(7%) - (4%)
<b>Adjusted earnings per diluted share*</b>		<b>\$7.67 to \$7.87</b>		<b>9% - 12%</b>

\*The Company is providing this information to assist in an analysis of the underlying performance of the Company's Core business, which excludes the contributions from Anthem, Coventry and Catamaran, which we also refer to as the "Transitioning Clients."

\*\* Change calculated based on midpoint of 2017 guidance.

\*\*\*For a reconciliation of the non-GAAP financial measures to the comparable GAAP measure, see supplemental information regarding non-GAAP financial measures in the Appendix. All earnings per diluted share, EBITDA and adjusted earnings per diluted share amounts are presented as attributable to Express Scripts, excluding non-controlling interest representing the share allocated to members of our consolidated affiliates.

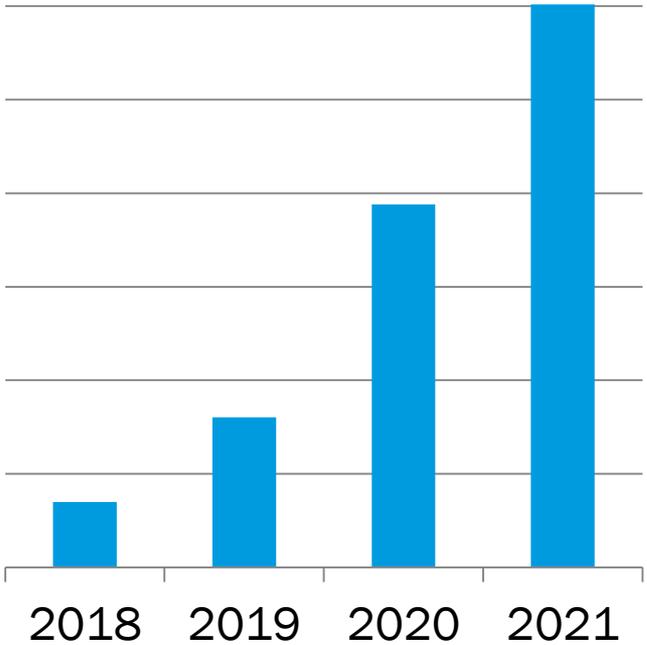
## 2018 Adjusted EPS expected growth of 9-12%

# Future investments generate value for patients, clients, physicians and investors

Investing \$600-650M for long-term success

Savings: \$550 - 600M annually by 2021

- ▶ Improved Patient Engagement
- ▶ Improved Physician Engagement
- ▶ Improved Client Experience



Actively managing for efficiencies and savings

# eviCore: At a glance

Evidence-based approach, leading-edge technology

Seasoned Leadership with 130 years aggregate experience

Proudly serve 100M Americans

9+ integrated solutions

25 years of experience

100 health plan clients



Enabling better outcomes for patients, providers & plans



**HITRUST**  
**CSF Certified**



# Proactively managing market dynamics

## Opportunities

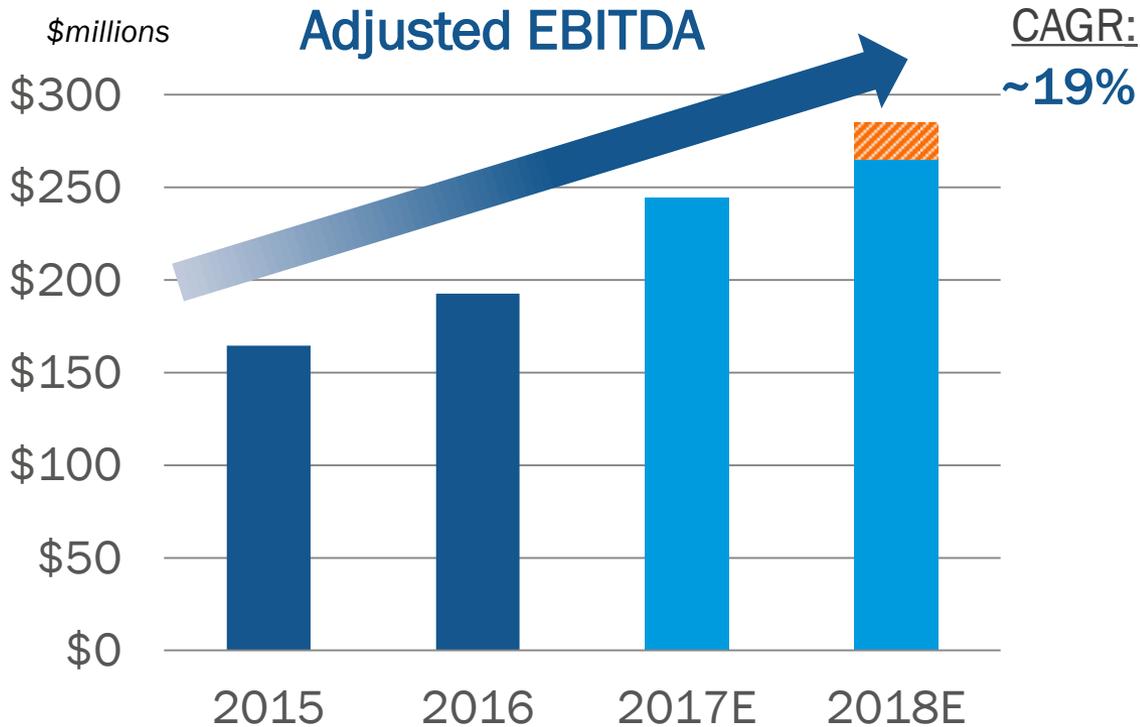
- Scale to drive supply chain savings
- Increase addressable market under the pharmacy and medical benefit
- Combine data-driven solutions to increase opportunity sets
- Increase customer retention due to integrated/expanded offerings

## A Common Approach

	Express Scripts	eviCore
Clinicians	●	●
Clinical Specialization	●	●
Evidence-based clinical guidelines	●	●
Physician decision-support technology	●	●
Actionable data	●	●
Managed Networks	●	●
Innovative Solutions	●	●

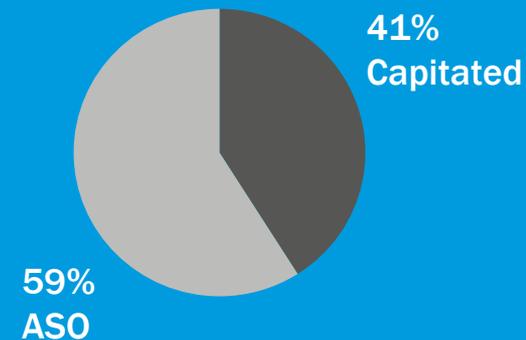
eviCore assets poised to capture growth opportunities

# eviCore: Key financial data



- ## Financial Highlights
- ~ \$3B in annual revenue
  - \$3.6B to be paid in cash and debt
  - Strong Free Cash Flow
  - Accretive in first full year

## GROSS PROFIT

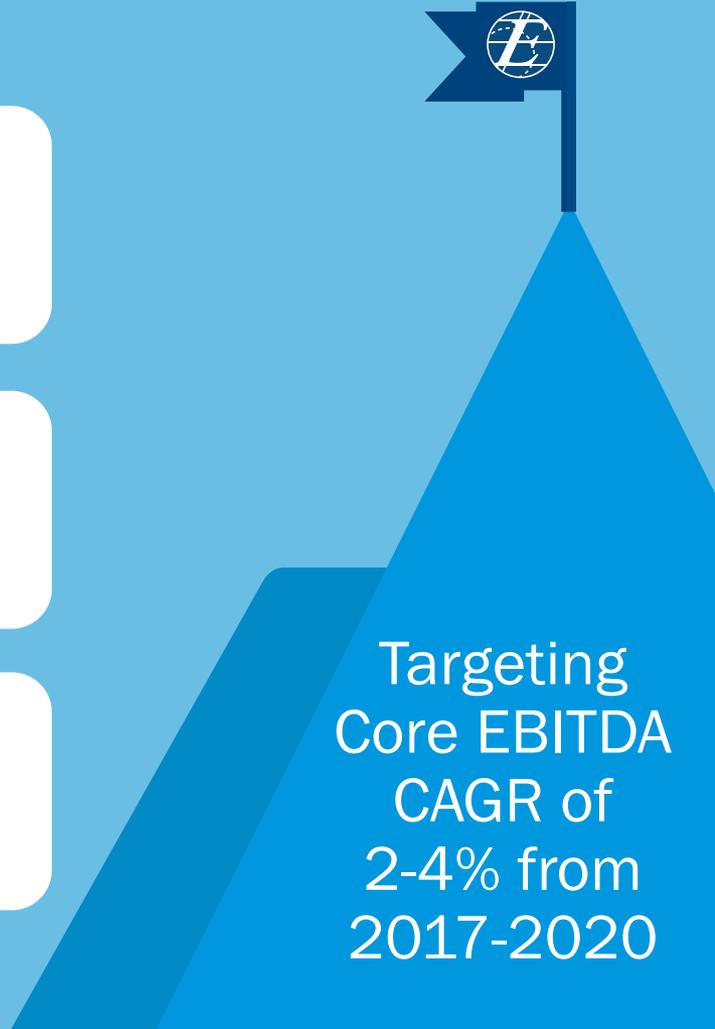


\* For a discussion of the non-GAAP financial measures, see supplemental information regarding non-GAAP financial measures in the Appendix.

**Expect double-digit EBITDA growth & increase in addressable market**

# Looking ahead: Poised for future growth

- ▶ Strong and differentiated position in the healthcare industry to improve outcomes while lowering costs
- ▶ Innovation through our industry-leading assets to drive significant clients savings and organic growth
- ▶ Disciplined approach to expense control and cash deployment to maximize ROIC



Targeting  
Core EBITDA  
CAGR of  
2-4% from  
2017-2020



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# Appendix

# Footnotes

1. Total adjusted network claims reflects non-specialty network claims filled through our 90-day programs multiplied by three, as these claims, on average, typically cover a time period three times longer than other network claims. Home delivery claims are also multiplied by three, as home delivery claims typically cover a time period three times longer than unadjusted network claims.

## Supplemental Information Regarding Non-GAAP Financial Measures

The following provides supplemental information regarding the non-GAAP financial measures presented herein, for both consolidated and Core financial measures. Adjusted EPS and adjusted EBITDA are non-GAAP financial measures presented herein, are not calculated or presented in accordance with U.S. generally accepted accounting principles ("GAAP"), and should be considered in addition to, but not as a substitute for, or superior to, financial measures prepared in accordance with GAAP. These non-GAAP financial measures are determined by excluding certain amounts, expenses, income or other impacts, including the impact of discrete tax and other items, from the corresponding financial measures determined 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 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.

*Consolidated and Core 2017 and 2018 Guidance Information:* The financial measure attributable to our Core business presented herein, including adjusted EBITDA, is also a non-GAAP financial measure. This measure is 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. This measure represents operating results excluding specific clients of the Company; however, it is not regularly reviewed by our Chief Executive Officer to assess the performance of any of these clients or make decisions about resources to be allocated to any such client. This measure also reflects management's estimates as to allocation of costs of its PBM business to each of the Transitioning Clients and may not be indicative of costs actually incurred as a result of servicing each of these clients. However, management is unable to reasonably estimate the allocation of certain key items that would impact net income attributable to each of the Transitioning Clients, including interest and depreciation and amortization. Accordingly, the Company is unable to provide net income attributable to any of its Core business excluding the Transitioning Clients, and is unable to provide a reconciliation of adjusted 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 long-term outlook for the Core, as discussed above.

Due to the inherent difficulty of forecasting the timing and amount of certain items that would impact EPS and net income, including discrete tax and other 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 adjusted EBITDA, respectively. Accordingly, the Company is unable to provide a reconciliation of consolidated and Core 2017 and 2018 guidance for either adjusted EPS to EPS or adjusted 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 full-year consolidated and Core 2017 and 2018 GAAP financial results. With respect to consolidated adjusted EPS amortization of intangible assets is expected to be approximately \$1.58 and \$1.86 per share for the full-year 2017 and 2018, respectively.

*eviCore 2018 Guidance Information:* The financial measures attributable to the eviCore acquisition presented herein, including EBITDA, is also a non-GAAP financial measure. This measure is 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. This measure reflects management's estimate of the business prior to closing. However, management is unable to reasonably estimate the allocation of certain key items that would impact net income attributable to eviCore, including interest and depreciation and amortization. Accordingly, the Company is unable to provide net income attributable to eviCore, and is unable to provide a reconciliation of 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 full-year consolidated and Core 2018 GAAP financial results.

The Company is providing the 2018 full-year guidance for the Core business and the consolidated business, which includes the pending acquisition of eviCore healthcare and assumes the completion of the Company's sale of its United BioSource subsidiary. The eviCore acquisition and the sale of United BioSource are expected to be completed in December 2017. While we expect conditions to completing these transactions will be substantially satisfied, no assurance can be given that these transactions will be completed.

# eviCore EBITDA reconciliations

## eviCore Unaudited EBITDA Reconciliation

(in million)

Provided below is a reconciliation of EBITDA, which are non-GAAP financial measures, to net income.

The Company believes net income is the most directly comparable measure under GAAP.

	<b>Year Ended</b>	
	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
Net (loss)/income	\$ (1.3)	\$ 1.5
Provision for income taxes	18.0	11.3
Depreciation and amortization	92.0	83.6
Interest expense, interest income and other	65.1	58.6
<b>EBITDA</b>	<b>\$ 173.8</b>	<b>\$ 155.0</b>
<b>Adjustments to EBITDA</b>		
Transaction and integration and other costs*	\$ 18.8	\$ 9.6
<b>Adjusted EBITDA</b>	<b>\$ 192.6</b>	<b>\$ 164.6</b>

\* Transaction and integration and other costs include those costs directly related to certain acquisitions and other charges that are included in selling, general and administrative expense for the year ended December 31, 2016 and 2015.