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ST. LOUIS--(BUSINESS WIRE)--July 24, 2002--Centene Corporation (Nasdaq:CNTE) today announced the Company's financial results for the second quarter ended June 30, 2002.

Second Quarter Highlights

- Revenues of \$107.6 million, a 34% increase over the second quarter of 2001
- Earnings from operations of \$7.7 million, a 71% increase over the second quarter of 2001
- Earnings per diluted share of \$0.45
- Twelfth consecutive quarter of increased profitability from continuing operations
- Days in claims payable of 65.6, reflecting the payment of physician bonuses and improvements in claims payment efficiencies
- Completed follow-on offering of 5.75 million shares, including underwriters' over-allotment
- Signed definitive agreement with Texas Universities Health Plan, Inc. to purchase the Children's Health Insurance Program (CHIP) contract in certain Texas markets
- Filing Form 10-Q concurrent with earnings release

Michael F. Neidorff, Centene's president and chief executive officer, said, "We continue to meet our targets and to deliver consistent, sustainable and predictable results. Growth this quarter was driven by significant increases in membership, an improved health benefits ratio within our target range, and continued improvement in our general and administrative expense ratio. We will continue to work with the states regarding rate increases and healthcare cost decreases that will help us to maintain margins going forward."

Membership totaled 278,600 at June 30, 2002, a 31% increase from 213,200 at June 30, 2001 and a 12% increase from 249,300 at March 31, 2002.

The following table depicts membership by state at June 30, 2002 and 2001:

	2002	2001
	-----	-----
Wisconsin	123,900	103,000
Indiana	92,800	54,600
Texas	61,900	55,600
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TOTAL	278,600	213,200
	=====	=====

The following table depicts membership by line of business at June 30, 2002 and 2001:

	2002	2001
	-----	-----
Medicaid	254,700	194,800
CHIP	23,900	18,400
	-----	-----
TOTAL	278,600	213,200
	=====	=====

Statement of Earnings Highlights

- For the second quarter of 2002, revenues increased 34% to \$107.6 million from \$80.6 in the second quarter of 2001. The health benefits ratio, which reflects medical services costs as a percent of premium revenues, was 82.0%, which was within the Company's targeted range of 82.0% to 83.5% and compares to

- 82.6% for the same period in 2001. General and administrative expenses as a percent of revenues decreased to 10.9% from
- 11.9%. Earnings from operations increased 71% to \$7.7 million from \$4.5 million in 2001. Net earnings improved to \$5.2 million, or \$0.45 per diluted share, compared to \$3.2 million, or \$0.42 per diluted share, for the second quarter of 2001.
- For the six months ended June 30, 2002, revenues increased 35% to \$203.4 million from \$150.9 million in the first six months of 2001. The health benefits ratio of 82.2% compares to 83.0% for the same period in 2001. General and administrative expenses as a percent of revenues decreased to 11.0% from
- 12.2%. Earnings from operations increased 88% to \$14.0 million from \$7.4 million in 2001. Net earnings improved to \$9.5 million, or \$0.83 per diluted share, compared to \$5.4 million, or \$0.70 per diluted share, for the six months ended in 2001.
- In July 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets," which requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested at least annually for impairment. The Company adopted SFAS No. 142 effective January 1, 2002. For the quarter ended June 30, 2001, this adjustment would have added \$122,000 in net earnings, or \$0.02 per diluted share.

The following table sets forth the first and second quarters of 2002 compared to 2001 on a pro forma basis. Pro forma net earnings per diluted share assume that: 1) the Company's initial public offering was completed as of January 1, 2001, 2) all classes of preferred and common stock were converted into a single class of common stock, 3) subordinated notes of \$4.0 million were repaid with a portion of the net proceeds of \$41.0 million from the Company's initial public offering, and 4) the balance of the net proceeds was invested in short-term instruments bearing interest of 3.5%.

	As Reported 2002	Pro Forma 2001
First Quarter	\$0.38	\$0.22
Second Quarter	\$0.45	\$0.32
Year To Date	\$0.83	\$0.54

Balance Sheet Highlights

At June 30, 2002, the Company had cash and investments of \$129.2 million, a portion of which is restricted due to state regulatory requirements. Consistent with the prior quarter guidance, medical claims liabilities total \$63.6 million representing 65.6 days in claims payable, a reduction from the immediately preceding quarter. The decrease in days in claims payable reflects the Company's settlement of payments related to provider risk sharing arrangements, as well as expected improvements in claims payment efficiencies. Efficiencies gained during the quarter enabled the Company to reduce its claims inventory on hand at quarter end to 0.28 per member from

- 0.34 at the immediately preceding quarter end.

Outlook

The Company raised its full-year earnings outlook for fiscal year 2002 to a range of \$1.73 to \$1.77 per share, or a 38% to 42% increase from Centene's pro forma \$1.25 for 2001. Centene expects to continue to operate within its targeted 82.0% to 83.5% health benefits ratio while reducing general and administrative expenses as a percentage of total revenue by 60 to 100 basis points year over year. Revenues are expected to increase by 30% to 33% for the year ended December 31, 2002 compared to 2001.

Neidorff commented, "We intend to continue to grow organically by adding new members in both Medicaid and CHIP, and by increasing our fee-for-service revenues in Medicaid-related products. Additionally, we remain optimistic about the opportunity to expand and diversify the business and intend to leverage our strong balance sheet to execute our acquisition strategy. These strategies have served us well over the past twelve quarters, and we look forward to continuing to grow revenues and increase shareholder value going forward."

Conference Call

As previously announced, the Company will host a conference call tomorrow morning, July 25, 2002, at 8:30 a.m. (Eastern Daylight Time) to review the financial results for the second quarter ended June 30, 2002, and to discuss its business outlook. Michael F. Neidorff and Karey L. Witty, chief financial officer of Centene, will host the conference call. Investors are invited to participate in the conference call by dialing (800) 450-0819 in the United States, and (612) 332-0819 for international participants, or via a live Internet broadcast at the Company's website, <https://www.centene.com>. A replay of the call will be available from July 25, 2002 beginning at 12:00 p.m. and ending on August 1, 2002 at 11:59 p.m. Investors may dial (800)

475-6701 in the United States and (320) 365-3844 from abroad and enter access number 644427. Additionally, the webcast will be archived for the same period at <https://www.centene.com>.

About Centene Corporation

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

The information provided in the first paragraph under "Statement of Earnings Highlights" and both paragraphs under "Outlook" above 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 July 24, 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 healthcare. The expiration, cancellation or suspension of Centene's Medicaid managed care contracts by state governments would also negatively affect Centene.

CENTENE CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In thousands, except share data)

	June 30, 2002	December 31, 2001
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(Unaudited)

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 44,336	\$ 88,867
Premium and related receivables, net of allowances of \$3,164 and \$3,879, respectively	7,524	7,032
Short-term investments, at fair value (amortized cost \$6,135 and \$1,166, respectively)	6,132	1,169
Deferred income taxes	3,424	2,515
Other current assets	4,215	2,464
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Total current assets	65,631	102,047

LONG-TERM INVESTMENTS, at fair value

(amortized cost \$78,390 and \$22,127, respectively)	78,752	22,339
PROPERTY AND EQUIPMENT, net	5,395	3,796
INTANGIBLE ASSETS, net	2,732	2,396
DEFERRED INCOME TAXES	382	788
OTHER ASSETS	4,844	--
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Total assets	\$ 157,736	\$ 131,366
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LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Medical claims liabilities	\$ 63,557	\$ 59,565
Accounts payable and accrued expenses	5,141	7,712
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Total current liabilities	68,698	67,277

Other liabilities	4,738	--
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Total liabilities	73,436	67,277
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STOCKHOLDERS' EQUITY:

Common stock, \$.001 par value; authorized 40,000,000 shares; 10,638,207 and 10,085,112 shares issued and outstanding	11	10
Additional paid-in capital	71,443	60,857
Net unrealized gain on investments, net of tax	226	135
Retained earnings	12,620	3,087
Total stockholders' equity	84,300	64,089

Total liabilities and stockholders' equity	\$ 157,736	\$ 131,366
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CENTENE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS

(In thousands, except share data)

Three Months Ended June 30,		Six Months Ended June 30,	
2002	2001	2002	2001
(Unaudited)		(Unaudited)	

REVENUES:

Premiums	\$ 107,503	\$ 80,458	\$ 203,152	\$ 150,682
Administrative services fees	107	102	211	182
Total revenues	107,610	80,560	203,363	150,864

EXPENSES:

Medical services costs	88,109	66,466	167,053	125,039
General and administrative expenses	11,783	9,581	22,330	18,406
Total operating expenses	99,892	76,047	189,383	143,445

Earnings from operations	7,718	4,513	13,980	7,419
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OTHER INCOME
(EXPENSE):

Investment and other income, net	976	931	1,891	1,897
Interest expense	(11)	(101)	(11)	(196)

Earnings before income taxes	8,683	5,343	15,860	9,120
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INCOME TAX EXPENSE	3,449	2,113	6,327	3,708
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Net earnings	5,234	3,230	9,533	5,412
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ACCRETION OF
REDEEMABLE
PREFERRED STOCK

--	(123)	--	(246)
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Net earnings attributable to common stockholders	\$ 5,234	\$ 3,107	\$ 9,533	\$ 5,166
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EARNINGS PER COMMON

SHARE, BASIC:

Net earnings per common share	\$ 0.51	\$ 3.41	\$ 0.93	\$ 5.68
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EARNINGS PER COMMON

SHARE, DILUTED:

Net earnings per common share	\$ 0.45	\$ 0.42	\$ 0.83	\$ 0.70
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SHARES USED IN

COMPUTING PER

SHARE AMOUNTS:

Basic	10,322,610	911,636	10,207,618	908,907
Diluted	11,546,379	7,738,742	11,435,183	7,748,825

CENTENE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

Six Months Ended
June 30,

2002	2001
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(Unaudited)

CASH FLOWS FROM OPERATING ACTIVITIES:

Net earnings	\$ 9,533	\$ 5,412
Adjustments to reconcile net earnings to net cash provided by operating activities -		
Depreciation and amortization	975	631
Stock compensation expense	49	6
Gain on sale of investments	(307)	(49)
Changes in assets and liabilities -		
(Increase) decrease in premium and related receivables	(492)	10,882
(Increase) decrease in other current assets	(1,676)	2,104
(Increase) decrease in deferred income taxes	(555)	925
Increase in other assets	(106)	--
Increase in medical claims liabilities	3,992	2,784
(Decrease) increase in accounts payable and accrued expenses	(2,497)	5,299

Net cash provided by operating activities	8,916	27,994
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CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of property and equipment	(2,431)	(1,793)
Purchase of investments	(87,328)	(15,918)
Sales and maturities of investments	29,093	10,455
Contract acquisitions	--	(1,000)
Investment in subsidiary	(3,193)	7,701

Net cash used in

investing activities	(63,859)	(555)
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CASH FLOWS FROM FINANCING ACTIVITIES:

Net proceeds from issuance of common stock	10,304	--
Proceeds from exercise of stock options	108	17
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Net cash provided by financing activities	10,412	17
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Net (decrease) increase in cash and cash equivalents	(44,531)	27,456
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CASH AND CASH EQUIVALENTS,

beginning of period	88,867	19,023
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CASH AND CASH EQUIVALENTS,

end of period	\$ 44,336	\$ 46,479
	=====	=====

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Interest paid	\$ --	\$ 439
Income taxes paid	\$ 9,282	\$ 1,758

The Company purchased all of the capital stock of Bankers Reserve for \$3,527. In conjunction with the acquisition, liabilities were assumed as follows:

Fair value of assets acquired	\$ 8,719
Cash paid for the capital stock	(3,527)

Liabilities assumed	\$ 5,192
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CENTENE CORPORATION

SUPPLEMENTAL FINANCIAL DATA

	Q2	Q1	Q4	Q3
	2002	2002	2001	2001
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MEMBERSHIP

Wisconsin	123,900	114,600	114,300	108,100
Indiana	92,800	77,600	65,900	61,800
Texas	61,900	57,100	54,900	54,900
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TOTAL	278,600	249,300	235,100	224,800
	=====	=====	=====	=====

Medicaid	254,700	228,400	214,100	205,200
CHIP	23,900	20,900	21,000	19,600
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TOTAL	278,600	249,300	235,100	224,800
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REVENUE PER MEMBER	\$132.33	\$131.84	\$129.95	\$129.27
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CLAIMS

Inventory	79,013	83,957	123,355	142,759
Inventory per Member	0.28	0.34	0.52	0.64

DAYS IN CLAIMS PAYABLE	65.6	74.0	73.4	83.5
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CONTACT: Centene Corporation

Karey L.Witty, 314/725-4477

or

Investor Relations:

In-Site Communications

Lisa Carlton-Wilson, 212/759-

3929

<https://investors.centene.com/2002-07-24-Centene-Corporation-Reports-Second-Quarter-Results-and-Increases-Guidance-for-2002-Company-Posts-Twelfth-Consecutive-Quarter-of-Profit-Improvement>