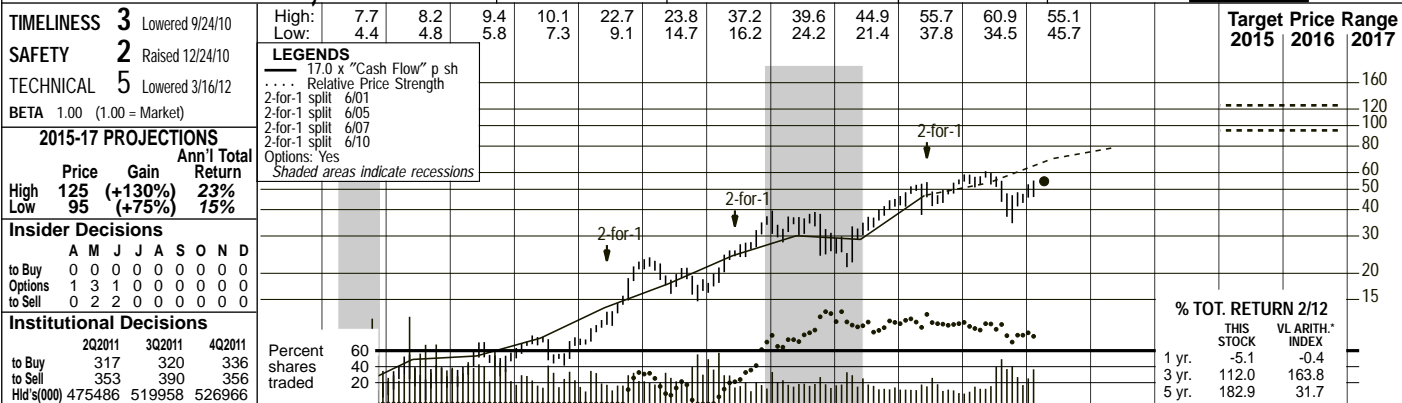


EXPRESS SCRIPTS, INC. NDQ-ESRX

RECENT PRICE **54.46** P/E RATIO **17.1** (Trailing: 18.9) (Median: 21.0) RELATIVE P/E RATIO **1.10** DIV'D YLD **Nil** VALUE LINE



1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
1.48	2.30	5.33	6.87	10.86	14.94	19.68	20.83	23.68	27.85	32.55	36.20	44.37	45.00	85.17	95.19	98.95	102.10	Revenues per sh ^D	133.75
.06	.08	.13	.22	.28	.33	.46	.48	.58	.81	1.05	1.42	1.77	1.70	2.74	3.15	4.05	4.65	"Cash Flow" per sh	6.30
.05	.06	.08	.11	.15	.20	.32	.40	.48	.65	.83	1.18	1.56	1.56	2.21	2.53	3.50	4.00	Earnings per sh ^A	5.50
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.02	.02	.05	.06	.13	.09	.10	.08	.08	.10	.12	.15	.17	.27	.23	.30	.35	.40	Cap'l Spending per sh	.50
.31	.38	.47	.11	1.13	1.33	1.61	1.87	1.87	2.51	2.07	1.38	2.18	6.46	6.83	5.10	8.45	12.30	Book Value per sh ^B	26.75
521.65	535.94	530.48	624.02	624.70	624.25	622.97	638.36	638.30	583.97	542.60	504.74	495.30	550.01	528.07	484.58	480.00	480.00	Common Shs Outst'g ^C	486.00
25.7	22.7	32.0	38.7	25.1	30.5	20.1	19.1	18.5	21.0	23.7	21.8	21.1	21.7	22.0	20.2	20.0	20.2	Avg Ann'l P/E Ratio	20.0
1.61	1.31	1.66	2.21	1.63	1.56	1.10	1.09	.98	1.12	1.28	1.16	1.27	1.45	1.40	1.28	1.35	1.35	Relative P/E Ratio	1.35
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CAPITAL STRUCTURE as of 12/31/11										12261		13295		15115		16266		17660		18274		21978		24749		44973		46128		47500		49000		Revenues (\$mill) ^D		65000	
Total Debt \$8076.3 mill. Due in 5 Yrs \$5650 mill.										3.7%		3.8%		3.7%		4.5%		5.2%		6.3%		6.3%		6.5%		5.1%		5.6%		6.5%		7.0%		Operating Margin		7.5%	
LT Debt \$7076.4 mill. LT Interest \$300.0 mill. (74% of Cap'l)										82.0		54.0		70.0		84.0		101.0		97.5		97.7		109.9		244.7		253.4		255		270		Depreciation (\$mill)		350	
Total Interest Coverage: 12.4x.										203.9		250.6		300.1		388.1		468.7		620.6		779.6		826.5		1204.6		1275.8		1700		1950		Net Profit (\$mill)		2700	
Leases, Uncapitalized Annual rentals \$35.9 mill.										38.2%		38.2%		36.5%		36.9%		36.7%		34.3%		35.8%		36.9%		36.9%		37.0%		36.0%		35.0%		Income Tax Rate		35.0%	
No Defined Benefit Pension Plan										1.7%		1.9%		2.0%		2.4%		2.7%		3.4%		3.5%		3.3%		2.7%		2.8%		3.6%		4.0%		Net Profit Margin		4.1%	
Common Stock 484,778,000 shs.										d150.0		d66.3		d370.4		d137.0		d657.3		d507.2		d677.9		d1313		d975.9		2599.9		100		150		Working Cap'l (\$mill)		200	
MARKET CAP: \$26.4 billion (Large Cap)										562.6		455.0		412.1		1401.0		1270.4		1760.3		1340.3		2456.8		2493.7		7076.4		7000		7000		Long-Term Debt (\$mill)		7000	
CURRENT POSITION										1002.9		1194.0		1196.3		1465.0		1124.9		696.4		1078.2		3551.8		3606.6		2473.7		4050		5900		Share Equity (\$mill)		13000	
CASH ASSETS										14.4%		16.5%		19.9%		14.2%		21.4%		27.3%		33.8%		15.4%		21.1%		15.0%		16.5%		16.0%		Return on Total Cap'l		14.0%	
RECEIVABLES										20.3%		21.0%		25.1%		26.5%		41.7%		89.1%		72.3%		23.3%		33.4%		51.6%		42.0%		33.0%		Return on Shr. Equity		20.5%	
INVENTORY (FIFO)										--		--		--		--		--		--		--		--		--		--		Nil		Nil		All Div'ds to Net Prof		Nil	

BUSINESS: Express Scripts, Inc., is one of the largest pharmacy benefit managers in North America. It provides retail drug card programs, specialty disease management, and prescription drugs through its retail network. It also provides biopharmaceutical products directly to patients and physicians. The company had 751.5 million adjusted claims in 2011. Acquired CuraScript 1/04; Priority 10/05. Joint venture with AdvancePCS and Medco on RxHub, 2/01. Officers & directors own less than 1% of shares; New York Life Insurance Co., 6.3%, BlackRock, 6.0%. (4/11 Proxy). Has 13,170 employees. Chairman, CEO, and President: George Paz. Incorporated: DE. Address: One Express Way, St. Louis, MO 63121. Telephone: 314-996-0900. Internet: www.express-scripts.com.

Express Scripts is doing relatively well. The pharmacy benefit manager's top line rose modestly in 2011, helped by a decent showing in the fourth quarter. Notably, a 97% client retention rate indicates a high degree of customer satisfaction, and also suggests that Express Scripts' business remains competitive. Claim volumes, which totaled 752 million, were a bit sluggish in 2011, owing to a weak economic environment. However, business picked up at the end of the year, and the outlook for 2012 is a bit brighter.

The company is doing a decent job of managing its costs. Express Scripts' operating margin came in at 5.6% in 2011, just a bit better than last year's figure. The company has not been undertaking aggressive cost-containment efforts, as it is keeping qualified staff in place in preparation for the upcoming Medco acquisition.

The profit outlook remains unchanged. Although profits were a bit muted in the fourth quarter of 2011, this partly reflects merger-related items. We have left our earnings estimate of \$3.50 a share unchanged for 2012. We have also introduced a forecast of \$4.00 a share for 2013. It should be noted that our projections do not include contributions from the upcoming acquisition.

The MEDCO acquisition is progressing slowly. Express Scripts has secured financing, shareholder approval, and is still awaiting regulatory clearance. The deal, assuming it closes, should be modestly accretive to earnings sometime during the first year. As the integration process progresses, the company expects to realize synergies of roughly \$1 billion from the business combination. Express Scripts has a history of making successful acquisitions, and given the likely consolidation in this industry, the purchase makes some sense, in our view. The deal should close in the first half of this year.

These neutrally ranked shares have advanced in price a bit since our December report. This probably reflects a stronger stock market, as well as better outlooks for pharmacy benefit managers, such as Express Scripts. Our projections indicate that this issue, as a stand-alone business, holds good price appreciation potential for the 3- to 5-year horizon.

Adam Rosner
March 23, 2012

Cal-endar	QUARTERLY REVENUES (\$ mill.) ^D				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2009	5423	5503	5620	8203	24749
2010	1138	11289	11252	11294	44973
2011	1095	11361	11571	12101	46128
2012	11600	11800	11800	12300	47500
2013	12200	12200	12300	12300	49000

Cal-endar	EARNINGS PER SHARE ^A				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2009	.43	.37	.36	.40	1.56
2010	.47	.56	.57	.62	2.21
2011	.61	.66	.66	.59	2.53
2012	.85	.85	.90	.90	3.50
2013	.95	1.00	1.00	1.05	4.00

Cal-endar	QUARTERLY DIVIDENDS PAID				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2008					
2009					
2010					
2011					
2012					

(A) Primary earnings through 1996, diluted thereafter. Excludes nonrecurring gains/(losses): '98, (\$0.01); '99, (\$0.05); '00, (\$0.66); '03, (\$0.01); '04, (\$0.07); '05, \$0.04; '06, \$0.02; '07, (\$0.10). Q'tly. egs. do not sum to total rounding. Next egs. report due late April. (B) Includes intangibles: in '11, \$7106.6 million, \$14.67/share. (C) In millions, adjusted for stock splits. (D) Beginning in 2004, Revenues and COGS do not include retail copays.