

Express Scripts Holding Co.

Form 10-Q

November 06, 2012

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2012.

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____.

Commission File Number: 1-35490

EXPRESS SCRIPTS HOLDING COMPANY

(Exact name of registrant as specified in its charter)

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Delaware (State or other jurisdiction of incorporation or organization)	45-2884094 (I.R.S. Employer Identification No.)
One Express Way, St. Louis, MO (Address of principal executive offices)	63121 (Zip Code)
Registrant's telephone number, including area code: (314) 996-0900	

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Common stock outstanding as of October 31, 2012:	816,400,000	Shares
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EXPRESS SCRIPTS HOLDING COMPANY

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements**EXPRESS SCRIPTS HOLDING COMPANY****Unaudited Consolidated Balance Sheet**

<i>(in millions)</i>	September 30, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,248.4	\$ 5,620.1
Restricted cash and investments	47.3	17.8
Receivables, net	5,720.3	1,915.7
Inventories	1,561.4	374.4
Deferred taxes	417.3	45.8
Prepaid expenses and other current assets	437.8	84.2
Total current assets	9,432.5	8,058.0
Property and equipment, net	1,710.2	416.2
Goodwill	29,367.5	5,485.7
Other intangible assets, net	16,735.9	1,620.9
Other assets	61.6	26.2
Total assets	\$ 57,307.7	\$ 15,607.0
Liabilities and Stockholders' Equity		
Current liabilities:		
Claims and rebates payable	\$ 6,710.0	\$ 2,874.1
Accounts payable	2,139.4	928.1
Accrued expenses	1,964.9	656.0
Short-term loan payable	40.0	
Current maturities of long-term debt	938.6	999.9
Total current liabilities	11,792.9	5,458.1
Long-term debt	16,146.3	7,076.4
Other liabilities	6,623.6	598.8
Total liabilities	34,562.8	13,133.3
Commitments and contingencies (Note 13)		
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: 809.6 and 690.7, respectively; shares outstanding: 809.6 and 484.6, respectively	8.1	6.9
Additional paid-in capital	21,156.1	2,438.2
Accumulated other comprehensive income	16.6	17.0
Retained earnings	1,564.1	6,645.6
	22,744.9	9,107.7

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Common stock in treasury at cost, zero and 206.1 shares, respectively		(6,634.0)
Total stockholders' equity	22,744.9	2,473.7
Total liabilities and stockholders' equity	\$ 57,307.7	\$ 15,607.0

See accompanying Notes to Unaudited Consolidated Financial Statements

Table of Contents**EXPRESS SCRIPTS HOLDING COMPANY****Unaudited Consolidated Statement of Operations**

<i>(in millions, except per share data)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenues ⁽¹⁾	\$ 26,999.4	\$ 11,571.0	\$ 66,824.5	\$ 34,026.9
Cost of revenues ⁽¹⁾	24,864.9	10,735.2	61,745.1	31,661.5
Gross profit	2,134.5	835.8	5,079.4	2,365.4
Selling, general and administrative	1,336.0	230.7	3,220.7	628.6
Operating income	798.5	605.1	1,858.7	1,736.8
Other (expense) income:				
Undistributed gain from joint venture	5.1		9.4	
Interest income	1.4	5.9	6.0	7.8
Interest expense and other	(155.9)	(94.3)	(463.1)	(184.3)
	(149.4)	(88.4)	(447.7)	(176.5)
Income before income taxes	649.1	516.7	1,411.0	1,560.3
Provision for income taxes	257.7	192.0	602.2	574.9
Net income	\$ 391.4	\$ 324.7	\$ 808.8	\$ 985.4
Weighted average number of common shares outstanding during the period:				
Basic	812.9	487.2	702.4	506.1
Diluted	829.6	490.8	718.9	510.3
Basic earnings per share	\$ 0.48	\$ 0.67	\$ 1.15	\$ 1.95
Diluted earnings per share	\$ 0.47	\$ 0.66	\$ 1.13	\$ 1.93

¹ Includes retail pharmacy co-payments of \$3,348.9 million and \$1,390.4 million for the three months ended September 30, 2012 and 2011, respectively, and \$8,364.6 million and \$4,374.0 million for the nine months ended September 30, 2012 and 2011, respectively.
See accompanying Notes to Unaudited Consolidated Financial Statements

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EXPRESS SCRIPTS HOLDING COMPANY

Unaudited Consolidated Statement of Comprehensive Income

<i>(in millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net income	\$ 391.4	\$ 324.7	\$ 808.8	\$ 985.4
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	8.5	(5.1)	(0.4)	(4.2)
Comprehensive income	\$ 399.9	\$ 319.6	\$ 808.4	\$ 981.2

See accompanying Notes to Unaudited Consolidated Financial Statements

Table of Contents**EXPRESS SCRIPTS HOLDING COMPANY****Unaudited Consolidated Statement of Changes in Stockholders' Equity**

(in millions)	Number of Shares		Additional Paid-in Capital	Amount			Treasury Stock	Total
	Common Stock	Common Stock		Accumulated Other Comprehensive Income	Retained Earnings			
Balance at December 31, 2011	690.7	\$ 6.9	\$ 2,438.2	\$ 17.0	\$ 6,645.6	\$ (6,634.0)		\$ 2,473.7
Net income					808.8			808.8
Other comprehensive income				(0.4)				(0.4)
Cancellation of treasury shares in connection with Merger activity	(204.7)	(2.0)	(728.5)		(5,890.3)	6,620.8		
Issuance of common shares in connection with Merger activity	318.0	3.2	18,841.6					

Mr. Citron has the right to acquire the shares held by each of the two trusts listed above by swapping other assets in exchange for the shares held by the applicable trust.

(2) Consists of shares held by a charitable organization for which Mr. Citron serves as a director.

Item 5. Ownership of Five Percent or Less of a Class.

Not applicable.

Item 6. Ownership of More than Five Percent on Behalf of Another Person.

Not
applicable.

Item 7.

Identification and
Classification of the
Subsidiary Which
Acquired the Security
Being Reported on by the
Parent Holding Company
or Control Person.

Not
applicable.

Item 8. Identification
and
Classification
of
Members
of
the
Group.

Not
applicable.

Item 9. Notice
of
Dissolution
of
Group.

Not
applicable.

Item 10. Certifications.

Not
applicable.

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SIGNATURE

After reasonable inquiry and to the best my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

February 13, 2017

/s/ Joann Vought, Attorney-in-fact for Jeffrey A. Citron
Jeffrey A. Citron

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