

EXPRESS SCRIPTS INC  
Form 10-Q  
April 26, 2006

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-Q**

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended March 31, 2006.  
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
 EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number: 0-20199

**EXPRESS SCRIPTS, INC.**  
(Exact name of registrant as specified in its charter)

**Delaware**  
(State of Incorporation)  
**13900 Riverport Dr., Maryland Heights,**  
**Missouri**  
(Address of principal executive offices)

**43-1420563**  
(I.R.S. employer identification no.)  
**63043**  
(Zip Code)

Registrant's telephone number, including area code: (314) 770-1666

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

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Common stock outstanding as of March 31,  
2006: 147,028,330 Shares

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EXPRESS SCRIPTS, INC.

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PART I. FINANCIAL INFORMATION**Item 1. Financial Statements****EXPRESS SCRIPTS, INC.  
Unaudited Consolidated Balance Sheet**

<i>(in millions, except share data)</i>	<b>March 31, 2006</b>	<b>December 31, 2005</b>
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 509.4	\$ 477.9
Receivables, net	1,332.1	1,393.2
Inventories	260.9	273.4
Deferred taxes	52.3	53.1
Prepaid expenses and other current assets	57.6	59.8
<b>Total current assets</b>	<b>2,212.3</b>	<b>2,257.4</b>
Property and equipment, net	192.8	201.3
Goodwill, net	2,703.9	2,700.1
Other intangible assets, net	293.2	303.3
Other assets	28.6	31.4
<b>Total assets</b>	<b>\$ 5,430.8</b>	<b>\$ 5,493.5</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities:</b>		
Claims and rebates payable	\$ 1,232.4	\$ 1,380.0
Accounts payable	590.0	596.5
Accrued expenses	284.5	308.7
Current maturities of long-term debt	110.0	110.0
<b>Total current liabilities</b>	<b>2,216.9</b>	<b>2,395.2</b>
Long-term debt	1,360.5	1,400.5
Other liabilities	236.8	233.0
<b>Total liabilities</b>	<b>3,814.2</b>	<b>4,028.7</b>
<b>Stockholders' equity:</b>		
Preferred stock, \$0.01 par value per share, 5,000,000 shares authorized, and no shares issued and outstanding	-	-
Common Stock, 275,000,000 shares authorized, \$0.01 par value; shares issued: 159,439,000 and 159,499,000, respectively; shares outstanding: 147,028,000 and 145,993,000, respectively	1.6	1.6
Additional paid-in capital	516.6	473.5
Unearned compensation under employee compensation plans	(42.9)	(5.8)
Accumulated other comprehensive income	9.9	9.8
Retained earnings	1,647.5	1,542.8
	<b>2,132.7</b>	<b>2,021.9</b>

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Common Stock in treasury at cost, 12,411,000 and  
13,506,000  
shares, respectively

	(516.1)	(557.1)
Total stockholders' equity	1,616.6	1,464.8
Total liabilities and stockholders' equity	\$ 5,430.8	\$ 5,493.5

*See accompanying Notes to Unaudited Consolidated Financial Statements*

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**EXPRESS SCRIPTS, INC.**  
**Unaudited Consolidated Statement of Operations**

<i>(in millions)</i>	<b>Three Months Ended March 31,</b>	
	<b>2006</b>	<b>2005</b>
Revenues <sup>1</sup>	\$ 4,444.6	\$ 3,839.1
Cost of revenues <sup>1</sup>	4,100.0	3,574.2
Gross profit	344.6	264.9
Selling, general and administrative	161.1	126.6
Operating income	183.5	138.3
Other (expense) income:		
Undistributed loss from joint venture	(0.5)	(0.7)
Interest income	5.0	1.6
Interest expense	(20.5)	(4.7)
	(16.0)	(3.8)
Income before income taxes	167.5	134.5
Provision for income taxes	62.8	49.2
Net income	\$ 104.7	\$ 85.3
Basic earnings per share:	\$ 0.71	\$ 0.58
Weighted average number of common shares outstanding during the period - Basic EPS	146.5	147.3
Diluted earnings per share:	\$ 0.70	\$ 0.57
Weighted average number of common shares outstanding during the period - Diluted EPS	149.1	149.3

<sup>1</sup> Excludes estimated retail pharmacy co-payments of \$1,220.8 and \$1,483.7, respectively. These are amounts we instructed retail pharmacies to collect from members. We have no information regarding actual co-payments collected.

See accompanying Notes to Unaudited Consolidated Financial Statements

**EXPRESS SCRIPTS, INC.**  
**Unaudited Consolidated Statement of Changes in Stockholders' Equity**

	Number of Shares		Amount						Total
	Common Stock	Common Stock	Additional Paid-in Capital	Unearned Compensation Under Employee Compensation Plans	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Stock		
<i>(in millions)</i>									
Balance at December 31, 2005	159.5	\$ 1.6	\$ 473.5	\$ (5.8)	\$ 9.8	\$ 1,542.8	\$(557.1)	\$ 1,464.8	
Comprehensive income:									
Net income	-	-	-	-	-	104.7	-	104.7	
Other comprehensive income:									
Foreign currency translation adjustment	-	-	-	-	0.1	-	-	0.1	
Comprehensive income	-	-	-	-	0.1	104.7	-	104.8	
Changes in stockholders' equity related to employee stock plans	(0.1)	-	43.1	(37.1)	-	-	41.0	47.0	
Balance at March 31, 2006	159.4	\$ 1.6	\$ 516.6	\$ (42.9)	\$ 9.9	\$ 1,647.5	\$(516.1)	\$ 1,616.6	

*See accompanying Notes to Unaudited Consolidated Financial Statements*



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

<i>(in millions)</i>	<b>Three Months Ended March 31,</b>	
	<b>2006</b>	<b>2005</b>
Cash flows from operating activities:		
Net income	\$ 104.7	\$ 85.3
Adjustments to reconcile net income to net cash provided by operating activities, excluding the effect of the acquisition:		
Depreciation and amortization	25.8	19.8
Non-cash adjustments to net income	12.6	13.8
Tax benefit relating to employee stock compensation	-	9.8
Changes in operating assets and liabilities		
Claims and rebates payable	(147.6)	(23.8)
Other net changes in operating assets and liabilities	45.5	33.3
Net cash provided by operating activities	41.0	138.2
Cash flows from investing activities:		
Purchases of property and equipment	(8.7)	(5.9)
Acquisition, net of cash acquired, and investment in joint venture	0.2	-
Loan repayment from Pharmacy Care Alliance	-	2.1
Net cash used in investing activities	(8.5)	(3.8)
Cash flows from financing activities:		
Repayment of long-term debt	(40.0)	(5.5)
Repayment of revolving credit line, net	-	(50.0)
Tax benefit relating to employee stock compensation	21.9	-
Net proceeds from employee stock plans	17.5	10.3
Other	(0.4)	-
Net cash used in financing activities	(1.0)	(45.2)
Effect of foreign currency translation adjustment	-	(0.2)
Net increase in cash and cash equivalents	31.5	89.0
Cash and cash equivalents at beginning of period	477.9	166.1
Cash and cash equivalents at end of period	\$ 509.4	\$ 255.1