



# Standing strong for payers and patients

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BANK OF AMERICA MERRILL LYNCH  
HEALTH CARE CONFERENCE 5.16.17



# 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 from irresponsible pricing

# First quarter 2017 financial review

(IN MILLIONS, EXCEPT PER SHARE METRICS)	Q1 2017	CHANGE VS. Q1 2016
Total adjusted claims <sup>2</sup>	351.7	(1%)
Adjusted SG&A <sup>*</sup>	\$511.1	3%
Net income <sup>*</sup>	\$546.3	4%
EBITDA <sup>*</sup>	\$1,496.2	3%
EBITDA per adjusted claim <sup>*</sup>	\$4.25	4%
Earnings per diluted share <sup>*</sup>	\$0.90	11%
Net cash flow from operations	\$1,000.4	33%
<b>Adjusted earnings per diluted share<sup>*</sup></b>	<b>\$1.33</b>	<b>9%</b>

**9%**  
Adjusted  
EPS growth  
year-over-year

\* 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 net income, earnings per diluted share, EBITDA, EBITDA per adjusted claim 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.

# Core PBM growth analysis

## TOTAL ADJUSTED CLAIMS

<i>(IN MILLIONS)</i>	<u>2015</u>	<u>2016</u>	<u>GROWTH</u>	<u>Q1 2017</u>
<b>Total Consolidated</b>	1,441.6	1,407.6	(2.4%)	351.7
<b>Anthem<sup>1</sup></b>	207.4	219.6	5.9%	59.0
<b>Transitioning Clients<sup>1</sup></b>	90.4	19.0	(79.0%)	0.9
<b>Core PBM</b>	1,143.8	1,169.0	2.2%	291.8
<i>Anthem %</i>	14%	16%		17%

## TOTAL ADJUSTED EBITDA\*

<i>(IN MILLIONS)</i>	<u>2015</u>	<u>2016</u>	<u>GROWTH</u>	<u>Q1 2017</u>
<b>Total Consolidated</b>	\$7,046.9	\$7,260.4	3.0%	\$1,496.2
<b>Anthem<sup>1</sup></b>	\$1,862.7	\$2,248.0	20.7%	\$495.0
<b>Transitioning Clients<sup>1</sup></b>	\$672.0	\$222.4	(66.9%)	\$54.1
<b>Core PBM</b>	\$4,512.2	\$4,790.0	6.2%	\$947.1
<i>Anthem %</i>	26%	31%		33%

**2 - 4%**  
Targeted Core  
PBM EBITDA  
CAGR from  
2017 - 2020

\* 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 net income, earnings per diluted share, adjusted EBITDA, adjusted EBITDA per adjusted claim 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.

# Balanced portfolio of growth drivers



# 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



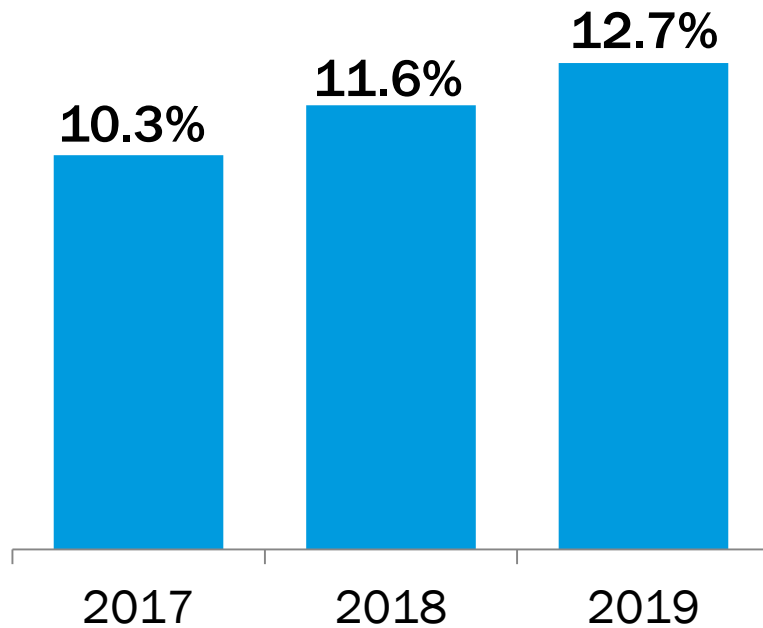
# Our Solutions

**Everett Neville, SVP Supply Chain and Specialty Pharmacy**



# Left unmanaged: Expect double-digit spend increase in key classes

Drug Trend Forecast  
For Key Therapy Classes



Inflammatory Conditions  
Diabetes  
Oncology  
Multiple Sclerosis  
Pain/Inflammation  
HIV  
High blood cholesterol  
Attention disorders  
High blood pressure/heart disease  
Asthma  
Hepatitis C  
Depression  
Contraceptives  
Heartburn/ulcer disease  
Skin conditions  
Other therapy classes

Source: Express Scripts 2016 Drug Trend Report

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



**- 1.0%**  
traditional



**3.8%**  
total trend



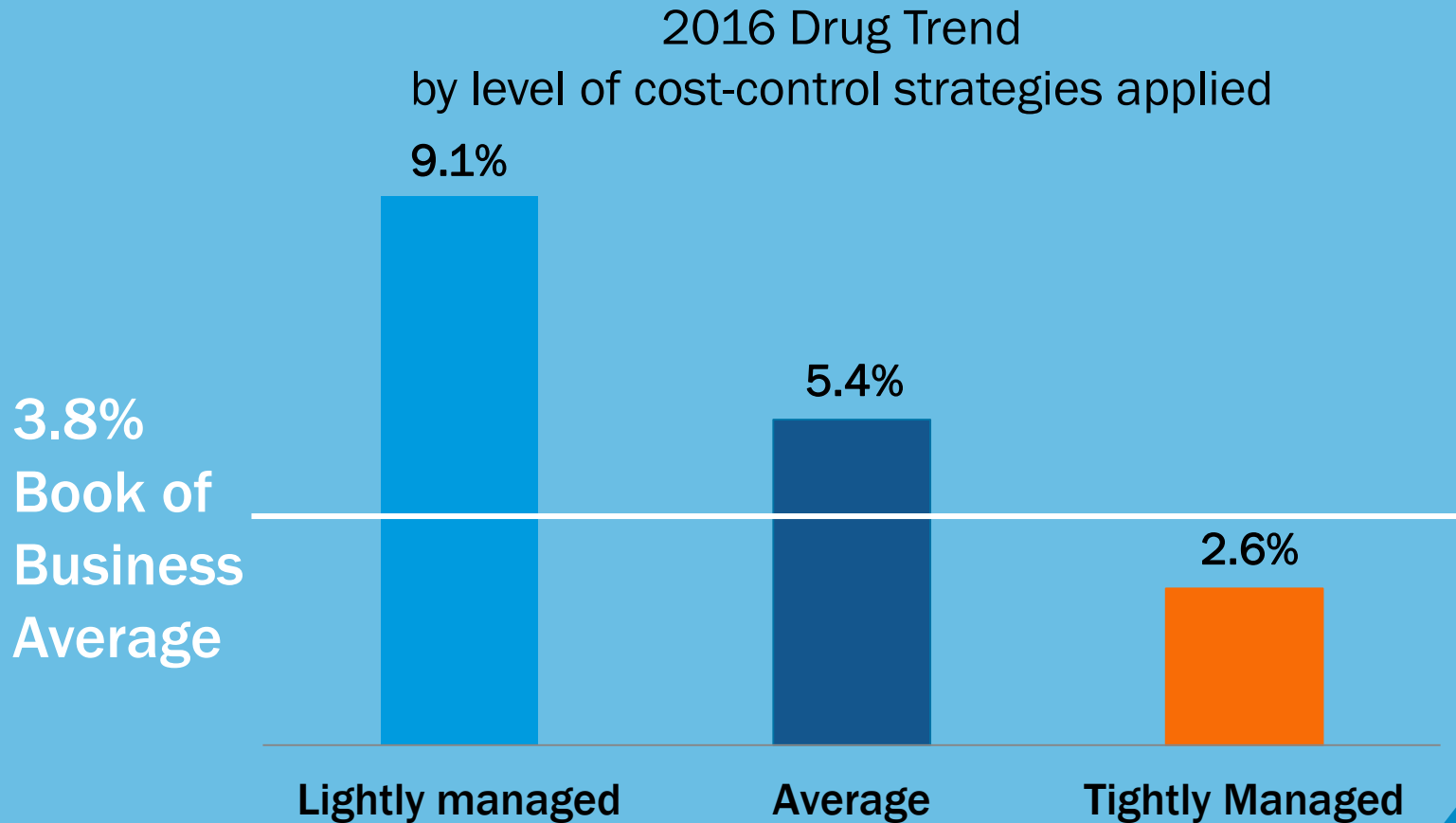
**13.3%**  
specialty

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.

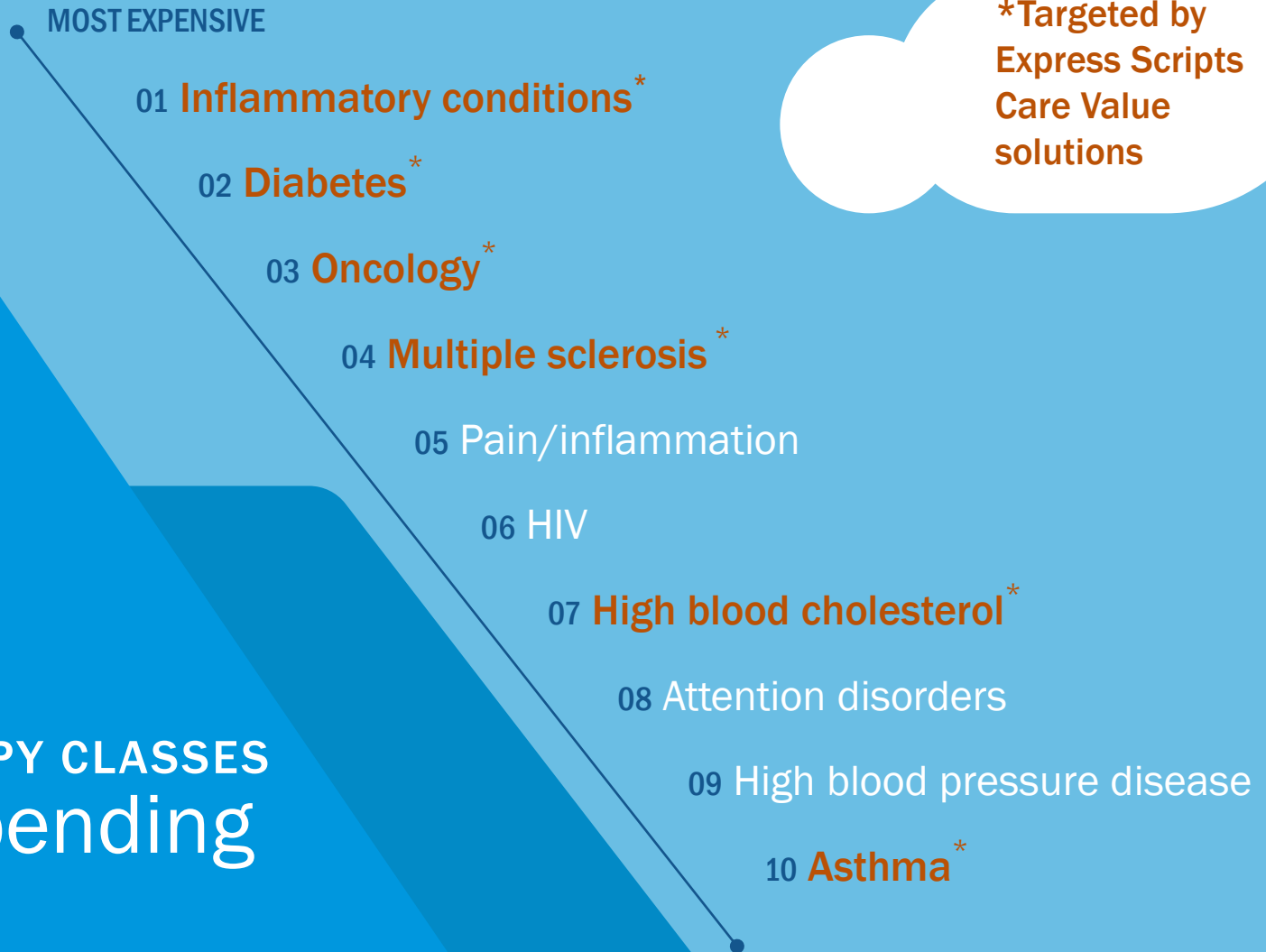
# Tightly managed = better results



Source: Express Scripts 2016 Drug Trend Report

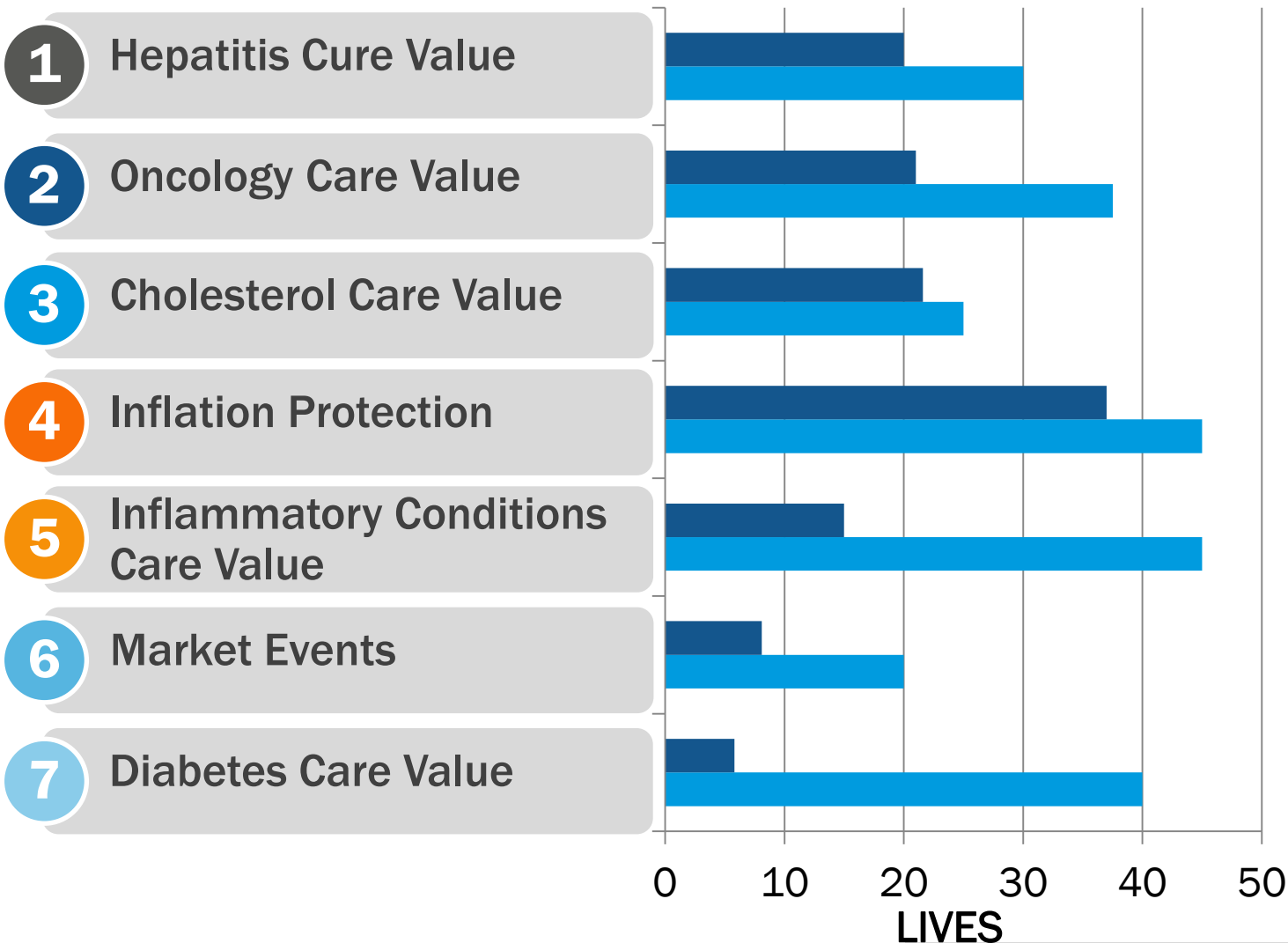
Note: Trend numbers compare January-December 2016 to same period in 2015 for commercially insured plans managed by Express Scripts. Reflects total cost for both payers and patients, net of rebates.

# TOP 10 THERAPY CLASSES Driving spending in 2016



**\*Targeted by  
Express Scripts  
Care Value  
solutions**

# SafeGuardRx<sup>SM</sup> an innovative approach; room to run



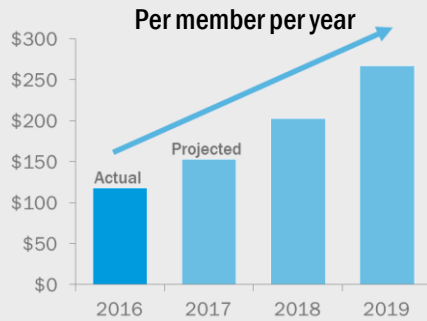
Leverages traditional PBM tools + value-based reimbursement contracting to drive value for patients & clients

■ Today's Penetration  
■ Long-Term Opportunity

# Inflammatory Conditions Care Value Program<sup>SM</sup>

## Challenge

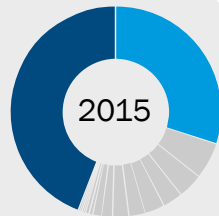
Spending – costliest specialty class – expected to **grow 126% by 2019**



Complicated disease state with **15+** therapy options

Category dominated by two therapies

Humira 44%    Enbrel 30%    Other 26%



## Solution



**Drive value**  
Create competition by indication  
Instead of by class

**Share risk**  
Early discontinuation reimbursement up to



**\$6,000**  
per patient per year

**Address 42% nonadherence**  
Provide proactive outreach and specialized patient care



Accredo Specialty Pharmacy



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

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

## Challenge

Diabetes comprises

10%

of total healthcare expenditures, if not addressed Rx spend will grow 70% by 2019

By 2050,

1/3

of all Americans will have diabetes

Diabetes can lead to other conditions



High blood pressure

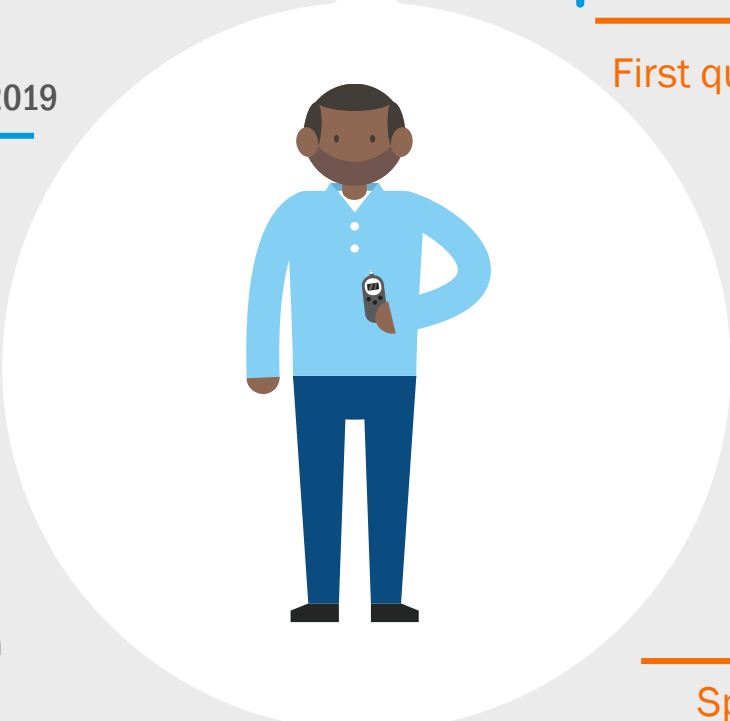


High cholesterol



Depression

and require personalized treatment plans



## Solution



Spending cap protects payers

Cost of therapies (i.e., insulin) continue to rise

First quality-based pharmacy network



10,000+ retail



home delivery

90-day supply

Lowest cost, clinically equivalent Rx use



Step Therapy Programs  
Formulary Management

Specialized care improves adherence by 25%

Diabetes TRC<sup>®</sup>



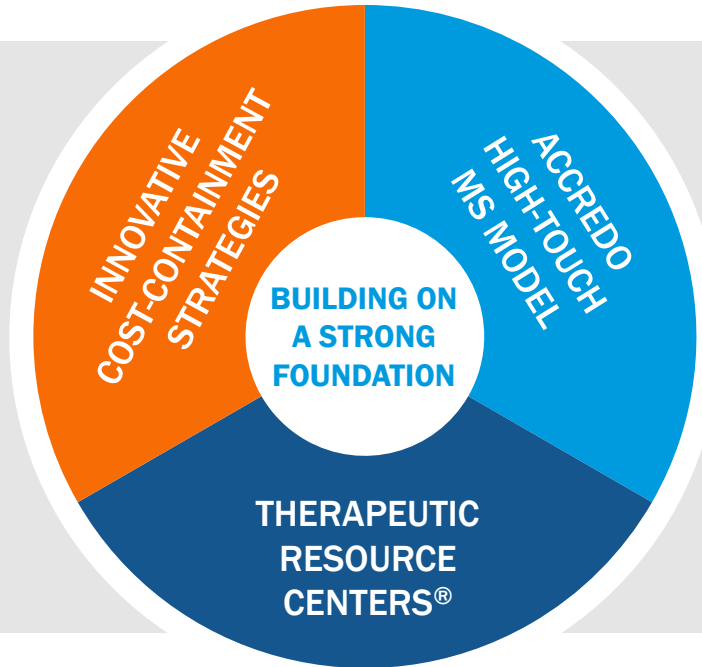


# Tackling the next classes demanding safeguards

## PULMONARY


**72.5%**  
nonadherence

 Complex patients with multiple comorbidities



## MULTIPLE SCLEROSIS

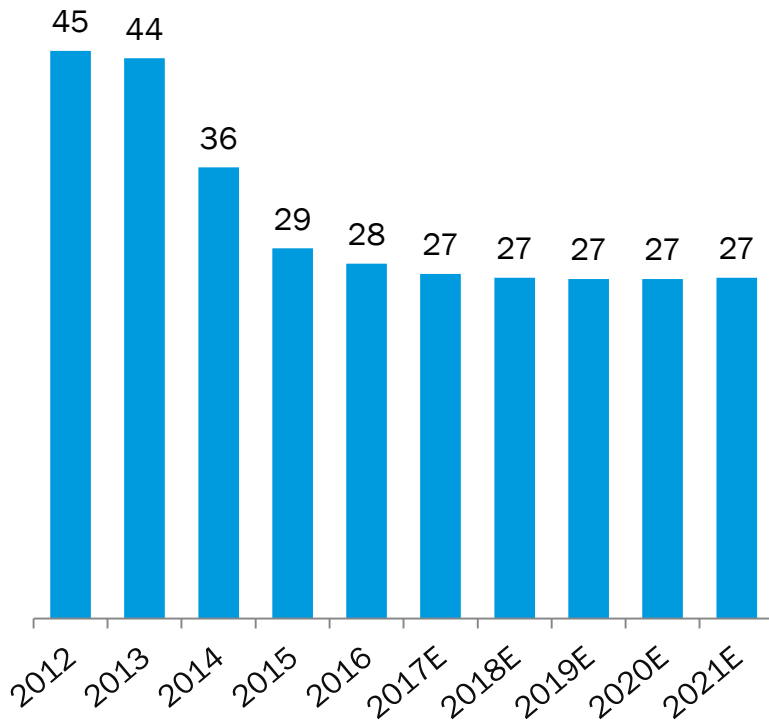
**23.9%**  
nonadherence

  $\frac{1}{4}$  patients discontinue therapy early

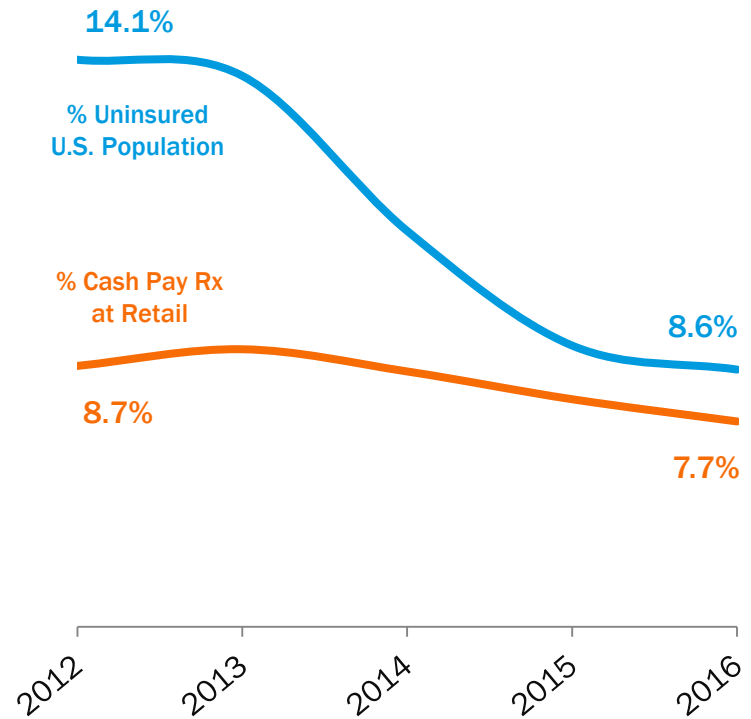


# Patients in need of more affordable and accessible medications

Total U.S. Uninsured Population (millions)

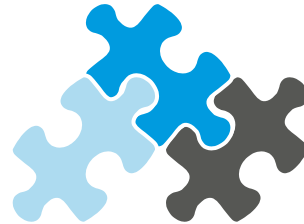


Uninsured Rate vs. Retail Cash Pay Rx



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.**

# 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

1. Amounts attributable to Anthem and each of the Transitioning Clients are based on management's estimates regarding, among other items, cost allocation and may not be indicative of costs actually incurred as a result of servicing Anthem and each of the Transitioning Clients. Both direct and indirect costs were allocated based on management's best estimates of costs attributable to servicing Anthem and each of the Transitioning Clients, and, where appropriate, are based on actual cost or adjusted claims attributable to Anthem and each of the Transitioning Clients. Financial measures presented for Anthem and each of the Transitioning Clients for the year ended December 31, 2015 represent information reported through certain financial reporting systems, which were replaced in 2016. As a result, management's estimates and allocation methodologies for determining such measures for 2015 may differ from those used in determining the comparable measures presented for the year ended December 31, 2016, and the quarter ended March 31, 2017.
2. Total adjusted network claims includes an adjustment to reflect non-specialty network claims filled through our 90-day programs. These claims are now 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, consistent with prior practice, as home delivery claims typically cover a time period three times longer than unadjusted network claims. See Schedule A below.

## 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, EBITDA, adjusted EBITDA, EBITDA per adjusted claim, adjusted EBITDA per adjusted claim and adjusted selling, general and administrative 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 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 and adjusted EBITDA per adjusted claim provide 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.

*Financial Information for Anthem and Transitioning Clients; Long-Term Outlook for Core PBM:* The financial measures attributable to Anthem and the Transitioning Clients presented herein, including EBITDA, adjusted EBITDA, and EBITDA per adjusted claim, are also non-GAAP financial measures. These measures 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. These measures represent operating results attributable to specific clients of the Company; however, they are 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. These measures also reflect management's estimates as to allocation of costs of its PBM business to Anthem and 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 Anthem and each of the Transitioning Clients, including interest and depreciation and amortization. Accordingly, the Company is unable to provide net income attributable to any of Anthem and the Transitioning Clients or its core PBM business excluding the Anthem and Transitioning Clients, and is unable to provide a reconciliation of either EBITDA 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 long-term outlook as discussed above.

# Earnings Per Diluted Share Reconciliation

## Express Scripts Holding Company Unaudited Adjusted Diluted EPS Reconciliation

Provided below is a reconciliation of Adjusted Diluted EPS attributable to Express Scripts, which is a non-GAAP measure, to diluted EPS attributable to Express Scripts, which is its most directly comparable measure calculated in accordance with GAAP.

	Three Months Ended	
	March 31,	
	2017	2016
	(per diluted share)	
<b>Diluted EPS attributable to Express Scripts, as reported</b>	<b>\$ 0.90</b>	<b>\$ 0.81</b>
<b>Excluding items indicated:</b>		
Debt redemption costs *	-	0.02
Discrete tax items	0.05	(0.03)
Amortization of intangible assets *	0.60	0.68
Tax impact of excluded items	(0.22)	(0.26)
<b>Diluted EPS attributable to Express Scripts, adjusted</b>	<b>\$ 1.33</b>	<b>\$ 1.22</b>

\*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 ended March 31, 2017 and 2016.

**Note:** For more information, see tables included in the Company's press release, dated April 24, 2017 and available on the Investor Information section of Express Scripts' website at <http://www.express-scripts.com/corporate> and included with the Company's Form 8-K furnished to the SEC on April 24, 2017.



# Adjusted Gross Profit and SG&A

## Express Scripts Holding Company Unaudited Adjusted Gross Profit and Adjusted SG&A

Provided below are reconciliations of adjusted gross profit and adjusted selling, general and administrative expenses, which are non-GAAP measures, to gross profit and selling, general and administrative expenses, respectively, which are the most directly comparable measures calculated in accordance with U.S. generally accepted accounting principles ("GAAP").

(in millions)

	Three Months Ended	
	March 31,	
	2017	2016
Gross profit, as reported	\$ 1,872.7	\$ 1,847.0
Amortization of intangible assets	55.4	34.3
Adjusted gross profit	<u>\$ 1,928.1</u>	<u>\$ 1,881.3</u>
Selling, general and administrative, as reported	\$ 818.1	\$ 906.2
Amortization of intangible assets	307.0	409.0
Adjusted selling, general and administrative	<u>\$ 511.1</u>	<u>\$ 497.2</u>

**Note:** For more information, see tables included in the Company's press release, dated April 24, 2017 and available on the Investor Information section of Express Scripts' website at <http://www.express-scripts.com/corporate> and included with the Company's Form 8-K furnished to the SEC on April 24, 2017.

# EBITDA and Adjusted EBITDA Reconciliation

## Express Scripts Holding Company Unaudited EBITDA and Adjusted EBITDA Reconciliation

(in millions, except per claim data)

Provided below is a reconciliation of EBITDA and Adjusted EBITDA attributable to Express Scripts, which is a non-GAAP financial measure, to net income attributable to Express Scripts. The Company believes net income is the most directly comparable measure under GAAP.

	Three Months Ended		Year Ended	
	March 31,		December 31,*	
	2017	2016	2016	2015
Net income attributable to Express Scripts, as reported	\$ 546.3	\$ 526.1	\$ 3,404.4	\$ 2,476.4
Provision for income taxes	364.9	278.8	999.5	1,364.3
Depreciation and amortization**	445.6	525.3	2,154.6	2,359.1
Other expense, net	139.4	129.8	660.7	475.5
EBITDA attributable to Express Scripts, as reported	\$ 1,496.2	\$ 1,460.0	\$ 7,219.2	\$ 6,675.3
<b>Adjustments to EBITDA</b>				
Transaction and integration costs**	-	-	-	311.6
Other compensation costs	-	-	41.2	-
Legal Settlement	-	-	-	60.0
Adjusted EBITDA attributable to Express Scripts	-	-	\$ 7,260.4	\$ 7,046.9
Applied income taxes	\$ 550.0	\$ 541.3	\$ 2,692.2	\$ 2,648.5
EBITDA/Adjusted EBITDA less taxes attributable to Express Scripts	\$ 946.2	\$ 918.7	\$ 4,568.2	\$ 4,398.4
Total adjusted claims	351.7	356.3	1,407.6	1,441.6
EBITDA/Adjusted EBITDA attributable to Express Scripts, per adjusted claim	\$ 4.25	\$ 4.10	\$ 5.16	\$ 4.89
EBITDA/Adjusted EBITDA less taxes attributable to Express Scripts, per adjusted claim	\$ 2.69	\$ 2.58	\$ 3.25	\$ 3.05

\*Provided for reconciliation purposes.

\*\*Depreciation and amortization for the year ended December 31, 2015 presented above includes \$205.2 million of depreciation related to the integration of Medco Health Solutions, Inc. which is not included in transaction and integration costs.

**Note:** For more information, see tables included in the Company's press release, dated April 24, 2017 and available on the Investor Information section of Express Scripts' website at <http://www.express-scripts.com/corporate> and included with the Company's Form 8-K furnished to the SEC on April 24, 2017.