**Express Scripts Holding Co. (ESRX)**
Sector: Healthcare (Industry: Health Services)

**Investment Theme:** The fundamental outlook for Health care services industry is positive in the near term. Most of the services under this industry like, clinical laboratories, home healthcare, rehabilitation services etc., will continue to benefit from the favorable demographics. Some of this growth has been offset by the decrease in Medicare reimbursements that will come into play in 2013 as there is an increased pressure on Federal government to reduce spending.

We are positive on pharmacy benefit managers (PBMs) as they would benefit from the increasing use of generics as a number of branded drugs lose their patents in 2012 and 2013. Also, the healthcare reform act will increase the number of insured patients and thereby drive up prescription demand.

**Industry Outlook:** High unemployment in the last few years has affected drug sales, as many without insurance decided to forego prescriptions. However the recent unemployment numbers are encouraging. The other big factor affecting this industry is the expiration of patents on a large number of drugs since last year. Less expensive generics are going to hit the market and PBM companies earn higher margins on generics.

**The PBM Model:** PBMs contract with large managed care organizations, employers, unions, and government agencies to administer their pharmacy benefits to members and beneficiaries. PBMs combine retail pharmacy claims processing, formulary development and maintenance, and home-delivery pharmacy services into integrated product offerings to manage the prescription drug benefit for their clients.

Having access to large customer populations helps PBMs leverage their purchasing power to negotiate rebates and discounts from drug manufacturers, as well as from retail pharmacy chains, on behalf of their clients. They also employ process improvements to reduce client cost and increase overall efficiency. These include the use of formularies that restrict reimbursement to a select list of generic and cost effective drugs in each therapeutic class; greater usage of inexpensive mail-order delivery; contracts with retail pharmacies to dispense pharmaceuticals to plan members at pre-determined rates; and efforts to achieve better patient compliance in medication usage.

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**Recommendation:** **BUY**

**Total Annual Return Est.:**
- 3 year FV: 21.7%
- 5 year FV: 12.5%

**Financial Snapshot:**
- Price: $63.00
- DCF Value: $113.42
- Buy Target: $90.74
- Sell Target: $136.10
- P/E: 11.1x
- Forward P/E: 10.81x
- Div Yield: 0%
- Market Cap: $51.48 Billion
- 52 Wk Range: $34.47 - $64.46
- EPS Growth: 13.6%
- PEG: 0.81
- Credit: 18.2 Billion
- Current Ratio: 0.6x
Express Scripts Holding Co. (ESRX)

Sector: Healthcare (Industry: Health Services)

**Company Overview:** Express Scripts Holding Co. (ESRX) is one of the largest pharmacy benefit management companies in North America. The company serves thousands of client groups, including managed care organizations, insurance carriers, third-party administrators, employers and union-sponsored benefit plans by filling millions of prescriptions each year through home delivery from the Express Script mail order pharmacy and through other retail pharmacies.

ESRX partners with its clients to help offer healthy prescription-drug benefit. In support of this effort, ESRX launched The Consumerology® Advisory Board that includes nationally recognized experts in the science of human behavior and decision making. The Advisory Board provides forward thinking and key insights to drive better health and value in pharmacy benefit. It studies consumer behavior and makes recommendations based on consumer behavior.

The company has established an unmatched bargaining power over suppliers through a series of acquisitions and thus has the ability to leverage fixed costs, and provide differentiated pharmacy benefit management capabilities.

The acquisition of Medco in April 2012 enables Express Scripts to combine best-in-class clinical expertise and innovative applications of behavioral science to improve patient health while driving down the cost of healthcare. Combining the companies' complementary offerings will create better models of care and improve patients' adherence to prescribed treatment regimens.

In November 2009, ESRX implemented a new contract with the U.S. Dept. of Defense (DoD), this new contract combines the pharmacy network services, home delivery, and specialty pharmacy, as well as additional services.

Through its Emerging Markets Services (EM) segment, it provides services including distribution of pharmaceuticals and medical supplies to providers and clinics, distribution of fertility pharmaceuticals requiring special handling or packaging, distribution of sample units to physicians, verification of practitioner licensure, health care account administration, and implementation of consumer-directed health care solutions. EM services represented 2.8% of ESRX's total revenues in 2011, up from 2.6% in 2010.

Revenues are generated primarily from the delivery of prescription drugs through over 55,000 contracted retail pharmacies, as well as through home delivery fulfillment pharmacies and specialty drug pharmacies. Revenues from the delivery of prescription drugs to members represented 99.4% of revenues in 2011. Revenues from services, such as the administration of some clients' retail pharmacy networks, medication counseling services, specialty distribution services, and sample fulfillment and sample accountability services, comprised the remainder. The five largest clients accounted for about 57% of revenues in 2011, compared to 55% in 2010. Major clients include Wellpoint and the Department of Defense. ESRX processed 600 million network pharmacy claims and 53.4 million home delivery and specialty pharmacy claims in 2011.
Express Scripts Holding Co. (ESRX)
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2012 Q3 Results: ESRX reported strong second quarter earnings and increased their guidance for the year.

The number of claims processed for the quarter was up 118% from Q2 of 2011. Generic fill rate was up 308 basis points from a year ago. EBITDA for the quarter stood at $1.5 billion. EPS for the quarter was $0.88, an increase of 24% over last year. Cash from operations increased by 58% compared to last year. As a result of the strong performance in the first half of the year EPS guidance for the year has been increased and expect it to be in the range of $3.6 - $3.75.

As part of its integration, ESRX is combining Medco's clinical approach through its therapeutic resource centers and the use of specialized pharmacists with Consumerology, the application of behavioral sciences to health care and provide increased cost savings to its consumers. ESRX believes operating on one technology platform is imperative in offering best-in-class service and meeting the market challenges and opportunities presented by Health Care Reform, Medicare and Medicaid expansion. ESRX is in the process of transferring its clients to its destination platform. Retention rates for both ESRX and Medco's legacy book of business exceed 95%, which is consistent with historical norms. ESRX won over 125 clients to date, which is consistent with prior years.

Investment Thesis: The maturation of the baby-boom generation, longer life spans, and the subsequent increasing need for prescription drugs paints a favorable backdrop for PBM services. The increasing demand for drugs from the newly insured population that will be added in the next few years will provide an opportunity for organic growth. The acquisition of Medco gives increased buying power for ESRX to negotiate better rates with Pharmaceutical companies. ESRX now accounts for 40% of the PBM market in USA. While the business models of all PBMs are similar, there are differences based on their individual compositions. Express Scripts is a pure-play PBM that focuses on the utilization of cost-effective mail order drug delivery and the use of narrow networks for retail dispensing.

Pros:
- The size of ESRX will enable it to leverage economies of scale.
- Direct mail order is a fast growing channel offering increased savings to customers.
- The trend of lower drug purchasing costs and increased use of generics will offset current adverse economic environment.
- Winning back Walgreen as a customer demonstrates the company’s competitive positioning and strategic management capabilities of the management team.
- Continued investments in technology is expected to keep ESRX ahead of its competition.
Management Review: Chairman & CEO, George Paz, was recently celebrated as the country’s “most valuable chief executive”, continues to drive ESRX’ strategic direction to ensure alignment with clients to deliver better, more cost-effective health outcomes for millions of people. Pat McNamee, EVP & COO, has been instrumental in directing the integration with Medco. The Management has done a series of acquisitions in the past and is well versed in integrating and deriving synergies.

Financial Trend Analysis: Financial trends over the trailing four years have been positive. Revenue has grown at a 21% CAGR over the last four years, while earnings have grown at a rate of 22.4%. We are confident that ESRX will continue to perform at a high level and we project earnings to grow at 33% CAGR during the next five years. Operating and net margins as well as cash flow margins have been trending higher. Returns on equity and total capital are following similar trends.

Financial Health: ESRX maintains a strong balance sheet with sizeable current assets. Its current ratio for the quarter ending June 2012 was 0.8. Taking advantage of the low interest rates ESRX prepaid $1.5 billion of bonds that were outstanding.

Competitive Analysis: ESRX operates in a complex and evolving regulatory environment. We believe ESRX will continue to improve operational efficiencies by investing in technology, attracting more customers and advocating the use of generics. ESRX now is the biggest PBM serving the US markets with a market share of approximately 40%. The acquisition of Medco gives ESRX the power to negotiate better rates with its suppliers. ESRX is estimated to have nearly double the revenue of its nearest rival CVS in 2012.

Risk Factors:
- The market price of the stock may decline if the integration with Medco does not realize the projected growth and realization of cost efficiencies, however ESRX has a history of running successful integrations in the past
- Express Scripts must keep innovating to find new saving opportunities to justify its administrative costs and profit margins. This will become harder as the generics wave begins to decline after 2014.
- Express Scripts could be hurt by aggressive pricing by competitors. For example, CVS Caremark could underprice its PBM services to drive greater traffic to its retail stores.
- Five largest clients accounted for 57% of its revenues in 2011
### Express Scripts Holding Co. (ESRX)

**Sector:** Healthcare *(Industry: Health Services)*

**DCF Valuation Model:**

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<tr>
<th>Current</th>
<th>Projection Period</th>
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<tbody>
<tr>
<td></td>
<td>2012</td>
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<tr>
<td>EBITDA</td>
<td>$4,685.20</td>
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<tr>
<td>Taxes</td>
<td>$1,905.23</td>
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<tr>
<td>EBIT(1-T)</td>
<td>$2,797.97</td>
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<tr>
<td>+ Depreciation</td>
<td>$332.00</td>
</tr>
<tr>
<td>- CapEx</td>
<td>$332.00</td>
</tr>
<tr>
<td>ΔNWC</td>
<td>$(13,034.30)</td>
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<tr>
<td>Free Cash Flow</td>
<td>$16,014.27</td>
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<td>Terminal Value</td>
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<tr>
<td>PV of Cash Flows</td>
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<tr>
<td>Enterprise Value</td>
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<tr>
<td>Implied EV/EBITDA Multiple</td>
<td></td>
</tr>
<tr>
<td>Plus: Cash</td>
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</tr>
<tr>
<td>Less: LTD</td>
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</tr>
<tr>
<td>Equity Value</td>
<td></td>
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<tr>
<td>Current Shares Outstanding</td>
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<tr>
<td>Equity Value Per Share</td>
<td></td>
</tr>
<tr>
<td>Current (Discount)/Premium from Fair Value</td>
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</table>

**Buy Price (FV less 20%)**

<table>
<thead>
<tr>
<th>Sell Price (FV plus 20%)</th>
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<tbody>
<tr>
<td>$90.74</td>
</tr>
<tr>
<td>$136.10</td>
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### Sensitivity Analysis:

<table>
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<th>TERMINAL GROWTH RATE</th>
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<td>1.5000%</td>
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<tr>
<td>5.50%</td>
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<td>6.00%</td>
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<td>6.50%</td>
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<td>7.00%</td>
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<tr>
<td>7.50%</td>
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<tr>
<td>8.00%</td>
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<tr>
<td>8.50%</td>
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Express Scripts Holding Co. (ESRX)
Sector: Healthcare (Industry: Health Services)

Comparable Analysis:

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<th>Target</th>
<th>Comparables</th>
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<th>Average</th>
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<td></td>
<td>EXPR</td>
<td>CVS</td>
<td>ABC</td>
<td>CTRX</td>
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<tr>
<td>Price</td>
<td>63.00</td>
<td>48.60</td>
<td>38.99</td>
<td>49.49</td>
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<tr>
<td>P/E</td>
<td>32.93</td>
<td>17.44</td>
<td>14.60</td>
<td>30.28</td>
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<td>EV/EBITDA</td>
<td>22.00</td>
<td>8.47</td>
<td>7.38</td>
<td>45.60</td>
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<tr>
<td>Price/Cash Flow</td>
<td>17.13</td>
<td>11.61</td>
<td>10.05</td>
<td>22.77</td>
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<tr>
<td>Price/Book</td>
<td>2.04</td>
<td>1.57</td>
<td>3.37</td>
<td>5.41</td>
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<td>PEG</td>
<td>0.93</td>
<td>1.06</td>
<td>1.52</td>
<td>1.83</td>
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<tr>
<td>Dividend Yield</td>
<td>0%</td>
<td>1.34%</td>
<td>0%</td>
<td>0%</td>
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<tr>
<td>Total Debt/Equity</td>
<td>0.82</td>
<td>0.25</td>
<td>0.64</td>
<td>0.08</td>
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<tr>
<td>Net Margin</td>
<td>1.66</td>
<td>3.16</td>
<td>0.87</td>
<td>1.74</td>
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<td>ROA</td>
<td>4.07</td>
<td>6.21</td>
<td>4.98</td>
<td>7.86</td>
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<td>ROE</td>
<td>8.80</td>
<td>9.65</td>
<td>22.92</td>
<td>11.25</td>
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<tr>
<td>Beta</td>
<td>1.08</td>
<td>0.75</td>
<td>0.71</td>
<td>0.58</td>
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<tr>
<td>Market Cap (Billions)</td>
<td>51.00</td>
<td>61.60</td>
<td>9.80</td>
<td>10.14</td>
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</table>

WACC Calculation:

| Marginal tax rate | 38%       |
| Risk free rate    | 1.64%     |
| Market risk premium | 5.90% |
| Levered Beta      | 1.07      |
| Cost of equity    | 7.95%     |

Credit Rating (LT Capital Structure)  BBB+
Cost of debt pre-tax  3.68%
After tax cost of debt  2.28%
Cost of debt using YTM  2.88%
Share price  $63.5
Market capitalization  51,483
Total debt  18,241
Total capital  69,724
% equity capital  73.84%
% debt capital  26.16%

Weighted average Cost of capital  6.6258%

Total Return Calculation:

| Current Price | $ 63.00 |
| Fair Value    | $113.42 |
| Total Annual Return 3 Yrs to FV | 21.7% |
| Total Annual Return 5 Yrs to FV | 12.5% |

Valuation Assumptions:

| Current Price | $63.00 |
| 2013 Est. EPS | $5.68 |
| 2014 Est. EPS | $5.83 |
| Revenue Growth | 6% |
| Tax Rate | 38% |
| WACC | 6.6% |
| Terminal Growth Rate | 2.0% |
### Income Statement Projection:

<table>
<thead>
<tr>
<th></th>
<th>Est.</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
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</thead>
<tbody>
<tr>
<td><strong>Net Sales or Revenues</strong></td>
<td>$94,858.22</td>
<td>$100,549.71</td>
<td>$106,582.69</td>
<td>$112,977.65</td>
<td>$119,756.31</td>
<td>$126,941.69</td>
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<tr>
<td><strong>Cost of Goods Sold</strong></td>
<td>$86,320.98</td>
<td>$90,494.74</td>
<td>$95,924.42</td>
<td>$101,679.89</td>
<td>$107,780.68</td>
<td>$114,247.52</td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
<td>$8,537.24</td>
<td>$10,054.97</td>
<td>$10,658.27</td>
<td>$11,297.77</td>
<td>$11,975.63</td>
<td>$12,694.17</td>
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<tr>
<td><strong>Gross Margin</strong></td>
<td>9.0%</td>
<td>10.0%</td>
<td>10.0%</td>
<td>10.0%</td>
<td>10.0%</td>
<td>10.0%</td>
</tr>
<tr>
<td><strong>Selling, General &amp; Admin Expenses</strong></td>
<td>$3,320.04</td>
<td>$2,513.74</td>
<td>$2,664.57</td>
<td>$2,824.44</td>
<td>$2,993.91</td>
<td>$3,173.54</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>$5,217.20</td>
<td>$7,541.23</td>
<td>$7,993.70</td>
<td>$8,473.32</td>
<td>$8,981.72</td>
<td>$9,520.63</td>
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<tr>
<td><strong>Depreciation</strong></td>
<td>$332.00</td>
<td>$351.92</td>
<td>$373.04</td>
<td>$395.42</td>
<td>$419.15</td>
<td>$425.43</td>
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<tr>
<td><strong>Operating Income (EBIT)</strong></td>
<td>$4,885.20</td>
<td>$7,189.30</td>
<td>$7,620.66</td>
<td>$8,077.90</td>
<td>$8,562.58</td>
<td>$9,095.19</td>
</tr>
<tr>
<td><strong>Operating Margin</strong></td>
<td>5.2%</td>
<td>7.1%</td>
<td>7.1%</td>
<td>7.2%</td>
<td>7.2%</td>
<td>7.2%</td>
</tr>
<tr>
<td><strong>Interest Expense on Debt</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Pretax Income</strong></td>
<td>$4,885.20</td>
<td>$7,189.30</td>
<td>$7,620.66</td>
<td>$8,077.90</td>
<td>$8,562.58</td>
<td>$9,095.19</td>
</tr>
<tr>
<td><strong>Income Taxes</strong></td>
<td>$1,965.23</td>
<td>$2,588.15</td>
<td>$2,895.85</td>
<td>$3,069.60</td>
<td>$3,253.78</td>
<td>$3,456.17</td>
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<tr>
<td><strong>Net Income to Common Shareholders</strong></td>
<td>$2,919.97</td>
<td>$4,591.15</td>
<td>$4,724.81</td>
<td>$4,908.30</td>
<td>$5,308.80</td>
<td>$5,639.02</td>
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<tr>
<td><strong>Net Margin</strong></td>
<td>3.14%</td>
<td>4.58%</td>
<td>4.43%</td>
<td>4.43%</td>
<td>4.43%</td>
<td>4.44%</td>
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<td><strong>Shareholder Information</strong></td>
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<tr>
<td><strong>Common Shares Used to Calc Diluted EPS</strong></td>
<td>810.75</td>
<td>810.75</td>
<td>810.75</td>
<td>810.75</td>
<td>810.75</td>
<td>810.75</td>
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<tr>
<td><strong>EPS - Continuing Operations</strong></td>
<td>$3.68</td>
<td>$5.68</td>
<td>$5.83</td>
<td>$6.18</td>
<td>$6.55</td>
<td>$6.96</td>
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Express Scripts Holding Co. (ESRX)  
Sector: Healthcare (Industry: Health Services)

**Historical Financial Data:**

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<tbody>
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<td></td>
<td>USD</td>
<td>USD</td>
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<tr>
<td><strong>Income Statement</strong></td>
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<tr>
<td>Net Sales or Revenues</td>
<td>46,272.3</td>
<td>44,973.2</td>
<td>24,722.3</td>
<td>21,978.0</td>
<td>21,824.0</td>
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<td>Operating Expenses - Total</td>
<td>43,868.1</td>
<td>42,874.2</td>
<td>23,163.7</td>
<td>20,697.5</td>
<td>20,737.6</td>
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<td>Cost of Goods Sold</td>
<td>42,874.9</td>
<td>41,809.1</td>
<td>22,191.6</td>
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<td>Selling, General &amp; Admin Expenses</td>
<td>739.8</td>
<td>818.5</td>
<td>865.4</td>
<td>726.7</td>
<td>647.8</td>
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<td>Depreciation, Depletion &amp; Amortization</td>
<td>253.4</td>
<td>246.6</td>
<td>106.7</td>
<td>97.7</td>
<td>97.5</td>
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<td>Depreciation</td>
<td>98.6</td>
<td>91.9</td>
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<td>64.0</td>
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<td>Amortization of Intangibles</td>
<td>154.8</td>
<td>154.7</td>
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<td>33.7</td>
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<tr>
<td>Amortization of Deferred Charges</td>
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<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Other Operating Expenses</td>
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<td>0.0</td>
<td>0.0</td>
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<tr>
<td>Operating Income</td>
<td>2,404.2</td>
<td>2,099.0</td>
<td>1,558.6</td>
<td>1,280.5</td>
<td>1,086.4</td>
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<td>Extraordinary Credit - Pretax</td>
<td>0.0</td>
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<td>0.0</td>
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<td>Extraordinary Charge - Pretax</td>
<td>92.5</td>
<td>28.1</td>
<td>61.1</td>
<td>2.0</td>
<td>52.8</td>
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<td>Non-Operating Interest Income</td>
<td>12.4</td>
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<td>Interest Expense On Debt</td>
<td>299.7</td>
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<td>194.4</td>
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<td>108.4</td>
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<td>Pretax Equity In Earnings</td>
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<td>Reserves- Increase(Decrease)</td>
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<td>Other Income/Expense - Net</td>
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<td>0.0</td>
<td>0.0</td>
<td>8.6</td>
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<td>Interest Capitalized</td>
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<td>-</td>
<td>-</td>
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<tr>
<td>Pretax Income</td>
<td>2,024.4</td>
<td>1,908.7</td>
<td>1,308.4</td>
<td>1,213.9</td>
<td>946.0</td>
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### Express Scripts Holding Co. (ESRX)

**Sector:** Healthcare (Industry: Health Services)

**Anup Ratnakaran**

**October 01, 2012**

#### Annual Cash Flow Statement

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<td>(3.9)</td>
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<td>303.7</td>
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# Express Scripts Holding Co. (ESRX)

**Sector:** Healthcare  
**Industry:** Health Services

## Annual Balance Sheet

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<td>Long Term Debt</td>
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<td>2,493.7</td>
<td>2,492.5</td>
</tr>
<tr>
<td>LT Debt Excl Capital Leases</td>
<td>7,076.4</td>
<td>2,493.7</td>
<td>2,492.5</td>
</tr>
<tr>
<td>Non-Convertible Debt</td>
<td>7,076.4</td>
<td>2,493.7</td>
<td>2,492.5</td>
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<tr>
<td>Convertible Debt</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
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<tr>
<td>Capitalized Lease Obligations</td>
<td>0.0</td>
<td>0.0</td>
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<tr>
<td>Provision for Risks &amp; Charges</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
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<tr>
<td>Deferred Income</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Deferred Taxes</td>
<td>546.5</td>
<td>448.9</td>
<td>361.6</td>
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<tr>
<td>Deferred Taxes - Credit</td>
<td>625.6</td>
<td>513.3</td>
<td>415.6</td>
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<tr>
<td>Deferred Taxes - Debit</td>
<td>79.1</td>
<td>64.4</td>
<td>54.0</td>
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<td>Deferred Tax Liability In Untaxed Reserves</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Other Liabilities</td>
<td>52.3</td>
<td>91.4</td>
<td>68.5</td>
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<tr>
<td><strong>Total Liabilities</strong></td>
<td>13,133.3</td>
<td>6,951.2</td>
<td>8,379.4</td>
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</table>

| Shareholders’ Equity |
|---|---|---|
| Non-Equity Reserves | 0.0 | 0.0 | 0.0 |
| Minority Interest | 0.0 | 0.0 | 0.0 |
| Preferred Stock | 0.0 | 0.0 | 0.0 |
| Preferred Stock - Non Redeemable | 0.0 | 0.0 | 0.0 |
| Preferred Stock - Redeemable | 0.0 | 0.0 | 0.0 |
| **Total Shareholders’ Equity** | 2,473.7 | 3,606.6 | 3,551.8 |

| Common Stock | 6.9 | 6.9 | 3.5 |
| Capital Surplus | 2,438.2 | 2,354.4 | 2,260.0 |
| Revaluation Reserves | 0.0 | 0.0 | 0.0 |
| Other Appropriated Reserves | - | - | - |
| Unappropriated (Free) Reserves | - | - | - |
| **Retained Earnings** | 6,645.6 | 5,369.8 | 4,188.6 |
| **Equity In Untaxed Reserves** | - | - | - |
| ESOP Guarantees | 0.0 | 0.0 | 0.0 |
| Unrealized Foreign Exchange Gain(Loss) | 17.0 | 19.8 | 14.1 |
| Unrealized Gain(Loss) on Marketable Securities | 0.0 | 0.0 | 0.0 |
| (Less) Treasury Stock | 6,634.0 | 4,144.3 | 2,914.4 |
| **Total Shareholders’ Equity** | 2,473.7 | 3,606.6 | 3,551.8 |
| **Total Liabilities & Shareholders Equity** | 15,607.0 | 10,557.8 | 11,931.2 |
| Common Shares Outstanding | 484.6 | 528.1 | 550.0 |
### Express Scripts Holding Co. (ESRX)

**Sector:** Healthcare (Industry: Health Services)

#### Express Scripts Holding Company

<table>
<thead>
<tr>
<th>Symbol</th>
<th>ESRX</th>
</tr>
</thead>
</table>

**Industry:** Healthcare Equipment & Services

**Currency:** USD

**Scale:** 1,000,000

**Scope:** Worldwide

#### Annual Ratios

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<tr>
<td><strong>Market Cap</strong></td>
<td>21,656.0</td>
<td>28,542.1</td>
<td>23,786.1</td>
<td>13,615.7</td>
<td>18,423.1</td>
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<tr>
<td><strong>Net Sales or Revenues</strong></td>
<td>46,272.3</td>
<td>44,973.2</td>
<td>24,722.3</td>
<td>21,978.0</td>
<td>21,824.0</td>
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<tr>
<td><strong>Total Debt</strong></td>
<td>8,076.3</td>
<td>2,493.8</td>
<td>3,826.2</td>
<td>1,760.3</td>
<td>2,020.4</td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td>15,607.0</td>
<td>10,557.8</td>
<td>11,931.2</td>
<td>5,509.2</td>
<td>5,256.4</td>
</tr>
<tr>
<td><strong>Enterprise Value</strong></td>
<td>24,044.4</td>
<td>30,405.9</td>
<td>26,518.9</td>
<td>14,840.5</td>
<td>20,006.6</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>2,577.5</td>
<td>2,322.4</td>
<td>1,609.5</td>
<td>1,389.2</td>
<td>1,151.9</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>2,324.1</td>
<td>2,075.8</td>
<td>1,502.8</td>
<td>1,291.5</td>
<td>1,054.4</td>
</tr>
<tr>
<td><strong>Capital Expenditure</strong></td>
<td>144.4</td>
<td>119.9</td>
<td>149.4</td>
<td>85.8</td>
<td>75.0</td>
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#### Valuation Measures

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<tbody>
<tr>
<td><strong>Price/Earnings</strong></td>
<td>17.7</td>
<td>24.9</td>
<td>27.7</td>
<td>17.9</td>
<td>34.0</td>
</tr>
<tr>
<td><strong>Price/Sales</strong></td>
<td>0.5</td>
<td>0.6</td>
<td>1.0</td>
<td>0.6</td>
<td>0.8</td>
</tr>
<tr>
<td><strong>Price/Cash Flow</strong></td>
<td>12.4</td>
<td>17.9</td>
<td>-</td>
<td>13.7</td>
<td>-</td>
</tr>
<tr>
<td><strong>Price/Book Value</strong></td>
<td>8.8</td>
<td>7.9</td>
<td>0.7</td>
<td>12.6</td>
<td>26.5</td>
</tr>
<tr>
<td><strong>Price/Tangible BV</strong></td>
<td>-</td>
<td>-</td>
<td>NEG</td>
<td>-</td>
<td>NEG</td>
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#### Enterprise Value

<table>
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</thead>
<tbody>
<tr>
<td><strong>Enterprise Value / Sales</strong></td>
<td>0.5</td>
<td>0.7</td>
<td>1.1</td>
<td>0.7</td>
<td>0.9</td>
</tr>
<tr>
<td><strong>Enterprise Value / EBITDA</strong></td>
<td>0.3</td>
<td>13.1</td>
<td>16.5</td>
<td>10.7</td>
<td>17.4</td>
</tr>
<tr>
<td><strong>Enterprise Value / EBIT</strong></td>
<td>10.4</td>
<td>14.7</td>
<td>17.6</td>
<td>11.5</td>
<td>19.0</td>
</tr>
<tr>
<td><strong>Enterprise Value / Cash Flow</strong></td>
<td>13.3</td>
<td>18.6</td>
<td>23.2</td>
<td>14.7</td>
<td>26.7</td>
</tr>
<tr>
<td><strong>Enterprise Value / Free Cash Flow</strong></td>
<td>11.8</td>
<td>15.3</td>
<td>16.3</td>
<td>14.6</td>
<td>26.6</td>
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#### Credit Statistics

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</thead>
<tbody>
<tr>
<td><strong>Total Debt / Enterprise Value</strong></td>
<td>0.3</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td><strong>Net Debt / Enterprise Value</strong></td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td><strong>Total Debt / EBITDA</strong></td>
<td>3.1</td>
<td>1.1</td>
<td>2.4</td>
<td>1.3</td>
<td>1.8</td>
</tr>
<tr>
<td><strong>Net Debt / EBITDA</strong></td>
<td>0.9</td>
<td>0.8</td>
<td>1.7</td>
<td>0.9</td>
<td>1.4</td>
</tr>
<tr>
<td><strong>EBITDA / Interest Expense</strong></td>
<td>8.6</td>
<td>13.9</td>
<td>8.3</td>
<td>17.9</td>
<td>10.6</td>
</tr>
<tr>
<td><strong>EBITDA - Capex / Interest Expense</strong></td>
<td>8.1</td>
<td>13.2</td>
<td>7.5</td>
<td>16.8</td>
<td>9.9</td>
</tr>
<tr>
<td><strong>EBIT / Interest Expense</strong></td>
<td>7.8</td>
<td>12.4</td>
<td>7.7</td>
<td>16.6</td>
<td>9.7</td>
</tr>
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</table>

#### Liquidity Leverage

<table>
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<tbody>
<tr>
<td><strong>Quick Ratio</strong></td>
<td>1.4</td>
<td>0.6</td>
<td>0.7</td>
<td>0.6</td>
<td>0.7</td>
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<tr>
<td><strong>Current Ratio</strong></td>
<td>1.5</td>
<td>0.8</td>
<td>0.8</td>
<td>0.8</td>
<td>0.8</td>
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<tr>
<td><strong>Cash Flow/Current Liabilities</strong></td>
<td>0.4</td>
<td>0.5</td>
<td>0.3</td>
<td>0.4</td>
<td>0.3</td>
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<tr>
<td><strong>Long Term Debt / Equity</strong></td>
<td>286.1</td>
<td>69.1</td>
<td>70.2</td>
<td>124.3</td>
<td>252.8</td>
</tr>
<tr>
<td><strong>Total Debt / Equity</strong></td>
<td>326.5</td>
<td>69.1</td>
<td>107.9</td>
<td>163.3</td>
<td>290.1</td>
</tr>
<tr>
<td><strong>Long Term Debt / Total Capital</strong></td>
<td>74.1</td>
<td>40.9</td>
<td>41.2</td>
<td>55.4</td>
<td>71.7</td>
</tr>
<tr>
<td><strong>Total Debt / Total Capital</strong></td>
<td>76.6</td>
<td>40.9</td>
<td>51.0</td>
<td>62.0</td>
<td>74.4</td>
</tr>
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</table>
### Express Scripts Holding Co. (ESRX)
**Sector:** Healthcare  (**Industry:** Health Services)

**Anup Ratnakaran**  
**October 01, 2012**

<table>
<thead>
<tr>
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<tbody>
<tr>
<td><strong>Profitability Ratios</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Gross Margin</td>
<td>6.79%</td>
<td>6.46%</td>
<td>9.60%</td>
<td>9.13%</td>
<td>7.96%</td>
</tr>
<tr>
<td>Gross Margin - 5 Yr Average</td>
<td>8.33%</td>
<td>8.63%</td>
<td>-</td>
<td>8.00%</td>
<td>-</td>
</tr>
<tr>
<td>EBITDA Margin</td>
<td>5.57%</td>
<td>5.16%</td>
<td>6.51%</td>
<td>6.32%</td>
<td>5.28%</td>
</tr>
<tr>
<td>EBITDA Margin - 5 Yr Average</td>
<td>5.79%</td>
<td>5.60%</td>
<td>5.86%</td>
<td>5.34%</td>
<td>4.81%</td>
</tr>
<tr>
<td>EBIT Margin</td>
<td>5.02%</td>
<td>4.02%</td>
<td>6.08%</td>
<td>5.68%</td>
<td>4.83%</td>
</tr>
<tr>
<td>EBIT Margin - 5 Yr Average</td>
<td>3.20%</td>
<td>3.26%</td>
<td>3.40%</td>
<td>4.63%</td>
<td>4.31%</td>
</tr>
<tr>
<td>Pre-Tax Margin</td>
<td>4.37%</td>
<td>4.24%</td>
<td>5.29%</td>
<td>5.52%</td>
<td>4.33%</td>
</tr>
<tr>
<td>Pre-Tax Margin - 5 Yr Average</td>
<td>4.52%</td>
<td>4.89%</td>
<td>-</td>
<td>4.34%</td>
<td>-</td>
</tr>
<tr>
<td>Net Margin</td>
<td>2.76%</td>
<td>2.65%</td>
<td>3.35%</td>
<td>3.53%</td>
<td>2.60%</td>
</tr>
<tr>
<td>Net Margin - 5 Yr Average</td>
<td>3.07%</td>
<td>3.06%</td>
<td>-</td>
<td>2.72%</td>
<td>-</td>
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<td><strong>Efficiency Ratios</strong></td>
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</tr>
<tr>
<td>Sales Per Employee</td>
<td>3.5</td>
<td>3.4</td>
<td>1.7</td>
<td>2.0</td>
<td>1.8</td>
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<tr>
<td>Operating Profit Per Employee</td>
<td>0.2</td>
<td>0.2</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Net Income Per Employee</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>0.0</td>
</tr>
<tr>
<td>Assets Per Employee</td>
<td>1.2</td>
<td>0.8</td>
<td>0.8</td>
<td>0.5</td>
<td>0.4</td>
</tr>
<tr>
<td>Total Asset Turnover</td>
<td>3.0</td>
<td>4.3</td>
<td>2.1</td>
<td>4.0</td>
<td>4.2</td>
</tr>
<tr>
<td>Inventory Turnover</td>
<td>113.3</td>
<td>120.2</td>
<td>-</td>
<td>107.7</td>
<td>-</td>
</tr>
<tr>
<td>Receivable Turnover</td>
<td>25.4</td>
<td>21.2</td>
<td>-</td>
<td>18.6</td>
<td>17.6</td>
</tr>
<tr>
<td>Payable Turnover</td>
<td>54.1</td>
<td>19.8</td>
<td>-</td>
<td>10.9</td>
<td>11.0</td>
</tr>
<tr>
<td><strong>Management Effectiveness</strong></td>
<td></td>
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<tr>
<td>Return on Equity</td>
<td>41.97%</td>
<td>33.00%</td>
<td>35.75%</td>
<td>87.47%</td>
<td>62.35%</td>
</tr>
<tr>
<td>Return on Equity - 5 Yr Average</td>
<td>52.11%</td>
<td>51.04%</td>
<td>50.45%</td>
<td>47.96%</td>
<td>35.02%</td>
</tr>
<tr>
<td>Return On Assets</td>
<td>11.24%</td>
<td>11.47%</td>
<td>10.94%</td>
<td>15.36%</td>
<td>12.32%</td>
</tr>
<tr>
<td>Return On Assets - 5 Yr Average</td>
<td>12.26%</td>
<td>12.04%</td>
<td>11.60%</td>
<td>11.10%</td>
<td>9.68%</td>
</tr>
<tr>
<td>Return On Invested Capital</td>
<td>17.60%</td>
<td>19.13%</td>
<td>18.06%</td>
<td>29.76%</td>
<td>24.12%</td>
</tr>
<tr>
<td>Return On Invested Capital - 5 Yr Average</td>
<td>21.67%</td>
<td>22.20%</td>
<td>22.03%</td>
<td>21.90%</td>
<td>19.35%</td>
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### Dividend Ratios

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<th>0.0</th>
<th>-</th>
<th>0.0</th>
<th>-</th>
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<tbody>
<tr>
<td>Dividend Yield</td>
<td>0.0%</td>
<td>0.0%</td>
<td>-</td>
<td>0.0%</td>
<td>-</td>
</tr>
<tr>
<td>Dividend Payout Ratio</td>
<td>0.0%</td>
<td>0.0%</td>
<td>-</td>
<td>0.0%</td>
<td>-</td>
</tr>
</tbody>
</table>

### Growth Rates

| Sales             | 2.89% | 81.91% | 12.91% | 6.71% | 4.13% |
| Sales - 5 Yr      | 21.25%| 22.56% | 10.36% | 10.56%| 8.31% |
| EBITDA            | 10.96%| 44.79% | -      | 20.58%| 22.53%|
| EBITDA - 5 Yr     | 22.36%| 25.91% | -      | 22.58%| -     |
| Net Income        | 8.01% | 42.73% | 6.04%  | 36.06%| 19.09%|
| Net Income - 5 Yr | 21.86%| 24.18% | 24.36% | 25.43%| 22.86%|
| EPS               | 10.06%| 40.19% | 0.07%  | 43.20%| 28.74%|
| EPS - 5 Yr        | 24.82%| 26.61% | 28.22% | 31.19%| 27.42%|
| Capital Expenditure | 20.43%| (19.76%)| -      | 14.40%| 12.01%|
| Capital Expenditure - 5 Yr | 16.67%| 14.85%| -     | 10.07%| -     |
**Express Scripts Holding Co. (ESRX)**

**Sector: Healthcare (Industry: Health Services)**

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<tr>
<td>Research &amp; Development</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Research &amp; Development - 5 Yr</td>
<td>-</td>
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**Stock Performance**

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<tr>
<td>Price Close</td>
<td>44.7</td>
<td>54.1</td>
<td>43.2</td>
<td>27.5</td>
<td>36.5</td>
</tr>
<tr>
<td>% Change</td>
<td>(17.32%)</td>
<td>25.09%</td>
<td>57.18%</td>
<td>(24.68%)</td>
<td>103.91%</td>
</tr>
<tr>
<td>Total Return</td>
<td>(17.32%)</td>
<td>25.09%</td>
<td>57.18%</td>
<td>(24.68%)</td>
<td>103.91%</td>
</tr>
</tbody>
</table>

*Anup Ratnakaran*

*October 01, 2012*