ST. LOUIS, Oct. 24, 2013 /PRNewswire/ -- Express Scripts Holding Company (Nasdaq: ESRX) announced 2013 third quarter net income from continuing operations attributable to Express Scripts shareholders of $442.2 million, or $0.54 per diluted share. Adjusted earnings per diluted share from continuing operations attributable to Express Scripts, as detailed in Table 4, were $1.08 for the third quarter. The quarter reflects a reduction in the income tax rate to adjust the full year rate to 38.5%, which resulted in a

$0.01
increase in diluted earnings per share.

"We continue to be positive on the long-term outlook for our industry and our Company," stated George Paz
, chairman and chief executive officer. "As the healthcare landscape continues to evolve, we are well-positioned to help clients and members successfully navigate a rapidly-changing environment full of new rules and regulations. Our breadth of client solutions across traditional pharmacy benefit management, specialty management, and Medicare Part D is unparalleled in the industry."

Third Quarter 2013 Review

- Adjusted claims from continuing operations of 358.1 million, down 9% from the third quarter of 2012, including the expected roll-off of claims from UnitedHealth Group
- Adjusted EBITDA from continuing operations attributable to Express Scripts of $1.7 billion, up 3% from the third quarter of 2012 - See Table 3
- Adjusted EBITDA from continuing operations attributable to Express Scripts per adjusted claim of $4.63, up 13% from the third quarter of 2012 - See Table 3
- Interest income includes a contractual interest payment received from a client for $24.9 million
that is excluded from adjusted earnings per diluted share – See Table 4
- Adjusted effective income tax rate for continuing operations attributable to Express Scripts for the quarter of 37.9%, with the full year adjusted effective income tax rate for continuing operations attributable to Express Scripts expected to be approximately 38.5% - See Table 5
- Net cash flow provided by operating activities from continuing operations was $1.0 billion for the quarter, up 31% from the third quarter of 2012
- Repurchase of 11.6 million shares of common stock for $751.5 million during the quarter, leaving 51.3 million shares available under the current share repurchase program

2013 Guidance

The Company previously provided 2013 guidance on adjusted earnings per diluted share from continuing operations attributable to Express Scripts in the range of $4.26 to $4.34, or growth of 14% to 16% over 2012. Based on the Company's performance and reduced tax rate, the Company is raising the low end of the range by
$0.04

. As such, the Company now anticipates achieving adjusted earnings per diluted share from continuing operations attributable to Express Scripts for 2013 in the range of $4.30 to $4.34, or 15% to 16% growth over 2012.

Due to delays in certain non-client integration activities, including the migration of all Medco's legacy payment cycles to Express Scripts' cycles, the Company has adjusted its 2013 cash flow guidance range to $4.0 billion to $4.5 billion from the previous range of $4.5 billion to $5.0 billion.

Adjusted earnings per diluted share from continuing operations attributable to Express Scripts for the fourth quarter is expected to be between $1.09 and $1.13.

Adjusted earnings per diluted share from continuing operations attributable to Express Scripts for 2013 exclude items as detailed in Table 6.

About Express Scripts

Express Scripts (NASDAQ: ESRX) manages more than a billion prescriptions each year for tens of millions of patients. On behalf of our clients – employers, health plans, unions and government health programs – we make the use of prescription drugs safer and more affordable. Express Scripts uniquely combines three capabilities – behavioral sciences, clinical specialization and actionable data – to create Health Decision Science(SM), our innovative approach to help individuals make the best drug choices, pharmacy choices and health choices. Better decisions mean healthier outcomes.

Headquartered in St. Louis, Express Scripts provides integrated pharmacy benefit management services, including network-pharmacy claims processing, home delivery, specialty benefit management, benefit-design consultation, drug-utilization review, formulary management, and medical and drug data analysis services. The company also distributes a full range of biopharmaceutical products and provides extensive cost-management and patient-care services.

For more information, visit Lab.Express-Scripts.com or follow @ExpressScripts on Twitter.

SAFE HARBOR STATEMENT

This press release contains forward-looking statements, including, but not limited to, our 2013 guidance and our statements related to the Company's plans, objectives, expectations (financial and otherwise) or intentions. Actual results may differ significantly from those projected or suggested in any forward-looking statements. Factors that may impact these forward-looking statements can be found in the Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission ("SEC") on or about October 24, 2013 and Item 1A – "Risk Factors" in the Company's Annual Report on Form 10-K filed with the SEC on February 19, 2013. A copy of these documents can be found at the Investor Information section of Express Scripts' web site 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.

EXPRESS SCRIPTS HOLDING COMPANY

Unaudited Consolidated Statement of Operations

Three Months EndedSeptember 30,

Nine Months EndedSeptember 30,

(in millions, except per share data)

2013

2012

2013

2012

Revenues (*)

$ 25,915.6

$ 26,761.6

$ 78,317.4

$ 66,349.2

Cost of revenues (*)

23,921.4

24,658.7

72,246.0

61,335.0

Gross profit

1,994.2

2,102.9

6,071.4

5,014.2

Selling, general and administrative

1,118.7

1,282.2

3,348.5

3,127.2

Operating income

875.5

820.7

2,722.9

1,887.0

Other (expense) income:

Equity income from joint venture

6.3

5.1

23.1

9.4

Interest income

25.7

1.4

28.4

6.0

Interest expense and other

(127.4)

(155.2)

(470.4)

(461.6)

(95.4)

(148.7)

(418.9)

(446.2)

Income before income taxes

780.1

672.0

2,304.0

1,440.8

Provision for income taxes

326.5

256.1

896.0

602.5

Net income from continuing operations

453.6

415.9

1,408.0

838.3

Net loss from discontinued operations, net of tax

(15.5)

(20.0)

(41.3)

(19.2)

Net income

438.1

395.9

1,366.7

819.1

Less: Net income attributable to non-controlling interest

11.4

4.5

24.0

10.3

Net income attributable to Express Scripts

$ 426.7

$ 391.4

$ 1,342.7

$ 808.8

Weighted average number of common shares

outstanding during the period:

Basic

810.2

812.9

814.7

702.4

Diluted

822.9

829.6

828.0

718.9

Basic earnings per share:

Continuing operations attributable to Express Scripts

$ 0.55

$ 0.51

$ 1.70

$ 1.18

Discontinued operations attributable to Express Scripts

(0.02)

(0.02)

(0.05)

(0.03)

Net earnings attributable to Express Scripts

0.53

0.48

1.65

1.15

Diluted earnings per share:

Continuing operations attributable to Express Scripts

$ 0.54

$ 0.50

$ 1.67

$ 1.15

Discontinued operations attributable to Express Scripts

(0.02)

(0.02)

(0.05)

(0.03)

Net earnings attributable to Express Scripts

0.52

0.47

1.62

1.13

Amounts attributable to Express Scripts shareholders:

Income from continuing operations, net of tax

$ 442.2

$ 411.4

$ 1,384.0

$ 828.0

Discontinued operations, net of tax

(15.5)

(20.0)

(41.3)

(19.2)

Net income attributable to Express Scripts shareholders

$ 426.7

$ 391.4

$ 1,342.7

$ 808.8

(*) Includes retail pharmacy co-payments of $2,966.5 million and $3,348.9 million fo

EXPRESS SCRIPTS HOLDING COMPANY

Unaudited Consolidated Balance Sheet

September 30,

December 31,

(in millions)

2013

2012

Assets

Current assets:

Cash and cash equivalents

$ 1,722.3

$ 2,793.1

Restricted cash and investments

19.2

19.6

Receivables, net

5,112.4

5,425.8

Inventories

1,643.6

1,652.1

Deferred taxes

422.7

400.6

Prepaid expenses and other current assets

179.0

194.3

Current assets of discontinued operations

125.0

271.4

Total current assets

9,224.2

10,756.9

Property and equipment, net

1,629.2

1,632.1

Goodwill

29,306.3

29,320.4

Other intangible assets, net

14,525.9

16,037.9

Other assets

56.6

56.1

Noncurrent assets of discontinued operations

20.8

307.8

Total assets

$ 54,763.0

$ 58,111.2

Liabilities and Stockholders' Equity

Current liabilities:

Claims and rebates payable

$ 6,459.7

$ 7,440.0

Accounts payable

2,573.4

2,898.9

Accrued expenses

1,496.7

1,632.9

Current maturities of long-term debt

631.6

934.9

Current liabilities of discontinued operations

64.8

150.7

Total current liabilities

11,226.2

13,057.4

Long-term debt

13,482.0

14,980.1

Deferred taxes

5,589.0

5,936.5

Other liabilities

746.3

692.9

Noncurrent liabilities of discontinued operations

0.4

48.6

Total liabilities

31,043.9

34,715.5

Stockholders' Equity:

Preferred stock, 15.0 shares authorized, $0.01 par value per share; and no shares issued and outstanding

-

-

Common stock, 2,985.0 shares authorized, $0.01 par value per share; shares issued: 830.7 and 818.1, respectively; shares outstanding: 805.8 and 818.1, respectively

8.3

8.2

Additional paid-in capital

21,820.2

21,289.7

Accumulated other comprehensive income

15.4

18.9

Retained earnings

3,410.9

2,068.2

25,254.8

23,385.0

Common stock in treasury at cost, 24.9 and zero shares, respectively

(1,552.5)

-

Total Express Scripts stockholders' equity

23,702.3

23,385.0

Non-controlling interest

16.8

10.7

Total stockholders' equity

23,719.1

23,395.7

Total liabilities and stockholders' equity

$ 54,763.0

$ 58,111.2

EXPRESS SCRIPTS HOLDING COMPANY

Unaudited Consolidated Statement of Cash Flows

Nine Months EndedSeptember 30,

 (in millions)

2013

2012

Cash flows from operating activities:

Net income

$ 1,366.7

$ 819.1

Net loss from discontinued operations, net of tax

41.3

19.2

Net income from continuing operations

1,408.0

838.3

Adjustments to reconcile net income to net cash provided by operating activities:

Depreciation and amortization

1,824.0

1,270.0

Deferred income taxes

(376.2)

(338.0)

Employee stock-based compensation expense

131.2

341.6

Other, net

25.8

43.7

Changes in operating assets and liabilities:

Accounts receivable

194.5

417.1

Inventories

8.6

(358.1)

Other current and noncurrent assets

37.3

31.5

Claims and rebates payable

(980.3)

(647.2)

Accounts payable

(320.5)

142.7

Other current and noncurrent liabilities

(109.3)

303.8

Net cash provided by operating activities - continuing operations

1,843.1

2,045.4

Net cash (used in) provided by operating activities - discontinued operations

(20.7)

9.3

Net cash flows provided by operating activities

1,822.4

2,054.7

Cash flows from investing activities:

Proceeds from sale of business

313.0

31.5

Purchases of property and equipment

(274.6)

(101.9)

Acquisitions, net of cash acquired

(14.5)

(10,326.0)

Other

(11.8)

(16.2)

Net cash provided by (used in) investing activities - continuing operations

12.1

(10,412.6)

Acquisitions, cash acquired - discontinued operations

-

42.4

Net cash used in investing activities - discontinued operations

(2.1)

(4.1)

Net cash provided by (used in) investing activities

10.0

(10,374.3)

Cash flows from financing activities:

Repayment of long-term debt

(1,773.7)

(2,710.6)

Treasury stock acquired

(1,552.5)

-

Net proceeds from employee stock plans

383.6

276.5

Excess tax benefit relating to employee stock compensation

23.2

30.4

Distributions paid to non-controlling interest

(18.0)

(5.3)

Proceeds from long-term debt, net of discounts

-

7,458.9

Repayment of revolving credit line, net

-

(1,000.0)

Proceeds from accounts receivable financing facility

-

600.0

Repayment of accounts receivable financing facility

-

(600.0)

Other

15.4

(103.2)

Net cash (used in) provided by financing activities - continuing operations

(2,922.0)

3,946.7

Net cash used in financing activities - discontinued operations

-

(1.3)

Net cash (used in) provided by financing activities

(2,922.0)

3,945.4

Effect of foreign currency translation adjustment

(4.5)

2.6

Less: cash decrease (increase) attributable to discontinued operations

23.3

(47.3)

Net decrease in cash and cash equivalents

(1,070.8)

(4,418.9)

Cash and cash equivalents at beginning of period

2,793.1

5,620.1

Cash and cash equivalents at end of period

$ 1,722.3

$ 1,201.2

Table 1

Express Scripts Holding Company Unaudited Consolidated Selected Information

(in millions)

Three Months EndedSeptember 30,

Nine Months EndedSeptember 30,

2013

2012

2013

2012

Claims Volume

Continuing operations:

Network

256.9

282.9

805.9

721.5

Home delivery and specialty[1]

34.6

38.0

106.6

90.5

Total claims

291.5

320.9

912.5

812.0

Total adjusted claims - continuing operations[2]

358.1

393.7

1,117.3

984.6

Depreciation and Amortization (D&A):

Revenue amortization (3)

$ 28.5

$ 28.5

$ 85.5

$ 85.5

Cost of revenues depreciation

31.4

37.3

88.7

72.7

Selling, general and administrative depreciation

77.3

47.2

222.7

120.5

Selling, general and administrative amortization[3]

477.1

497.5

1,427.1

991.3

Total D&A - continuing operations

$ 614.3

$ 610.5

$ 1,824.0

$ 1,270.0

Generic Fill Rate

Network

81.6%

79.7%

81.6%

78.9%

Home delivery

74.8%

72.2%

74.5%

70.6%

Overall

80.8%

78.8%

80.7%

78.0%

Note: See Appendix for Footnotes

Table 2

Calculation of Express Scripts Holding Company Adjusted Gross Profit and SG&A - Continuing

(in millions)

Three Months EndedSeptember 30,

Nine Months EndedSeptember 30,

2013

2012

2013

2012

Gross profit, as reported

$ 1,994.2

$ 2,102.9

$ 6,071.4

$ 5,014.2

Amortization of intangible assets [3]

28.5

28.5

85.5

85.5

Non-recurring transaction[4] and integration costs

56.8

21.8

137.9

33.7

Adjusted gross profit

$ 2,079.5

$ 2,153.2

$ 6,294.8

$ 5,133.4

Selling, general and administrative, as reported

$ 1,118.7

$ 1,282.2

$ 3,348.5

$ 3,127.2

Amortization of intangible[3] assets

477.1

497.5

1,427.1

991.3

Non-recurring transaction[4] and integration costs

130.8

167.6

346.2

574.6

Adjusted selling, general and administrative

$ 510.8

$ 617.1

$ 1,575.2

$ 1,561.3

Note: See Appendix for Footnotes

The Company is providing adjusted gross profit and adjusted selling, general and administrative expens

Table 3

Express Scripts Holding Company EBITDA and Adjusted EBITDA Reconciliation

(in millions, except per claim data)

The following is a reconciliation of net income from continuing operations attributable to Express Scripts

Three Months EndedSeptember 30,

Nine Months EndedSeptember 30,

2013

2012

2013

2012

Net income from continuing operations, attributable to Express Scripts, as reported

$ 442.2

$ 411.4

$ 1,384.0

$ 828.0

Provision for income taxes

326.5

256.1

896.0

602.5

Depreciation and amortization

614.3

610.5

1,824.0

1,270.0

Interest expense, net

101.7

153.8

442.0

455.6

Equity income from joint venture

(6.3)

(5.1)

(23.1)

(9.4)

EBITDA from continuing operations, attributable to Express Scripts, as reported

1,478.4

1,426.7

4,522.9

3,146.7

Non-recurring transaction[4][*] and integration costs

178.5

189.4

473.0

608.3

Adjusted EBITDA from continuing operations, attributable to Express Scripts

$ 1,656.9

$ 1,616.1

$ 4,995.9

$ 3,755.0

Total adjusted claims - continuing operations

358.1

393.7

1,117.3

984.6

Adjusted EBITDA from continuing operations, attributable to Express Scripts, per adjusted claim

$ 4.63

$ 4.10

$ 4.47

$ 3.81

Note: See Appendix for Footnotes

The Company is providing EBITDA and adjusted EBITDA from continuing operations attributable to Exp

EBITDA from continuing operations attributable to Express Scripts is earnings before other income (exp

Adjusted EBITDA from continuing operations attributable to Express Scripts per adjusted claim is a supp

* Non-recurring transaction and integration costs presented in this table exclude $9.1 million for the thr

Table 4

Calculation of Express Scripts Holding Company Adjusted EPS from Continuing Operations

Three Months EndedSeptember 30,

** Nine Months EndedSeptember 30,**

2013

2012

2013

2012

(per diluted share)

EPS from continuing operations attributable to Express Scripts, as reported

$ 0.54

$ 0.50

$ 1.67

$ 1.15

Non-recurring items:

Transaction and integration costs [4]

0.14

0.14

0.36

0.50

Interest payment [5]

(0.02)

-

(0.02)

-

Debt redemption costs [6]

-

-

0.05

-

Pre-close financing costs [7]

-

-

-

0.07

Discrete tax items [8]

0.05

-

0.04

0.06

Amortization of intangible assets[3]

0.37

0.39

1.11

0.90

EPS from continuing operations attributable to Express Scripts, adjusted

$ 1.08

$ 1.03

$ 3.21

$ 2.68

Note: See Appendix for Footnotes

The Company is providing EPS and adjusted EPS, which excludes the impact of certain non-recurring it

Table 5

Calculation of Express Scripts Holding Company Adjusted Effective Income Tax Rate for Contir

(in millions)

Three Months EndedSeptember 30, 2013

Nine Months EndedSeptember 30, 2013

Income before income taxes

Provision for income taxes

Adjusted effective income tax rate

Income before income taxes

Provision for income taxes

Adjusted effective income tax rate

Income from continuing operations, as reported

780.1

326.5

2,304.0

896.0

Non-controlling interest

(11.4)

-

(24.0)

-

Total continuing operations attributable to Express Scripts, as reported

768.7

326.5

2,280.0

896.0

Non-recurring items:

Transaction and integration costs [4]

187.6

72.2

484.1

188.8

Interest payment [5]

(24.9)

(9.7)

(24.9)

(9.7)

Debt redemption costs [6]

-

-

68.5

26.9

Discrete tax items [8]

(38.7)

-

(29.7)

Amortization of intangible assets [3]

505.6

194.3

1,512.6

590.1

Total continuing operations attributable to Express Scripts, as adjusted

1,437.0

544.6

37.9%

4,320.3

1,662.4

38.5%

Note: See Appendix for Footnotes.

The Company is providing adjusted effective income tax rate for continuing operations attributable to Ex

Table 6

Express Scripts Holding Company 2013 Guidance Information

Estimated Year Ending December 31, 2013

Current Guidance

Previous Guidance

Adjusted EPS from continuing operations attributable to Express Scripts*

$4.30 - $4.34

$4.26 - $4.34

Year over year growth

15% - 16%

14% - 16%

Total adjusted claims

Up 5-6% from 2012

Up 5-6% from 2012

Depreciation

$395 - $405 million

$410 - $425 million

Selling, general and administrative

Approximately 8% decline**

Approximately 8% decline

Non-controlling interest

$30 million

$25 million

Effective income tax rate on continuing operations

Approximately 38.5%

Approximately 38.8%

EBITDA from continuing operations attributable to Express Scripts per adjusted claim

Up 15-18% from 2012

Up 15-18% from 2012

Diluted weighted average shares outstanding during the period

Lower end of 825-835 million shares

Lower end of 825-835 million shares

Cash flow from continuing operations

$4.0 billion - $4.5 billion***

$4.5 billion - $5.0 billion

(*) GAAP items not included in guidance:

Amortization of intangible[9] assets

$1.50

Transaction, integration[10] and other non-recurring costs

To be determined

*The full-year impact of transaction, integration and other non-recurring costs have yet to be determined

** Selling, general and administrative expense is expected to decline approximately 8% from $2,338.2 r

*** Due to delays in certain non-client integration activities, including the migration of Medco's legacy pa

 Note: See Appendix for Footnotes

 Appendix

 Footnotes

(1) Includes home delivery, specialty and other including: (a) drugs distributed thro

(2) Total adjusted claims reflect home delivery claims multiplied by 3, as home deliv

(3) Amortization of intangible assets includes the following items:

Amortization of legacy Express Scripts intangible assets include amounts in both revenues and selling, g

Revenue amortization is related to the customer contract with WellPoint which consummated upon closi

Other legacy Express Scripts intangible amortization of $10.2 million ($6.3 million net of tax) and $10.1 r

Amortization of intangible assets related to the acquisition of Medco Health Solutions, Inc. ("Medco") of $

(4) Non-recurring transaction and integration costs include those costs directly relat

Costs of $56.8 million ($34.9 million net of tax) and $21.8 million ($13.5 million net of tax) primarily comp

Costs of $130.8 million ($80.5 million net of tax) and $158.9 million ($98.4 million net of tax) primarily co

The Company recorded a net benefit of $3.5 million ($2.1 million net of tax) within selling, general and a

The Company recorded net charges of $8.7 million ($5.4 million and $5.0 million net of tax in the three m

(5) Interest income includes a contractual interest payment received from a client of

(6) Debt redemption costs and write-off of deferred financing fees incurred for the e

(7) Financing costs include fees related to the amortization of fees relating to the Au

(8) Provision for income taxes includes discrete tax charges for continuing operation

(9) 2013 Adjusted EPS will exclude amortization of intangible assets.

(10) 2013 Adjusted EPS will exclude transaction, integration and other non-recurring

SOURCE Express Scripts Holding Company

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