

CAREMARK RX INC
Form 425
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Express Scripts Reports Record Fourth Quarter and Full-year 2006 Earnings

Company Raises 2007 Guidance for Both Earnings Per Share and Cash Flow

Announces Increase In Share Repurchase Authorization

ST. LOUIS (BUSINESS WIRE) Feb. 8, 2007 Express Scripts, Inc. (Nasdaq: ESRX) announced record fourth quarter net income of \$147.2 million, or \$1.07 per diluted share, compared to \$0.75 per diluted share for the same quarter last year. Excluding non-recurring items in both quarters that are discussed below, earnings per diluted share was \$1.02, a 32 percent increase over \$0.77 per diluted share last year.

For the year, the Company reported record net income of \$474.4 million, or \$3.34 per diluted share, compared to \$2.68 per diluted share for 2005. Excluding non recurring items in both years, earnings per diluted share was \$3.29, a 27 percent increase over \$2.60 per diluted share last year.

The Company reported record fourth quarter cash flow from operations of \$306.0 million compared to \$261.8 million for the same quarter last year. For the year, cash flow from operations was \$658.6 million.

We enjoyed another outstanding year of record performance, solidifying our position as the industry leader in generic utilization, stated George Paz, president, chief executive officer and chairman. Our formulary strategy reinforces our business model, which is built around alignment of interests with plan sponsors and patients. We believe this better positions our clients to take advantage of the wave of generics that are coming to the marketplace over the next several years. As a result of aligned interests, the more we help clients and patients save on prescription drugs, the better we perform.

Our strong fourth quarter results reflect the success of our business model and our confidence that we have built a solid platform for growth in 2007 and beyond, added Paz. Our proposed acquisition of Caremark represents an exciting opportunity for us and a reaffirmation of our confidence in this industry. By utilizing the best talents and resources from both companies, clients will benefit from the leadership position in generic utilization and other drug cost management programs. Advantages in these areas will allow us to provide even greater savings to our plan sponsors and patients.

Fourth Quarter Review

Generic utilization reached a record 59.7 percent compared to 55.4 percent last year. Total adjusted claims for the quarter were 130.0 million. Retail network claims processed in the fourth quarter were 97.8 million, home delivery claims were 10.3 million, and Specialty and Ancillary Services (SAAS) claims were 1.3 million.

Gross profit for the fourth quarter increased 14 percent to a record \$414.5 million from \$364.3 million last year. The increase reflects higher generic utilization and lower retail and home delivery drug purchasing costs. Gross profit per adjusted claim was a record \$3.19, a 26 percent increase over \$2.53 for the same quarter last year.

Operating income increased 24 percent to \$242.4 million from \$195.3 million last year. The SAAS segment showed solid sequential growth from the third quarter, generating \$20.1 million of operating income. This sequential improvement was a result of new business that began in the fourth quarter, seasonal increases in certain products, and a reduction in expense levels. The Company believes it is well-positioned to capitalize on the growth opportunities inherent in the specialty marketplace.

Higher generic utilization and lower retail and home delivery drug purchasing costs translated into strong EBITDA growth. EBITDA increased 22 percent to \$267.7 million from \$220.0 million last year. EBITDA per adjusted claim set a record at \$2.06, a 35 percent increase over \$1.53 in the fourth quarter of 2005.

In the fourth quarter of 2006, the Company recorded income taxes of \$72.1 million, which reflects a non-recurring benefit of \$7.3 million, or \$0.05 per diluted share. The reduction in taxes is primarily related to the impact of changes in effective state tax rates. In the fourth quarter of 2005, the Company recorded a non-recurring charge of \$3.8 million, or \$0.02 per diluted share due to the early retirement of debt.

Full-year 2006 Review

Generic utilization increased to 57.6 percent from 54.4 percent last year. Total adjusted claims for 2006 were 519.6 million, down 8 percent from last year, which is consistent with our guidance of an 8 to 10 percent decline. Network pharmacy claims processed were 390.3 million, home delivery prescriptions were 41.2 million, and SAAS claims were 5.7 million.

Gross profit for 2006 increased 25 percent to \$1,497.0 million, from \$1,199.2 million in 2005, while gross profit per adjusted claim increased 35 percent to \$2.88 from \$2.13. Operating income increased 28 percent to \$824.1 million from \$643.1 million last year. EBITDA increased 27 percent to \$925.1 million from \$727.5 million last year, and on a per adjusted claim basis, EBITDA was \$1.78, a 38 percent increase over 2005.

As discussed above, the Company's income taxes for 2006 reflect a non-recurring benefit of \$7.3 million, or \$0.05 per diluted share. In 2005, the Company recorded a non-recurring charge of \$3.8 million for the early retirement of debt in addition to non-recurring income tax benefits of \$14.0 million. These non-recurring items in 2005 resulted in a net benefit of \$0.08 per diluted share.

2007 Earnings Guidance

As a result of strong underlying trends including higher generic utilization, stronger than expected claims volume, and lower retail and home delivery drug purchasing costs, the Company is raising its 2007 earnings guidance. Express Scripts is increasing its previous 2007 diluted earnings per share guidance from a range of \$3.90 to \$4.02 to a range of \$4.08 to \$4.20. In addition, diluted earnings per share for the first quarter of 2007 is expected to be in a range of \$0.90 to \$0.95, an increase from the previous guidance range of \$0.85 to \$0.90. The Company is

also increasing its guidance on cash flow from operations in 2007 from a range of \$650 to \$750 million to a range of \$700 to \$800 million. We are expecting cash flow from operations for the first quarter of 2007 to be in a range of \$110 to \$150 million. This 2007 guidance assumes Express Scripts stand alone performance, and specifically excludes the financial impact of either a completed acquisition or an unsuccessful effort to be the acquirer of Caremark.

Our 2007 guidance demonstrates our confidence in our business model, which emphasizes alignment of interests with plan sponsors and patients, noted Paz. In addition, many have asked what the Company will do if the Caremark stockholders ultimately do not agree with our position that the Express Scripts offer for Caremark is the superior offer. I have said many times that we are bullish on the PBM industry and bullish on our ability to compete successfully against a conflicted, vertical CVS/Caremark combination.

Without question, our first choice is to successfully complete the acquisition of Caremark as our best option for taking advantage of what we believe will be a favorable environment for PBMs, stated Paz. However, our next best option would be to leverage our substantial financial flexibility to repurchase our stock. Accordingly, our Board has approved an increase in our share repurchase authorization, which will enable us to repurchase up to 14.1 million shares, or \$1 billion, whichever occurs first. If the Caremark stockholders vote in favor of the CVS proposal to acquire Caremark, we intend to promptly commence this share repurchase.

Express Scripts, Inc. is one of the largest PBM companies in North America, providing PBM services to over 50 million members through thousands of client groups, including managed-care organizations, insurance carriers, employers, third-party administrators, public sector, and union-sponsored benefit plans.

Express Scripts provides integrated PBM services, including network-pharmacy claims processing, home delivery services, benefit-design consultation, drug-utilization review, formulary management, disease management, and medical- and drug-data analysis services. The Company also distributes a full range of injectable and infusion biopharmaceutical products directly to patients or their physicians, and provides extensive cost-management and patient-care services.

Express Scripts is headquartered in St. Louis, Missouri. More information can be found at <http://www.express-scripts.com>, which includes expanded investor information and resources.

SAFE HARBOR STATEMENT

This press release contains forward-looking statements, including, but not limited to, 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 include but are not limited to:

- uncertainties associated with our acquisitions, which include integration risks and costs, uncertainties associated with client retention and repricing of client contracts, and uncertainties associated with the operations of acquired businesses

- costs and uncertainties of adverse results in litigation, including a number of pending class action cases that challenge certain of our business practices

- investigations of certain PBM practices and pharmaceutical pricing, marketing and distribution practices currently being conducted by the U.S. Attorney offices in Philadelphia and Boston, and by other regulatory agencies including the Department of Labor, and various state attorneys general

changes in average wholesale prices (AWP), which could reduce prices and margins, including the impact of a proposed settlement in a class action case involving First DataBank, an AWP reporting service

uncertainties regarding the implementation of the Medicare Part D prescription drug benefit, including the financial impact to us to the extent that we participate in the program on a risk-bearing basis, uncertainties of client or member losses to other providers under Medicare Part D, and increased regulatory risk

uncertainties associated with U.S. Centers for Medicare & Medicaid s (CMS) implementation of the Medicare Part B Competitive Acquisition Program (CAP), including the potential loss of clients/revenues to providers choosing to participate in the CAP

our ability to maintain growth rates, or to control operating or capital costs

continued pressure on margins resulting from client demands for lower prices, enhanced service offerings and/or higher service levels, and the possible termination of, or unfavorable modification to, contracts with key clients or providers

competition in the PBM and specialty pharmacy industries, and our ability to consummate contract negotiations with prospective clients, as well as competition from new competitors offering services that may in whole or in part replace services that we now provide to our customers

results in regulatory matters, the adoption of new legislation or regulations (including increased costs associated with compliance with new laws and regulations), more aggressive enforcement of existing legislation or regulations, or a change in the interpretation of existing legislation or regulations

increased compliance relating to our contracts with the DoD TRICARE Management Activity and various state governments and agencies

the possible loss, or adverse modification of the terms, of relationships with pharmaceutical manufacturers, or changes in pricing, discount or other practices of pharmaceutical manufacturers or interruption of the supply of any pharmaceutical products

the possible loss, or adverse modification of the terms, of contracts with pharmacies in our retail pharmacy network

the use and protection of the intellectual property we use in our business

our leverage and debt service obligations, including the effect of certain covenants in our borrowing agreements

our ability to continue to develop new products, services and delivery channels

general developments in the health care industry, including the impact of increases in health care costs, changes in drug utilization and cost patterns and introductions of new drugs

increase in credit risk relative to our clients due to adverse economic trends

our ability to attract and retain qualified personnel

other risks described from time to time in our filings with the SEC

Risks and uncertainties relating to the proposal to acquire the outstanding stock of Caremark or the related exchange offer that may impact forward-looking statements include but are not limited to:

Express Scripts and Caremark may not enter into any definitive agreement with respect to the proposed transaction

required regulatory approvals may not be obtained in a timely manner, if at all

the proposed transaction may not be consummated

the anticipated benefits of the proposed transaction may not be realized

the integration of Caremark's operations with Express Scripts may be materially delayed or may be more costly or difficult than expected

the proposed transaction would materially increase leverage and debt service obligations, including the effect of certain covenants in any new borrowing agreements.

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.

Important Information

Express Scripts has filed a proxy statement in connection with Caremark's special meeting of stockholders at which the Caremark stockholders will consider the CVS Merger Agreement and matters in connection therewith. Express Scripts stockholders are strongly advised to read that proxy statement and the accompanying form of GOLD proxy card, as they contain important information. Express Scripts also intends to file a proxy statement in connection with Caremark's annual meeting of stockholders at which the Caremark stockholders will vote on the election of directors to the board of directors of Caremark. Express Scripts stockholders are strongly advised to read this proxy statement and the accompanying proxy card when they become available, as each will contain important information. Stockholders may obtain each proxy statement, proxy card and any amendments or supplements thereto which are or will be filed with the Securities and Exchange Commission (SEC) free of charge at the SEC's website (www.sec.gov) or by directing a request to MacKenzie Partners, Inc., at 800-322-2885 or by email at expressscripts@mackenziepartners.com.

In addition, this material is not a substitute for the prospectus/offer to exchange and registration statement that Express Scripts has filed with the SEC regarding its exchange offer for all of the outstanding shares of common stock of Caremark. Investors and security holders are urged to read these documents, all other applicable documents, and any amendments or supplements thereto when they become available, because each contains or will contain important information. Such documents are or will be available free of charge at the SEC's website (www.sec.gov) or by directing a request to MacKenzie Partners, Inc., at 800-322-2885 or by email at expressscripts@mackenziepartners.com.

Express Scripts and its directors, executive officers and other employees may be deemed to be participants in any solicitation of Express Scripts or Caremark shareholders in connection with the proposed transaction. Information about Express Scripts' directors and executive officers is available in Express Scripts' proxy statement, dated April 18, 2006, filed in connection with its 2006 annual meeting of stockholders. Additional information about the interests of potential participants is included in the proxy statement filed in connection with Caremark's special meeting to approve the proposed merger with CVS and will be included in any proxy statement regarding the proposed transaction. We have also filed additional information regarding our solicitation of stockholders with respect to Caremark's annual meeting on a Schedule 14A pursuant to Rule 14a-12 on January 9, 2007.

FINANCIAL TABLES FOLLOW

EXPRESS SCRIPTS, INC.
Unaudited Consolidated Statement of Operations

| (in millions, except per share data) | Three months ended December 31, | | Twelve months ended December 31, | |
|---|------------------------------------|------------|-------------------------------------|-------------|
| | 2006 | 2005 | 2006 | 2005 |
| Revenues (1) | \$ 4,528.7 | \$ 4,581.0 | \$ 17,660.0 | \$ 16,212.0 |
| Cost of revenues (1) | 4,114.2 | 4,216.7 | 16,163.0 | 15,012.8 |
| Gross profit | 414.5 | 364.3 | 1,497.0 | 1,199.2 |
| Selling, general and administrative | 172.1 | 169.0 | 672.9 | 556.1 |
| Operating income | 242.4 | 195.3 | 824.1 | 643.1 |
| Other (expense) income : | | | | |
| Undistributed loss from joint venture | (0.4) | (0.5) | (1.6) | (2.4) |
| Interest income | 2.4 | 3.6 | 13.7 | 11.2 |
| Interest expense | (25.1) | (22.7) | (95.7) | (37.2) |
| | (23.1) | (19.6) | (83.6) | (28.4) |
| Income before income taxes | 219.3 | 175.7 | 740.5 | 614.7 |
| Provision for income taxes | 72.1 | 64.6 | 266.1 | 214.6 |
| Net income | \$ 147.2 | \$ 111.1 | \$ 474.4 | \$ 400.1 |
| Basic earnings per share | \$ 1.09 | \$ 0.76 | \$ 3.39 | \$ 2.72 |
| Weighted average number of common shares outstanding during the period Basic EPS | 135.5 | 145.5 | 139.8 | 146.8 |
| Diluted earnings per share | \$ 1.07 | \$ 0.75 | \$ 3.34 | \$ 2.68 |
| Weighted average number of common shares outstanding during the period - Diluted EPS | 137.4 | 148.4 | 142.0 | 149.5 |

(1) Excludes
estimated retail
pharmacy
co-payments of
\$966.1 and
\$1,464.6 for the
three months

ended
December 31,
2006 and 2005,
respectively,
and \$4,175.3
and \$5,821.8 for
the twelve
months ended
December 31,
2006 and 2005,
respectively.
These are
amounts we
instructed retail
pharmacies to
collect from
members. We
have no
information
regarding actual
co-payments
collected.

EXPRESS SCRIPTS, INC.
Unaudited Consolidated Balance Sheet

| (in millions, except share data) | December 31, 2006 | December 31, 2005 |
|--|-------------------------|-------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 131.0 | \$ 477.9 |
| Receivables, net | 1,334.4 | 1,393.2 |
| Inventories | 194.6 | 273.4 |
| Deferred taxes | 90.9 | 53.1 |
| Prepaid expenses and other current assets | 21.2 | 59.8 |
| Total current assets | 1,772.1 | 2,257.4 |
| Property and equipment, net | 201.4 | 201.3 |
| Goodwill | 2,686.0 | 2,700.1 |
| Other intangible assets, net | 378.4 | 303.3 |
| Other assets | 70.2 | 31.4 |
| Total assets | \$ 5,108.1 | \$ 5,493.5 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Claims and rebate payable | \$ 1,275.7 | \$ 1,380.0 |
| Accounts payable | 583.4 | 596.5 |
| Accrued expenses | 390.2 | 308.7 |
| Current maturities of long-term debt | 180.1 | 110.0 |
| Total current liabilities | 2,429.4 | 2,395.2 |
| Long-term debt | 1,270.4 | 1,400.5 |
| Other liabilities | 283.4 | 233.0 |
| Total liabilities | 3,983.2 | 4,028.7 |
| Stockholders' equity: | | |
| Preferred stock, \$0.01 par value per share, 5,000,000 shares authorized, and no shares issued and outstanding | | |
| Common stock, 650,000,000 and 275,000,000 shares authorized, respectively, \$0.01 par value; shares issued: 159,442,000 and 159,499,000, respectively; shares outstanding: 135,650,000 and 145,993,000, respectively | 1.6 | 1.6 |
| Additional paid-in capital | 495.3 | 473.5 |
| Unearned compensation under employee compensation plans | | (5.8) |
| Accumulated other comprehensive income | 11.9 | 9.8 |
| Retained earnings | 2,017.3 | 1,542.9 |
| | 2,526.1 | 2,022.0 |
| | (1,401.2) | (557.2) |

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Common stock in treasury at cost, 23,792,000 and 13,506,000 shares,
respectively

| | | |
|--|------------|------------|
| Total stockholders' equity | 1,124.9 | 1,464.8 |
| Total liabilities and stockholders' equity | \$ 5,108.1 | \$ 5,493.5 |

EXPRESS SCRIPTS, INC.
Unaudited Condensed Consolidated Statement of Cash Flows

| (in millions) | Twelve months ended December 31, | |
|---|-------------------------------------|---------------|
| | 2006 | 2005 |
| Cash flow from operating activities: | | |
| Net income | \$ 474.4 | \$ 400.1 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 101.0 | 84.4 |
| Non-cash adjustments to net income | 53.1 | 53.2 |
| Tax benefit relating to employee stock compensation | | 35.6 |
| Net changes in operating assets and liabilities | 30.1 | 219.6 |
| Net cash provided by operating activities | 658.6 | 792.9 |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (66.8) | (59.8) |
| Acquisitions, net of cash acquired and investment in joint venture | 0.1 | (1,310.6) |
| Purchase of marketable securities | (31.5) | (0.3) |
| Other | (2.8) | 2.1 |
| Net cash used in investing activities | (101.0) | (1,368.6) |
| Cash flows from financing activities: | | |
| Proceeds from long-term debt | | 1,600.0 |
| Repayment of long-term debt | (110.1) | (473.6) |
| Proceeds from (repayments of) revolving credit line, net | 50.0 | (50.0) |
| Tax benefit relating to employee stock compensation | 30.4 | |
| Treasury stock acquired | (906.8) | (220.4) |
| Net proceeds from employee stock plans | 32.2 | 40.0 |
| Deferred financing fees | (0.4) | (9.5) |
| Other | | 0.5 |
| Net cash (used in) provided by financing activities | (904.7) | 887.0 |
| Effect of foreign currency translation adjustment | 0.2 | 0.6 |
| Net (decrease) increase in cash and cash equivalents | (346.9) | 311.9 |
| Cash and cash equivalents at beginning of period | 477.9 | 166.0 |
| Cash and cash equivalents at end of period | \$ 131.0 | \$ 477.9 |

EXPRESS SCRIPTS, INC.
(in millions, except per claim, per share and ratio data)

Table 1
Unaudited Operating Statistics

| | 3 months ended 12/31/2006 | 3 months ended 9/30/2006 | 3 months ended 6/30/2006 |
|-----------------------------|---------------------------------|--------------------------------|---------------------------------|
| Revenues | | | |
| PBM(1) | 3,626.3 | 3,465.1 | 3,528.4 |
| SAAS | 902.4 | 865.1 | 892.7 |
| Total consolidated revenues | 4,528.7 | 4,330.2 | 4,421.1 |
| Claims Detail | | | |
| Network(2) | 97.8 | 93.2 | 96.9 |
| Home delivery | 10.3 | 10.2 | 10.4 |
| Total PBM claims | 108.1 | 103.4 | 107.3 |
| Adjusted PBM claims(3) | 128.7 | 123.8 | 128.1 |
| SAAS claims(4) | 1.3 | 1.3 | 1.5 |
| Total adjusted claims(5) | 130.0 | 125.1 | 129.6 |
| Per Adjusted Claim | | | |
| Gross profit | \$ 3.19 | \$ 2.99 | \$ 2.81 |
| EBITDA(6) | \$ 2.06 | \$ 1.84 | \$ 1.69 |
| | | 3 months ended 3/31/2006 | 3 months ended 12/31/2005 |
| Revenues | | | |
| PBM(1) | | 3,506.6 | 3,673.7 |
| SAAS | | 873.4 | 908.4 |
| Total consolidated revenues | | 4,380.0 | 4,582.1 |
| Claims Detail | | | |
| Network(2) | | 102.4 | 111.1 |
| Home delivery | | 10.3 | 10.3 |
| Total PBM claims | | 112.7 | 121.4 |

| | | |
|--------------------------|---------|---------|
| Adjusted PBM claims(3) | 133.3 | 142.0 |
| SAAS claims(4) | 1.6 | 1.8 |
| Total adjusted claims(5) | 134.9 | 143.8 |
| Per Adjusted Claim | | |
| Gross profit | \$ 2.55 | \$ 2.53 |
| EBITDA(6) | \$ 1.55 | \$ 1.53 |

Selected Ratio Analysis
Table 2

| | As of 12/31/2006 | As of 9/30/2006 | As of 6/30/2006 |
|--|---------------------|--------------------|---------------------|
| Debt to EBITDA ratio(7) | 1.6x | 1.9x | 2.1x |
| EBITDA interest coverage(8) | 9.7x | 9.4x | 11.5x |
| Operating cash flow interest coverage(9) | 6.9x | 6.6x | 9.3x |
| Debt to capitalization(10) | 56.3% | 62.7% | 62.4% |
| | | As of 3/31/2006 | As of 12/31/2005 |
| Debt to EBITDA ratio(7) | | 1.9x | 2.1x |
| EBITDA interest coverage(8) | | 14.7x | 19.6x |
| Operating cash flow interest coverage(9) | | 13.2x | 21.4x |
| Debt to capitalization(10) | | 47.6% | 50.8% |

See Notes to Unaudited Operating Statistics and Selected Ratio Analysis

Unaudited Earnings Excluding Non-recurring Items
Table 3

| | 3 months ended 12/31/2006 | 3 months ended 12/31/2005 | 12 months ended 12/31/2006 | 12 months ended 12/31/2005 |
|---|---------------------------------|---------------------------------|----------------------------------|----------------------------------|
| Reported income before taxes | \$ 219.3 | \$ 175.7 | \$ 740.5 | \$ 614.7 |
| Charge for early retirement of debt | | 3.8 | | 3.8 |
| Income before tax excluding net charges | 219.3 | 179.5 | 740.5 | 618.5 |
| Provision for income taxes | 72.1 | 65.9 | 266.1 | 215.9 |
| Tax benefit from change in tax rates | 7.3 | | 7.3 | |
| Tax benefit from subsidiary losses | | | | 3.8 |
| Prior periods tax benefit from state tax planning strategies | | | | 10.2 |
| Adjusted provision for income taxes | 79.4 | 65.9 | 273.4 | 229.9 |
| Adjusted net income | \$ 139.9 | \$ 113.6 | \$ 467.1 | \$ 388.6 |
| Weighted average number of shares outstanding during period diluted | 137.4 | 148.4 | 142.0 | 149.5 |
| Diluted earnings per share excluding non-recurring items | \$ 1.02 | \$ 0.77 | \$ 3.29 | \$ 2.60 |
| Diluted earnings per share as reported | \$ 1.07 | \$ 0.75 | \$ 3.34 | \$ 2.68 |
| Impact of non- recurring items | \$ 0.05 | \$ (0.02) | \$ 0.05 | \$ 0.08 |

The Company is providing diluted earnings per share excluding the impact of certain charges in order to compare the underlying financial performance to prior periods.

Return on Invested Capital (ROIC)
Table 4

| | 2006 | 2005 |
|---|------------|------------|
| Operating income | \$ 824.1 | \$ 643.1 |
| Income tax | 304.3 | 239.2 |
| Net operating profit after tax (NOPLAT) | \$ 519.8 | \$ 403.9 |
| Stockholders equity | \$ 1,124.9 | \$ 1,464.8 |
| Interest bearing liabilities | 1,450.5 | 1,510.5 |
| Long-term deferred income taxes, net | 256.8 | 208.7 |
| Invested capital | \$ 2,832.2 | \$ 3,184.0 |
| Average invested capital | \$ 3,008.1 | \$ 2,485.0 |
| ROIC | 17.3% | 16.3% |

EXPRESS SCRIPTS, INC.

Notes to Unaudited Operating Statistics and Selected Ratio Analysis
(in millions)

(1) In prior quarters, we have reclassified certain amounts deemed immaterial between PBM revenue and PBM cost of revenue. There is no effect on Consolidated Gross Profit.

(2) Network claims exclude drug formulary only claims where we only administer the clients formulary and approximately 0.5 million manual claims per quarter.

(3) PBM adjusted claims represent network claims plus mail claims, which are multiplied by 3, as mail claims are typically 90 day claims and network claims are generally 30 day claims. Adjusted claims calculated from the table may differ due to rounding.

(4) Specialty and Ancillary Services (SAAS) claims are an accumulation of PBS claims and Specialty claims. PBS claims represent the distribution of pharmaceuticals through Patient Assistance Programs and the distribution of pharmaceuticals where we have been selected by the pharmaceutical manufacturer as part of a limited distribution network. Specialty claims represent the distribution of specialty drugs through our CuraScript subsidiary. Prior periods have been recast to reflect current presentation.

(5) Total adjusted claims includes PBM adjusted claims plus SAAS claims.

(6) The following is a reconciliation of EBITDA to net income and to net cash provided by operating activities as the Company believes they are the most directly comparable measures calculated under Generally Accepted Accounting Principles:

| | 3 months ended | | 12 months ended | |
|--|-----------------|-----------------|-----------------|-----------------|
| | December 31, | | December 31, | |
| | 2006 | 2005 | 2006 | 2005 |
| Net income | \$ 147.2 | \$ 111.1 | \$ 474.4 | \$ 400.1 |
| Income taxes | 72.1 | 64.6 | 266.1 | 214.6 |
| Depreciation and amortization(a) | 25.3 | 24.7 | 101.0 | 84.4 |
| Interest expense, net | 22.7 | 19.1 | 82.0 | 26.0 |
| Undistributed loss from joint venture | 0.4 | 0.5 | 1.6 | 2.4 |
| EBITDA | 267.7 | 220.0 | 925.1 | 727.5 |
| Current income taxes | (75.0) | (51.4) | (258.2) | (196.3) |
| Interest expense less amortization | (22.2) | (14.7) | (80.0) | (20.9) |
| Undistributed loss from joint venture | (0.4) | (0.5) | (1.6) | (2.4) |
| Other adjustments to reconcile net income to net cash provided by operating activities | 135.9 | 108.4 | 73.3 | 285.0 |
| Net cash provided by operating activities | \$ 306.0 | \$ 261.8 | \$ 658.6 | \$ 792.9 |

EBITDA is earnings before other income (expense), interest, taxes, depreciation and amortization, or operating income plus depreciation and amortization. EBITDA is presented because it is a widely accepted indicator of a company's ability to service indebtedness and is frequently used to evaluate a company's performance. EBITDA, however, should not be considered as an alternative to net income, as a measure of operating performance, as an alternative to cash flow, as a measure of liquidity or as a substitute for any other measure computed in accordance with accounting principles generally accepted in the United States. In addition, our definition and calculation of EBITDA may not be comparable to that used by other companies.

(a) Includes depreciation and amortization expense of:

| | | | | |
|-------------------------------------|------|------|-------|------|
| Gross profit | 8.9 | 10.6 | 35.8 | 37.6 |
| Selling, general and administrative | 16.4 | 14.1 | 65.2 | 46.8 |
| | 25.3 | 24.7 | 101.0 | 84.4 |

(7) Represents debt as of the balance sheet date divided by EBITDA for the twelve months ended.

(8) Represents EBITDA for the twelve months ended divided by interest for the twelve months ended.

(9) Represents Operating Cash Flow for the twelve months ended divided by interest for the twelve months ended.

(10) Represents debt divided by the total of debt and stockholders equity.