



# Third Quarter 2017 Financial Results

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**EXPRESS SCRIPTS®**

# 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 full year and quarterly guidance, 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 EBITDA, adjusted EBITDA, EBITDA per adjusted claim, adjusted 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 and adjusted 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.

# Agenda

- ✓ Providing better care and value in pharmacy
- ✓ Delivering savings payers need
- ✓ Driving overall retention, sales of new solutions
- ✓ Expanding opportunities with eviCore
- ✓ Enterprise Value Initiative underway
- ✓ Delivering financial results
- ✓ 2017 guidance



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

# Comprehensive delivery of better care and value



# Delivering savings that payers need



## Formulary Management

Smart formulary management for Brands and Generics

Brand: **10-20%** savings  
Generic: **~30%** savings



## Utilization Management

Clinically-based utilization management programs

**10-15%** savings



## Channel Management

Pharmacy networks and home delivery

**5-10%** savings



## Specialized Care

Best-in-class patient care

**3-5%** savings

**Comprehensive set of novel solutions drives significant savings**

# Driving strong overall retention; increasing sales of new solutions

- ▶ Tracking toward a 2018 retention rate of **95+%** (ex Coventry roll off)
- ▶ Greater than **60%** new middle-market client wins compared to prior year
- ▶ Demand for novel solutions driving greater client adoption of our programs
- ▶ Well-positioned for significant 2018 and 2019 selling opportunities



# eviCore: A leader in medical benefit management

## 100M patients managed nationally



Cardiology  
54M



Radiology  
78M



Radiation Therapy  
29M



Specialty Drug  
100K



Sleep  
17M



Medical Oncology  
10M



Musculoskeletal  
34M



Post-Acute Care  
500K



Lab Management  
13M

100 Payer Clients



63% National Payors  
36% Regional Payors

550,000

Provider  
relationships

700 Nurses

250 Medical Directors

### Financial highlights

- \$3.6B to be paid in cash and short-term debt
- Strong free cash flow
- Accretive in first full year

## Expect double-digit growth and increase in addressable market



# The power to create value across medical and pharmacy

## RationalMed

Using medical, lab and pharmacy data to prevent costly errors



## ScreenRx

Improving adherence, closing gaps in care to reduce avoidable costs

## Medical Benefit Management

Managing Specialty drug use to eliminate waste



## eviCore

Managing medical care to ensure appropriate use and eliminate waste

**Integrated clinical approach driving value for patients and payers**

# Enterprise Value Initiative: Action underway

Improved patient engagement

Improved physician engagement

Better client experience

Cost efficiency improvements

## Measures of success

- ✓ Net promoter score
- ✓ Better risk management
- ✓ eRx and ePA adoption
- ✓ Physician portal adoption
- ✓ Setup turnaround time
- ✓ Renewal cost efficiency
- ✓ Cost to fill
- ✓ Enterprise efficiency

Tracking towards value of \$550-600M annually by 2021

# Third quarter 2017 financial review

(In millions, except per share metrics)	Q3 2017 (Consolidated, as reported)	Change vs. Q3 2016	Q3 2017* (Core)	Core change vs. Q3 2016
Total adjusted claims <sup>1</sup>	343.6	(1%)	286.4	(1%)
Adjusted SG&A <sup>*</sup>	\$427.7	(5%)	n/a	n/a
Net income <sup>*</sup>	\$841.7	16%	n/a	n/a
Adjusted EBITDA <sup>*</sup>	\$1,947.4	flat	\$1,339.5	1%
Adjusted EBITDA per adjusted claim <sup>*</sup>	\$5.67	1%	\$4.68	2%
Earnings per diluted share <sup>*</sup>	\$1.46	27%	n/a	n/a
Net cash flow from operations	\$1,899.9	28%	n/a	n/a
<b>Adjusted earnings per diluted share<sup>*</sup></b>	<b>\$1.90</b>	<b>9%</b>	<b>n/a</b>	<b>n/a</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, adjusted EBITDA, EBITDA per adjusted claim, 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.

# Strong foundation to deliver 2017 results

(In millions, except per share metrics)	Updated 2017 guidance	Previous 2017 guidance
Total adjusted claims <sup>1</sup>	1,392 to 1,408	1,385 to 1,415
Adjusted EBITDA*	\$7,350 to \$7,470	\$7,330 to \$7,490
Cash flow from operations	\$4,700 to \$5,200	\$4,700 to \$5,200
Diluted weighted avg. shares outstanding	580 to 585	580 to 590
<b>Adjusted earnings per diluted share*</b>	<b>\$6.97 to \$7.05</b>	<b>\$6.95 to \$7.05</b>

**9 - 10%**

Adj. EPS growth  
expected in 2017

## Q4 2017 GUIDANCE

**Adjusted earnings per diluted share\*** **\$2.03 to \$2.11**

\* 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, adjusted EBITDA, EBITDA per adjusted claim, 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.



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# Appendix

# Footnotes

1. 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 earnings per diluted share (or adjusted EPS), EBITDA, adjusted EBITDA, EBITDA per adjusted claim, adjusted EBITDA per adjusted claim, adjusted net income, adjusted income before income taxes, adjusted gross profit 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 adjusted EBITDA, respectively. Accordingly, the Company is unable to provide a reconciliation of 2017 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 fourth quarter and full-year 2017 GAAP financial results. With respect to adjusted EPS, amortization of intangible assets is expected to be approximately \$0.40 and \$1.58 per share for the fourth quarter and full-year 2017, respectively.

*Financial Information for Transitioning Clients and our Core Business:* The financial measures attributable to the Transitioning Clients and our Core Business presented herein, including EBITDA, adjusted EBITDA, EBITDA per adjusted claim and adjusted EBITDA per adjusted claims 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 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 the Transitioning Clients or its Core business excluding the 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 for the Core, 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 September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(per diluted share)			
<b>Diluted EPS attributable to Express Scripts, as reported</b>	<b>\$ 1.46</b>	<b>\$ 1.15</b>	<b>\$ 3.72</b>	<b>\$ 3.09</b>
<b>Excluding items indicated:</b>				
Debt redemption costs*	-	0.20	-	0.21
Discrete tax items	0.01	-	0.03	(0.05)
Enterprise value initiative costs	0.04	-	0.04	-
Amortization of intangible assets*	0.64	0.74	1.86	2.15
Tax impact of excluded items	(0.25)	(0.35)	(0.70)	(0.88)
<b>Diluted EPS attributable to Express Scripts, adjusted</b>	<b>\$ 1.90</b>	<b>\$ 1.74</b>	<b>\$ 4.95</b>	<b>\$ 4.52</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 and nine months ended September 30, 2017 and 2016.

**Note:** For more information, see tables included in the Company's press release, dated October 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 October 24, 2017.

# Adjusted Gross Profit and SG&A

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

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 GAAP.

(in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Gross profit, as reported	\$ 2,237.7	\$ 2,274.1	\$ 6,271.6	\$ 6,282.3
Amortization of intangible assets	55.4	55.4	166.2	145.1
Enterprise value initiative costs	2.4	-	2.4	-
Adjusted gross profit	<u>\$ 2,295.5</u>	<u>\$ 2,329.5</u>	<u>\$ 6,440.2</u>	<u>\$ 6,427.4</u>
Selling, general and administrative, as reported	\$ 759.3	\$ 858.1	\$ 2,360.0	\$ 2,669.2
Amortization of intangible assets	310.7	408.3	926.4	1,225.6
Enterprise value initiative costs	20.9	-	20.9	-
Adjusted selling, general and administrative	<u>\$ 427.7</u>	<u>\$ 449.8</u>	<u>\$ 1,412.7</u>	<u>\$ 1,443.6</u>

**Note:** For more information, see tables included in the Company's press release, dated October 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 October 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 are non-GAAP financial measures, to net income attributable to Express Scripts. The Company believes net income is the most directly comparable measure under GAAP.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income attributable to Express Scripts, as reported	\$ 841.7	\$ 722.9	\$ 2,189.8	\$ 1,969.7
Provision for income taxes	499.3	422.4	1,299.6	1,103.9
Depreciation and amortization*	449.4	537.7	1,344.2	1,611.2
Interest expense, interest income and other	134.1	265.1	411.2	521.4
EBITDA attributable to Express Scripts	\$ 1,924.5	\$ 1,948.1	\$ 5,244.8	\$ 5,206.2
<b>Adjustments to EBITDA</b>				
Enterprise value initiative costs*	22.9	-	22.9	-
Adjusted EBITDA/EBITDA attributable to Express Scripts	\$ 1,947.4	\$ 1,948.1	\$ 5,267.7	\$ 5,206.2
Total adjusted claims	343.6	347.1	1,045.3	1,052.7
Adjusted EBITDA/EBITDA attributable to Express Scripts, per adjusted claim	\$ 5.67	\$ 5.61	\$ 5.04	\$ 4.95

\* Depreciation and amortization for both the three months and nine months ended September 30, 2017 presented above includes \$0.4 million of accelerated depreciation in connection with the enterprise value initiative which is not included in enterprise value initiative costs.

**Note:** For more information, see tables included in the Company's press release, dated October 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 October 24, 2017.