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.

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**

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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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.

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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

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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)

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DCF Valuation Model:

	Current	Projection Period				
	2012	2013	2014	2015	2016	2017
EBITDA	$ 4,885.20	$ 7,189.30	$ 7,620.66	$ 8,077.90	$ 8,562.58	$ 9,095.19
Taxes	$ 1,905.23	$ 2,588.15	$ 2,895.85	$ 3,069.60	$ 3,253.78	$ 3,456.17
EBIT(1-T)	$ 2,979.97	$ 4,601.15	$ 4,724.81	$ 5,008.30	$ 5,308.80	$ 5,639.02
+Depreciation	$ 332.00	$ 351.92	$ 373.04	$ 395.42	$ 419.15	$ 425.43
-CapEx	$ 332.00	$ 351.92	$ 373.04	$ 395.42	$ 419.15	$ 444.30
-ΔNWC	$ (13,034.30)	$ (626.06)	$ (663.63)	$ (703.45)	$ (745.65)	$ (197.60)
Free Cash Flow	**$ 16,014.27**	**$ 5,227.22**	**$ 5,388.44**	**$ 5,711.75**	**$ 6,054.45**	**$ 5,817.76**
Terminal Value						**$ 115,201.76**
PV of Cash Flows		**$ 4,902.40**	**$ 4,739.56**	**$ 4,711.75**	**$ 4,684.09**	**$ 87,809.95**
Enterprise Value		**$ 106,847.75**				
Implied EV/EBITDA Multiple		$ 14.86				
Plus: Cash		$ 1,420.00				
Less: LTD		$ 16,312.00				
Equity Value		$ 91,955.75				
Current Shares Outstanding		810.75				
Equity Value Per Share		**$ 113.42**				
Current (Discount)/Premium from Fair Value		**-44.5%**				
Buy Price (FV less 20%)		**$ 90.74**				
Sell Price (FV plus 20%)		**$ 136.10**				

Sensitivity Analysis:

		TERMINAL GROWTH RATE				
		1.5000%	1.7500%	2%	2.2500%	2.5000%
DISCOUNT RATE	5.50%	$139.72	$148.82	$159.23	$171.24	$185.25
	6.00%	$122.00	$129.01	$136.89	$145.83	$156.04
	6.50%	$107.83	$113.37	$119.52	$126.40	$134.14
	7.00%	$96.24	$100.71	$105.63	$111.06	$117.10
	7.50%	$86.58	$90.25	$94.26	$98.64	$103.47
	8.00%	$78.40	$81.46	$84.78	$88.39	$92.32
	8.50%	$71.40	$73.98	$76.76	$79.77	$83.03

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Sector: Healthcare (Industry: Health Services)

Comparable Analysis:

	Target	Comparables			
	EXPR	CVS	ABC	CTRX	Average
Price	63.00	48.60	38.99	49.49	
P/E	32.93	17.44	14.60	30.28	20.77
EV/EBITDA	22.00	8.47	7.38	45.60	20.48
Price/Cash Flow	17.13	11.61	10.05	22.77	14.81
Price/Book	2.04	1.57	3.37	5.41	3.45
PEG	0.93	1.06	1.52	1.83	1.47
Dividend Yield	0%	1.34%	0%	0%	0.00
Total Debt/Equity	0.82	0.25	0.64	0.08	0.32
Net Margin	1.66	3.16	0.87	1.74	1.92
ROA	4.07	6.21	4.98	7.86	6.35
ROE	8.80	9.65	22.92	11.25	14.61
Beta	1.08	0.75	0.71	0.58	0.68
Market Cap (Billions)	51.00	61.60	9.80	10.14	27.18

WACC Calculation:

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:

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:

Assumption Summary	
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%

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Income Statement Projection:

	Est.	Projections				
	2012	2013	2014	2015	2016	2017
Net Sales or Revenues	$94,858.22	$100,549.71	$106,582.69	$112,977.65	$119,756.31	$126,941.69
Cost of Goods Sold	$86,320.98	$90,494.74	$95,924.42	$101,679.89	$107,780.68	$114,247.52
Gross Profit	$8,537.24	$10,054.97	$10,658.27	$11,297.77	$11,975.63	$12,694.17
Gross Margin	9.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Selling, General & Admin Expenses	$3,320.04	$2,513.74	$2,664.57	$2,824.44	$2,993.91	$3,173.54
EBITDA	$5,217.20	$7,541.23	$7,993.70	$8,473.32	$8,981.72	$9,520.63
Depreciation	$332.00	$351.92	$373.04	$395.42	$419.15	$425.43
Operating Income (EBIT)	$4,885.20	$7,189.30	$7,620.66	$8,077.90	$8,562.58	$9,095.19
Operating Margin	5.2%	7.1%	7.1%	7.2%	7.2%	7.2%
Interest Expense on Debt						
Pretax Income	$4,885.20	$7,189.30	$7,620.66	$8,077.90	$8,562.58	$9,095.19
Income Taxes	$1,905.23	$2,588.15	$2,895.85	$3,069.60	$3,253.78	$3,456.17
Net Income to Common Shareholders	$2,979.97	$4,601.15	$4,724.81	$5,008.30	$5,308.80	$5,639.02
Net Margin	3.14%	4.58%	4.43%	4.43%	4.43%	4.44%
Shareholder Information						
Common Shares Used to Calc Diluted EPS	810.75	810.75	810.75	810.75	810.75	810.75
EPS - Continuing Operations	$3.68	$5.68	$5.83	$6.18	$6.55	$6.96

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Historical Financial Data:

Annual Income Statement	12/31/2011 USD	12/31/2010 USD	12/31/2009 USD restated	12/31/2008 USD	12/31/2007 USD restated
Income Statement					
Net Sales or Revenues	46,272.3	44,973.2	24,722.3	21,978.0	21,824.0
Operating Expenses - Total	43,868.1	42,874.2	23,163.7	20,697.5	20,737.6
Cost of Goods Sold	42,874.9	41,809.1	22,191.6	19,873.1	19,992.3
Selling, General & Admin Expenses	739.8	818.5	865.4	726.7	647.8
Depreciation, Depletion & Amortization	253.4	246.6	106.7	97.7	97.5
Depreciation	98.6	91.9	-	64.0	63.8
Amortization of Intangibles	154.8	154.7	-	33.7	33.7
Amortization of Deferred Charges	-	-	-	-	-
Other Operating Expenses	0.0	0.0	0.0	0.0	0.0
Operating Income	2,404.2	2,099.0	1,558.6	1,280.5	1,086.4
Extraordinary Credit - Pretax	0.0	0.0	0.0	0.0	0.0
Extraordinary Charge - Pretax	92.5	28.1	61.1	2.0	52.8
Non-Operating Interest Income	12.4	4.9	5.3	13.0	12.2
Interest Expense On Debt	299.7	167.1	194.4	77.6	108.4
Pretax Equity In Earnings	0.0	0.0	0.0	0.0	0.0
Reserves- Increase(Decrease)	0.0	0.0	0.0	0.0	0.0
Other Income/Expense - Net	0.0	0.0	0.0	0.0	8.6
Interest Capitalized	-	-	-	-	-
Pretax Income	2,024.4	1,908.7	1,308.4	1,213.9	946.0
Income Taxes	748.6	704.1	481.8	434.0	344.2
Current Domestic Income Tax	607.7	586.1	433.3	399.3	336.7
Current Foreign Income Tax	3.1	0.1	(1.8)	0.9	3.4
Deferred Domestic Income Tax	137.7	117.6	46.9	36.7	5.0
Deferred Foreign Income Tax	0.1	0.3	3.4	(2.9)	(0.9)
Income Tax Credits	0.0	0.0	0.0	0.0	0.0
Minority Interest	0.0	0.0	0.0	0.0	0.0
Equity In Earnings	0.0	0.0	0.0	(0.3)	(1.3)
After Tax Other Income/Expense	0.0	0.0	0.0	0.0	0.0
Discontinued Operations	0.0	(23.4)	1.0	(3.5)	(32.7)
Net Income Before Extra Items/Preferred Div	1,275.8	1,181.2	827.6	776.1	567.8
Extr Items & Gain(Loss) Sale of Assets	0.0	0.0	0.0	0.0	0.0
Net Income Before Preferred Dividends	1,275.8	1,181.2	827.6	776.1	567.8
Preferred Dividend Require	0.0	0.0	0.0	0.0	0.0
Net Income to Common Shareholders	**1,275.8**	**1,181.2**	**827.6**	**776.1**	**567.8**
EPS Incl Extraordinary Items	2.5	2.2	1.6	1.5	1.1
EPS - Continuing Operations	2.5	2.2	1.6	1.5	1.1
Dividend Per Share	0.0	0.0	0.0	0.0	0.0
Common Shares Used to Calc Diluted EPS	505,000,000.0	544,000,000.0	532,200,000.0	503,600,000.0	528,000,000.0

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Annual Cash Flow Statement	12/31/2011 USD	12/31/2010 USD	12/31/2009 USD restated	12/31/2008 USD	12/31/2007 USD restated
Operations					
Net Income / Starting Line	1,275.8	1,181.2	-	776.1	-
Depreciation, Depletion & Amortization	253.4	246.6	106.7	97.7	97.5
Depreciation & Depletion	98.6	91.9	-	64.0	-
Amortization of Intangible Assets	154.8	154.7	-	33.7	33.7
Deferred Income Taxes & Investment Tax Cre(	137.8	110.4	51.5	33.8	4.1
Deferred Income Taxes	137.8	110.4	51.5	33.8	4.1
Investment Tax Credits	0.0	0.0	0.0	0.0	0.0
Other Cash Flow	145.9	103.2	156.8	101.9	80.7
Funds From Operations	1,812.9	1,641.4	1,140.1	1,009.5	750.1
Extraordinary Items	0.0	0.0	0.0	0.0	0.0
Funds From/For Other Operating Activities	379.1	476.0	631.4	93.5	77.2
Dec(Inc) In Receivables	(206.1)	793.0	(506.0)	21.9	71.6
Dec(Inc) In Inventories	8.0	(70.2)	(58.1)	(38.0)	25.3
Inc(Dec) In Accounts Payable	0.0	0.0	0.0	0.0	0.0
Inc(Dec) In Income Taxes Payable	0.0	0.0	0.0	0.0	0.0
Inc(Dec) In Other Accruals	0.0	0.0	0.0	0.0	0.0
Dec(Inc) In Other Assets/Liabilities	577.2	(246.8)	1,193.0	109.6	(19.7)
Net Cash Flow - Operating Activities	**2,192.0**	**2,117.4**	**1,771.5**	**1,103.0**	**827.3**
Investing					
Capital Expenditures (Addition to Fixed Assets	(144.4)	(119.9)	(149.4)	(85.8)	(75.0)
Additions To Other Assets	0.0	0.0	0.0	0.0	0.0
Net Assets From Acquisitions	0.0	0.0	(4,672.6)	(251.5)	(14.3)
Increase In Investments	(25.0)	(38.0)	(1,201.4)	(49.3)	0.0
Decrease In Investments	45.0	8.6	1,205.3	38.9	34.2
Disposal of Fixed Assets	0.0	2.5	-	27.7	0.0
Other Use/(Source) - Investing	(0.5)	(0.9)	4.3	0.6	3.2
Other Uses - Investing	0.0	(0.8)	(4.3)	(0.6)	(3.2)
Other Sources - Investing	0.5	1.7	0.0	0.0	0.0
Net Cash Flow - Investing	**(123.9)**	**(145.9)**	**(4,822.4)**	**(320.6)**	**(58.3)**
Financing					
Net Proceeds From Sale/Issue of Com & Pref	32.2	35.3	1,581.6	31.9	52.8
Proceeds From Stock Options	32.2	35.3	1,581.6	31.9	52.8
Other Proceeds From Sale/Issuance of Stoc	0.0	0.0	0.0	0.0	0.0
Com/Pfd Purchased	(2,515.7)	(1,276.2)	-	(494.4)	(1,140.3)
Long Term Borrow ings	5,488.7	0.0	2,491.6	-	800.0
Reduction In Long Term Debt	(0.1)	(1,340.1)	(420.1)	(260.0)	(230.1)
Inc(Dec) In Short Term Borrow ings	0.0	0.0	0.0	0.0	0.0
Cash Dividends Paid - Total	0.0	0.0	0.0	0.0	0.0
Common Dividends (Cash)	0.0	0.0	0.0	0.0	0.0
Preferred Dividends (Cash)	0.0	0.0	0.0	0.0	0.0
Other Source (Use) - Financing	25.4	58.0	(66.1)	42.1	47.9
Other Sources - Financing	28.3	61.9	13.4	42.1	49.4
Other Uses - Financing	(2.9)	(3.9)	(79.5)	0.0	(1.5)
Net Cash Flow - Financing	**3,030.5**	**(2,523.0)**	**3,587.0**	**(680.4)**	**(469.7)**
Effect of Exchange Rate On Cash	(2.2)	4.8	3.6	(6.0)	4.4
Inc(Dec) In Cash & Short Term Investme	**5,096.4**	**(546.7)**	**539.7**	**96.0**	**303.7**

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Sector: Healthcare (Industry: Health Services)

Annual Balance Sheet

	12/31/2011 USD	12/31/2010 USD	12/31/2009 USD restated
Assets			
Cash & ST Investments	5,637.9	540.0	1,079.5
Cash	17.8	16.3	9.1
Short Term Investments	5,620.1	523.7	1,070.4
Receivables (Net)	1,915.7	1,720.9	2,516.4
Inventories - Total	374.4	382.4	313.0
Raw Materials	-	-	-
Work In Process	-	-	-
Finished Goods	-	-	-
Progress Payments & Other	-	-	-
Prepaid Expenses	68.7	177.6	90.7
Other Current Assets	61.3	120.4	143.9
Current Assets - Total	**8,058.0**	**2,941.3**	**4,143.5**
Long Term Receivables	0.0	0.0	0.0
Investment In Unconsolidated Subsidiaries	0.0	0.0	0.0
Other Investments	14.1	13.5	11.4
Property Plant & Equipment - Net	416.2	372.7	347.1
Property Plant & Equipment - Gross	899.1	797.7	704.7
Land	-	-	-
Buildings	11.3	11.2	11.2
Construction Work In Progress	-	-	-
Machinery & Equipment	345.4	308.8	293.4
Rental/Lease Property	-	-	-
Transportation Equipment	-	-	-
PP&E - Other	144.4	135.2	104.6
PP&E Under Capitalized Leases	-	-	-
(Less) Accumulated Depreciation	482.9	425.0	357.6
Accum Depr-Land	-	-	-
Accum Depr-Buildings	-	-	-
Accum Depr-Machinery & Equip.	-	-	-
Accum Depr-Rental/Lease Property	-	-	-
Accum Depr-Transport Equip.	-	-	-
Accum Depr-PP&E Other	-	-	-
Accum Depr-PP&E Under Cap Leases	-	-	-
Other Assets	7,118.7	7,230.3	7,429.2
Deferred Charges	-	-	-
Tangible Other Assets	12.1	19.1	51.3
Intangible Other Assets	7,106.6	7,211.2	7,377.9
Total Assets	**15,607.0**	**10,557.8**	**11,931.2**
Liabilities			
Accounts Payable	928.1	656.7	706.4
ST Debt & Current Portion of LT Debt	999.9	0.1	1,340.1
Accrued Payroll	-	-	-
Income Taxes Payable	-	-	-
Dividends Payable	0.0	0.0	0.0
Other Current Liabilities	3,530.1	3,260.4	3,410.3
Current Liabilities - Total	**5,458.1**	**3,917.2**	**5,456.8**
Long Term Debt	7,076.4	2,493.7	2,492.5

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

University of Connecticut
MBA Student Managed Fund

Express Scripts Holding Co. (ESRX)

Sector: Healthcare (Industry: Health Services)

EXPRESS SCRIPTS HOLDING COMPANY

Industry Health Care Equipment & Services

Annual Ratios

Symbol ESRX
Currency USD
Scale 1,000,000
Source Worldscope

	12/31/2011 USD	12/31/2010 USD	12/31/2009 USD restated	12/31/2008 USD	12/31/2007 USD restated
Valuation Measures					
Market Cap	21,656.0	28,542.1	23,766.1	13,615.7	18,423.1
Net Sales or Revenues	46,272.3	44,973.2	24,722.3	21,978.0	21,824.0
Total Debt	8,076.3	2,493.8	3,832.6	1,760.3	2,020.4
Net Assets	15,607.0	10,557.8	11,931.2	5,509.2	5,256.4
Enterprise Value	24,094.4	30,495.9	26,518.9	14,840.5	20,006.6
EBITDA	2,577.5	2,322.4	1,609.5	1,389.2	1,151.9
EBIT	2,324.1	2,075.8	1,502.8	1,291.5	1,054.4
Capital Expenditure	144.4	119.9	149.4	85.8	75.0
Valuation					
Price/Earnings	17.7	24.9	27.7	17.9	34.0
Price/Sales	0.5	0.6	1.0	0.6	0.8
Price/Cash Flow	12.4	17.9	-	13.7	-
Price/Book Value	8.8	7.9	6.7	12.6	26.5
Price/Tangible BV	NEG	NEG	-	NEG	-
Enterprise Value					
Enterprise Value / Sales	0.5	0.7	1.1	0.7	0.9
Enterprise Value/ EBITDA	9.3	13.1	16.5	10.7	17.4
Enterprise Value / EBIT	10.4	14.7	17.6	11.5	19.0
Enterprise Value / Cash Flow	13.3	18.6	23.2	14.7	26.7
Enterprise Value / Free Cash Flow	11.8	15.3	16.3	14.6	26.6
Credit Statistics					
Total Debt/ Enterprise Value	0.3	0.1	0.1	0.1	0.1
Net Debt / Enterprise Value	0.1	0.1	0.1	0.1	0.1
Total Debt / EBITDA	3.1	1.1	2.4	1.3	1.8
Net Debt / EBITDA	0.9	0.8	1.7	0.9	1.4
EBITDA / Interest Expense	8.6	13.9	8.3	17.9	10.6
EBTIDA - Capex / Interest Expense	8.1	13.2	7.5	16.8	9.9
EBIT/ Interest Expense	7.8	12.4	7.7	16.6	9.7
Liquidity Leverage					
Quick Ratio	1.4	0.6	0.7	0.6	0.7
Current Ratio	1.5	0.8	0.8	0.8	0.8
Cash Flow/Current Liabilities	0.4	0.5	0.3	0.4	0.3
Long Term Debt / Equity	286.1	69.1	70.2	124.3	252.8
Total Debt / Equity	326.5	69.1	107.9	163.3	290.1
Long Term Debt / Total Capital	74.1	40.9	41.2	55.4	71.7
Total Debt / Total Capital	76.6	40.9	51.9	62.0	74.4

Express Scripts Holding Co. (ESRX)

Sector: Healthcare (Industry: Health Services)

	12/31/2011 USD	12/31/2010 USD	12/31/2009 USD restated	12/31/2008 USD	12/31/2007 USD restated
Working Capital / Total Capital	27.2	(16.0)	(21.7)	(28.0)	(20.6)
Profitability Ratios					
Gross Margin	6.79%	6.49%	9.80%	9.13%	7.95%
Gross Margin - 5 Yr Average	8.33%	8.63%	-	8.00%	-
EBITDA Margin	5.57%	5.16%	6.51%	6.32%	5.28%
EBITDA Margin - 5 Yr Average	5.79%	5.80%	5.88%	5.34%	4.81%
EBIT Margin	5.02%	4.62%	6.08%	5.88%	4.83%
EBIT Margin - 5 Yr Average	5.28%	5.30%	5.40%	4.83%	4.31%
Pre-Tax Margin	4.37%	4.24%	5.29%	5.52%	4.33%
Pre-Tax Margin - 5 Yr Average	4.92%	4.89%	-	4.34%	-
Net Margin	2.76%	2.63%	3.35%	3.53%	2.60%
Net Margin - 5 Yr Average	3.07%	3.06%	-	2.72%	-
Efficiency Ratios					
Sales Per Employee	3.5	3.4	1.7	2.0	1.8
Operating Profit Per Employee	0.2	0.2	0.1	0.1	0.1
Net Income Per Employee	0.1	0.1	0.1	0.1	0.0
Assets Per Employee	1.2	0.8	0.8	0.5	0.4
Total Asset Turnover	3.0	4.3	2.1	4.0	4.2
Inventory Turnover	113.3	120.2	-	107.7	-
Receivable Turnover	25.4	21.2	-	18.8	17.6
Payable Turnover	54.1	19.8	-	10.9	11.0
Management Effectiveness					
Return on Equity	41.97%	33.00%	35.75%	87.47%	62.35%
Return on Equity - 5 Yr Average	52.11%	51.04%	50.45%	47.96%	35.02%
Return On Assets	11.24%	11.47%	10.94%	15.36%	12.32%
Return On Assets - 5 Yr Average	12.26%	12.04%	11.60%	11.10%	9.68%
Return On Invested Capital	17.66%	19.13%	18.66%	29.76%	24.12%
Return On Invested Capital - 5 Yr Average	21.87%	22.20%	22.03%	21.90%	19.35%
Dividend Ratios					
Dividend Per Share	0.0	0.0	-	0.0	-
Dividend Yield	0.00%	0.00%	-	0.00%	-
Dividend Payout Ratio	0.00%	0.00%	-	0.00%	-
Growth Rates					
Sales	2.89%	81.91%	12.61%	0.71%	4.13%
Sales - 5 Yr	21.25%	22.56%	10.36%	10.58%	8.31%
EBITDA	10.98%	44.79%	-	20.58%	22.63%
EBITDA - 5 Yr	22.38%	25.91%	-	22.58%	-
Net Income	8.01%	42.73%	6.64%	36.69%	19.69%
Net Income - 5 Yr	21.88%	24.18%	24.36%	25.43%	22.86%
EPS	16.06%	40.19%	0.97%	43.26%	28.74%
EPS - 5 Yr	24.82%	26.61%	28.22%	31.19%	27.42%
Capital Expenditure	20.43%	(19.75%)	-	14.40%	12.61%
Capital Expenditure - 5 Yr	16.67%	14.85%	-	10.07%	-

Express Scripts Holding Co. (ESRX)

Sector: Healthcare (Industry: Health Services)

	12/31/2011 USD	12/31/2010 USD	12/31/2009 USD restated	12/31/2008 USD	12/31/2007 USD restated
Research & Development	-	-	-	-	-
Research & Development - 5 Yr	-	-	-	-	-
Stock Performance					
Price Close	44.7	54.1	43.2	27.5	36.5
% Change	(17.32%)	25.09%	57.18%	(24.68%)	103.91%
Total Return	(17.32%)	25.09%	57.18%	(24.68%)	103.91%