

ST. LOUIS, Feb 5, 2002 /PRNewswire-FirstCall via COMTEX/ -- Centene Corporation (Nasdaq: CNTE) today announced the company's financial results for the fourth quarter and year-ended December 31, 2001.

Fourth Quarter Highlights

- * Centene successfully executed an initial public offering (IPO) of common stock in December 2001. The company raised net proceeds of approximately \$41.0 million via the issuance of 3,250,000 shares.
- * Centene achieved a 51% increase in total revenue to \$90.3 million in the fourth quarter 2001 versus \$59.8 million for the prior year period.
- * Earnings from operations increased 112% to \$5.7 million in the fourth quarter 2001 versus \$2.7 million for the prior year period.
- * Pro forma earnings per share of \$0.37, assuming that the company's IPO occurred as of October 1, 2001; earnings were \$0.45 as reported.
- * Tenth consecutive quarter of increased profitability from continuing operations.
- * Sixth consecutive quarter of declining general and administrative expenses as a percent of revenue.
- * Days in claims payable of 73.4 reflect the payment of physician bonuses and a change in EDI claims submission patterns.

Year-Ended 2001 Highlights

- * Membership increased 21% to 235,100 lives at December 31, 2001 versus 194,200 at the end of 2000.
- * Total revenue increased 48% to \$326.6 million in 2001 compared to \$221.4 million for 2000.
- * Earnings from operations increased 183% to \$18.5 million in 2001 from \$6.5 million in 2000.
- * Pro forma earnings per share of \$1.25, assuming that the company's IPO occurred as of January 1, 2001; earnings were \$1.61 as reported.
- * Operating cash flow of \$30.2 million in 2001 represented a 124% increase over 2000.

Michael F. Neidorff, Centene's president and chief executive officer said, "Our performance in 2001 sets a strong foundation for continued growth, both in terms of total revenue and operating profit. Following our successful IPO in December 2001, we are better positioned to target the highly fragmented Medicaid market and expand our geographic network of managed care services with a focus on Medicaid managed care mandated states. With only nine percent of the Medicaid members currently being served by the top 10 publicly traded Medicaid HMOs, we have a significant opportunity to leverage our sophisticated infrastructure and continue to lower states' health care costs."

Mr. Neidorff added, "We approach 2002 with the same vision and purpose that enabled us to achieve our results in 2001 -- to provide quality care to Medicaid patients in a cost effective manner. We will continue to execute timely business initiatives while remaining committed to further operational improvements.

"Centene is well positioned to work effectively with state and federal agencies to protect the soundness of the health care delivery system for our Medicaid recipients consisting primarily of women and children. Through the visibility we have in the states in which we operate, we believe that both the federal and state political and regulatory leaders are supportive of our programs."

Fourth Quarter 2001

Revenue for the fourth quarter increased 51% to \$90.3 million from \$59.8 million in 2000. The medical loss ratio (MLR) of 82.8% was within the company's targeted range of 82.0% to 83.5% versus 83.7% for the same period in 2000. General and administrative expenses as a percent of revenue decreased 270 basis points to 11.0% from 13.7%. Earnings from operations increased 112% to \$5.7 million from \$2.7 million in 2000. Net earnings increased \$0.7 million to \$3.9 million, or \$0.45 per share. Pro forma earnings of \$0.37 per share for the quarter ended December 31, 2001 assumes that the company's IPO occurred as of October 1, 2001, increasing the weighted average diluted share basis to 11,228,177 for the period presented. Additionally, pro forma results reflect interest earned on the IPO proceeds and exclude interest expense resulting from the full payment of the company's subordinated notes with proceeds from the IPO. Fourth quarter net earnings for 2000 of \$3.2 million reflected an income tax benefit of \$0.6 million. This tax benefit was created primarily by the reversal of a valuation allowance previously established against a net operating loss carry-forward.

Year-Ended 2001

Revenue for the year-ended December 31, 2001 increased 48% to \$326.6 million from \$221.4 million in the prior year. The MLR was 82.8% compared to 84.3% for the prior year. General and administrative expenses as a percent of revenue decreased 300 basis points to 11.6% from 14.6%. Earnings from operations increased 183% to \$18.5 million from \$6.5 million in 2000. Net earnings increased \$5.2 million to \$12.9 million, or \$1.61 per share. Pro forma earnings of \$1.25 per share for the year-ended December 31, 2001 assumes that the company's IPO occurred as of January 1, 2001, increasing the weighted average diluted share basis to 11,100,319 for the period presented. Additionally, pro forma results reflect interest earned on the IPO proceeds and exclude interest expense resulting from the full payment of the company's subordinated notes with proceeds from the IPO. Net earnings for 2000 of \$7.7 million reflected an income tax benefit of \$0.5 million. This tax benefit was created primarily by the reversal of a valuation allowance previously established against a net operating loss carry-forward.

Cash flow from operations was \$30.2 million for 2001, a 124% increase over 2000. Cash provided by financing activities of \$37.0 million reflects the company's net proceeds from the IPO after the \$4.0 million payoff of the company's subordinated notes. At December 31, 2001, Centene had no debt on its balance sheet and had cash and short-term investments of \$90.0 million.

Outlook

Mr. Neidorff commented, "We anticipate revenue growth in excess of 20% in 2002 through a combination of both organic growth and premium rate increases in our markets served. The company should continue to operate within its targeted 82.0% to 83.5% MLR while reducing general and administrative expenses as a percentage of total revenue by 60 to 100 basis points year over year."

As previously announced, the company will host a conference call tomorrow morning, February 6, 2002, at 9:00 a.m. (Eastern Time) to review the financial results for the fourth quarter and year-ended December 31, 2001 and to discuss its business outlook. Mr. Michael F. Neidorff and Mr. Karey L. Witty, chief financial officer of Centene, will host the conference call. Investors and other interested parties may access the conference call by dialing (800) 230-1951 (domestic) or (612) 332-1020 (international), or via a live Internet broadcast on the company's web site at <https://www.centene.com>. A replay of the call will be available through February 13, 2002 by dialing (800) 475-6701 (domestic) or (320) 365-3844 (international) and entering access code 624655.

About Centene

Centene Corporation provides managed care programs and related services to individuals receiving benefits under Medicaid, including Supplemental Security Income (SSI), and the State Children's Health Insurance Program (CHIP). The company operates health plans in Wisconsin, Indiana and Texas.

This press release contains forward-looking statements that relate to future events and future financial performance of Centene. These forward-looking statements represent the company's estimates as of February 5, 2002. Subsequent events and developments may cause the company's estimates to change. The company disclaims any obligation to update this forward-looking financial information in the future. Readers are cautioned that matters subject to forward-looking statements involve known and unknown risks and uncertainties, including economic, regulatory, competitive and other factors that may cause Centene's or its industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Actual results may differ from projections or estimates due to a variety of important factors, including Centene's ability to accurately predict and effectively manage health benefits and other operating expenses, competition, changes in health care practices, changes in federal or state laws or regulations, inflation, provider contract changes, new technologies, reduction in provider payments by governmental payors, major epidemics, disasters and numerous other factors affecting the delivery and cost of health care. The expiration, cancellation or suspension of Centene's Medicaid managed care contracts by state governments would also negatively impact Centene.

CENTENE CORPORATION AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF EARNINGS
 FOR THE QUARTERS ENDED DECEMBER 31, 2001 AND 2000
 (In thousands, except share data)
 (Unaudited)

	2001	2000
REVENUES:		
Premiums	\$90,189	\$58,420
Administrative services fees	102	1,392
Total revenues	90,291	59,812
EXPENSES:		
Medical services costs	74,639	48,919

General and administrative expenses	9,954	8,203	
Total operating expenses	84,593	57,122	
Earnings from operations	5,698	2,690	
OTHER INCOME (EXPENSE):			
Investment and other income, net	1,110	173	
Interest expense	(77)	(105)	
Equity in income (losses) from joint ventures	--	(179)	
Earnings before income taxes	6,731	2,579	
INCOME TAX EXPENSE (BENEFIT)		2,811	(643)
Net earnings	3,920	3,222	
ACCRETION OF REDEEMABLE PREFERRED STOCK		(98)	(123)
Net earnings attributable to common stockholders	\$3,822	\$3,099	
EARNINGS PER COMMON SHARE:			
Basic	\$ 1.37	\$3.44	
Diluted	\$.45	\$.47	
WEIGHTED AVERAGE SHARES OUTSTANDING:			
Basic	2,799,303	901,526	
Diluted	8,649,373	6,894,305	

CENTENE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000
(In thousands, except share data)
(Unaudited)

	2001	2000	
REVENUES:			
Premiums	\$326,184	\$216,414	
Administrative services fees	385	4,936	
Total revenues	326,569	221,350	
EXPENSES:			
Medical services costs	270,151	182,495	
General and administrative expenses	37,946	32,335	
Total operating expenses	308,097	214,830	
Earnings from operations	18,472	6,520	
OTHER INCOME (EXPENSE):			
Investment and other income, net	3,916	1,784	
Interest expense	(362)	(611)	
Equity in income (losses) from joint ventures	--	(508)	
Earnings before income taxes	22,026	7,185	
INCOME TAX EXPENSE (BENEFIT)		9,131	(543)
Net earnings	12,895	7,728	
ACCRETION OF REDEEMABLE PREFERRED STOCK		(467)	(492)
Net earnings attributable to common stockholders	\$12,428	\$7,236	
EARNINGS PER COMMON SHARE:			
Basic	\$8.97	\$8.03	
Diluted	\$1.61	\$1.13	
WEIGHTED AVERAGE SHARES OUTSTANDING:			
Basic	1,385,399	901,526	
Diluted	8,019,497	6,819,595	

CENTENE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS - PRO FORMA
FOR THE QUARTER ENDED DECEMBER 31, 2001
(In thousands, except share data)
(Unaudited)

	Pro Forma As Reported	Adjusted Adjustments	Pro Forma
REVENUES:			
Premiums	\$90,189	\$--	\$90,189
Administrative services fees	102	--	102
Total revenues	90,291	--	90,291
EXPENSES:			
Medical services costs	74,639	--	74,639
General and administrative expenses	9,954	--	9,954
Total operating expenses	84,593	--	84,593

Earnings from operations	5,698	--	5,698	
OTHER INCOME (EXPENSE):				
Investment and other				
income, net	1,110	281	1,391	
Interest expense	(77)	77	--	
Earnings before income taxes	6,731		358	7,089
INCOME TAX EXPENSE (BENEFIT)	2,811		147	2,958
Net earnings	3,920	211	4,131	
ACCRETION OF REDEEMABLE				
PREFERRED STOCK	(98)	98	--	
Net earnings attributable				
to common stockholders	\$3,822	\$309	\$4,131	
EARNINGS PER COMMON SHARE:				
Basic	\$1.37		\$.41	
Diluted	\$.45		\$.37	
WEIGHTED AVERAGE SHARES				
OUTSTANDING:				
Basic	2,799,303	7,267,018	10,066,321	
Diluted	8,649,373	2,578,804	11,228,177	

The pro forma presentation assumes that as of October 1, 2001 (i) the company's IPO occurred, (ii) all classes of preferred and common stock were converted into a single class of common stock, (iii) the company's subordinated notes were repaid and (iv) the net IPO proceeds were invested in short-term interest bearing instruments.

CENTENE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS - PRO FORMA
FOR THE YEAR ENDED DECEMBER 31, 2001
(In thousands, except share data)
(Unaudited)

	As Reported	Pro Forma Adjustments	Adjusted Pro Forma	
REVENUES:				
Premiums	\$326,184	\$--	\$326,184	
Administrative services fees	385	--	385	
Total revenues	326,569	--	326,569	
EXPENSES:				
Medical services costs	270,151	--	270,151	
General and administrative				
expenses	37,946	--	37,946	
Total operating expenses	308,097	--	308,097	
Earnings from operations	18,472	--	18,472	
OTHER INCOME (EXPENSE):				
Investment and other				
income, net	3,916	1,296	5,212	
Interest expense	(362)	362	--	
Earnings before income				
taxes	22,026	1,658	23,684	
INCOME TAX EXPENSE (BENEFIT)	9,131		680	9,811
Net earnings	12,895	978	13,873	
ACCRETION OF REDEEMABLE				
PREFERRED STOCK	(467)	467	--	
Net earnings attributable				
to common stockholders	\$12,428	\$1,445	\$13,873	
EARNINGS PER COMMON SHARE:				
Basic	\$8.97		\$1.38	
Diluted	\$1.61		\$1.25	
WEIGHTED AVERAGE SHARES				
OUTSTANDING:				
Basic	1,385,399	8,663,686	10,049,085	
Diluted	8,019,497	3,080,822	11,100,319	

The pro forma presentation assumes that as of January 1, 2001 (i) the company's IPO occurred, (ii) all classes of preferred and common stock were converted into a single class of common stock, (iii) the company's subordinated notes were repaid and (iv) the net IPO proceeds were invested in short-term interest bearing instruments.

CENTENE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2001 AND 2000
(In thousands, except share data)
(Unaudited)

	2001	2000
ASSETS		
CURRENT ASSETS:		
Cash and short-term investments	\$90,036	\$26,423
Premium and related receivables, net	7,032	15,538
Other current assets	4,979	4,755
Total current assets	102,047	46,716
LONG-TERM INVESTMENTS	22,339	14,459
OTHER LONG-TERM INVESTMENTS	6,980	4,842
Total assets	\$131,366	\$66,017
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Medical claims liabilities	\$59,565	\$45,805
Accounts payable and accrued expenses	7,712	6,168
Total current liabilities	67,277	51,973
SUBORDINATED DEBT	--	4,000
Total liabilities	67,277	55,973
SERIES D REDEEMABLE PREFERRED STOCK	--	18,878
STOCKHOLDERS' EQUITY	64,089	(8,834)
Total liabilities and stockholders' equity	\$131,366	\$66,017

CENTENE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000
(In thousands)
(Unaudited)

	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$12,895	\$7,728
Adjustments to reconcile net income to net cash provided by operating activities-		
Depreciation and amortization	1,847	1,034
Other	(384)	548
Net changes in assets and liabilities	15,829	4,148
Net cash provided by operating activities	30,187	13,458
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	(3,635)	(642)
Net purchase of investments	(444)	(12,878)
Contract acquisition	(1,250)	--
Investments in joint ventures	7,995	(1,097)
Net cash provided by (used in) investing activities	2,666	(14,617)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of note payable	--	(2,350)
Payment of subordinated debt	(4,000)	--
Net proceeds from issuance of common stock	41,042	--
Other, net	(51)	--
Net cash provided by (used in) financing activities	36,991	(2,350)
Net increase (decrease) in cash and cash equivalents	69,844	(3,509)
CASH AND CASH EQUIVALENTS, beginning of period	19,023	22,532
CASH AND CASH EQUIVALENTS, end of period	\$88,867	\$19,023

SOURCE Centene Corporation

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URL: <https://www.centene.com>
<http://www.prnewswire.com>

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