

ST. LOUIS, Oct 28, 2002 (BUSINESS WIRE) -- Centene Corporation (Nasdaq: CNTE) today announced the Company's financial results for the third quarter ended September 30, 2002.

### Third Quarter Highlights

- Revenues of \$116.4 million, a 36% increase over the third quarter of 2001.
- Earnings from operations of \$8.0 million, a 50% increase over the third quarter of 2001.
- Earnings per diluted share, net of one-time dividend, of \$0.52.
- Thirteenth consecutive quarter of increased profitability from continuing operations.
- Days in claims payable of 62.7, reflecting improvements in claims payment efficiencies.
- Operating cash flows of \$13.2 million.

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. During the third quarter, our positive results were driven by membership growth across all of our markets, as well as an improved health benefits ratio within our target range."

Neidorff continued, "Contrary to concerns about rate decreases, we are pleased to announce that the states have demonstrated their willingness to work with us towards modest rate increases. In addition, we received approval from all three states to implement administrative changes in the policies and practices that will further add to our ability to maintain our margins going forward."

Membership totaled 296,100 at September 30, 2002, a 32% increase from 224,800 at September 30, 2001 and a 6% increase from 278,600 at June 30, 2002.

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

	2002	2001
Wisconsin	126,800	108,100
Indiana	101,500	61,800
Texas	67,800	54,900
TOTAL	296,100	224,800

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

	2002	2001
Medicaid	266,700	204,500
SCHIP	29,400	20,300
TOTAL	296,100	224,800

### Statement of Earnings Highlights

- For the third quarter of 2002, revenues increased 36% to \$116.4 million from \$85.4 in the third quarter of 2001. The health benefits ratio, which reflects medical services costs as a percent of premium revenues, was 82.2%, 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 11.2%. Earnings from operations increased 50% to \$8.0 million from \$5.4 million in 2001. Net earnings improved to \$9.3 million, or \$0.78 per diluted share. Exclusive of a \$5.1 million one-time dividend received, net earnings were \$6.1 million, or \$0.52 per diluted share, compared to \$3.6 million, or \$0.45 per diluted share, for the third quarter of 2001.

- Investments and other income for the third quarter of 2002 on a pre-tax basis was \$6.8 million, including a one-time dividend received of \$5.1 million. During July 2002, Centene received this dividend from United SPC, a captive insurance company in which Centene maintained an investment. The dividend related to underwriting gains on certain underlying books of business assumed by United SPC. This dividend amounted to \$3.2 million on an after tax basis or \$.26 per diluted share.
- For the nine months ended September 30, 2002, revenues increased 35% to \$319.8 million from \$236.3 million in the nine months ended 2001. The health benefits ratio of 82.2% compares to 82.8% for the same period in 2001. General and administrative expenses as a percent of revenues decreased to 11.0% from 11.8%. Earnings from operations increased 72% to \$22.0 million from \$12.8 million in 2001. Net earnings improved to \$18.8 million, or \$1.63 per diluted share. Exclusive of \$5.1 million in a one-time dividend received, net earnings were \$15.7 million, or \$1.36 per diluted share, compared to \$9.0 million, or \$1.15 per diluted share, for the nine months ended 2001.
- In July 2001, the Financial Accounting Standards Board 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 September 30, 2001, this adjustment would have added \$108,000 in net earnings, or \$0.01 per diluted share.

The following table sets forth fully diluted earnings per share for the first, second and third quarters of 2002 compared to 2001 on a pro forma basis. Pro forma net earnings per diluted share assumes that as of January 1, 2001: 1) the Company's initial public offering was completed, 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%.

#### Fully Diluted Earnings Per Share

	As Reported 2002	Pro Forma 2001
First Quarter	\$0.38	\$0.22
Second Quarter	\$0.45	\$0.32
Third Quarter (a)	\$0.52	\$0.34
Year To Date (b)	\$1.35	\$0.88

(a) Net of one-time dividend

(b) Total may be affected by rounding

#### Balance Sheet Highlights

At September 30, 2002, the Company had cash and investments of \$143 million, a portion of which is restricted due to state regulatory requirements. Consistent with the prior quarter guidance, medical claims liabilities totaled \$65.2 million, representing 62.7 days in claims payable, a reduction from the immediately preceding quarter. The decrease in days in claims payable reflects the Company's 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 0.17 per member from 0.28 at the immediately preceding quarter end.

Cash flows from operating activities of \$13.2 million reflect a 14% increase year-over-year.

#### Outlook

The Company anticipates its full-year earnings outlook for fiscal year 2002, exclusive of the pending New Jersey transaction, to range from \$2.15 to \$2.17 per share. Revenues are expected to increase by 34% to 36% for the year ended December 31,

2002 compared to 2001. A review of the complete results for the third quarter and management's outlook for the fourth quarter, together with preliminary views on 2003, will take place during the Company's previously scheduled third quarter earnings call.

Neidorff commented, "We intend to continue to grow organically by adding new members in both Medicaid and SCHIP, and by increasing revenues from fee-for-service 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 thirteen 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, October 29, 2002, at 8:30 a.m. (Eastern Standard Time) to review the financial results for the third quarter ended September 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) 332-0636 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 October 29, 2002 shortly after completion of the call and ending on November 5, 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 654098. 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 State Children's Health Insurance Program (SCHIP). The Company operates health plans in Wisconsin, Indiana and Texas.

The information provided in the second paragraph following the bullet listing under "Third Quarter Highlights," 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 October 28, 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)

Sept. 30, Dec. 31,  
2002 2001  
(Unaudited)

#### ASSETS

##### CURRENT ASSETS:

Cash and cash equivalents	\$56,066	\$88,867
Premium and related receivables, net of allowances of \$591 and \$3,879, respectively	8,250	7,032
Short-term investments, at fair value (amortized cost \$9,890 and \$1,166, respectively)	9,834	1,169
Deferred income taxes	2,589	2,515
Other current assets	3,202	2,464
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Total current assets	79,941	102,047

LONG-TERM INVESTMENTS, at fair value (amortized cost \$75,440 and \$22,127, respectively)	76,974	22,339	
PROPERTY AND EQUIPMENT, net	5,600	3,796	
INTANGIBLE ASSETS, net	3,217	2,396	
DEFERRED INCOME TAXES	--	788	
OTHER ASSETS	5,034	--	
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Total assets	\$170,766	\$131,366	
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#### LIABILITIES AND STOCKHOLDERS' EQUITY

##### CURRENT LIABILITIES:

Medical claims liabilities	\$65,194	\$59,565
Unearned capitation premium	897	--
Accounts payable and accrued expenses	5,235	7,712
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Total current liabilities 71,326 67,277

OTHER LIABILITIES 4,546 --

Total liabilities 75,872 67,277

##### STOCKHOLDERS' EQUITY:

Common stock, \$.001 par value; authorized 40,000,000 shares; 10,767,407 and 10,085,112 shares issued and outstanding, respectively	11	10
Additional paid-in capital	72,058	60,857
Net unrealized gain on investments, net of tax	931	135
Retained earnings	21,894	3,087
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Total stockholders' equity 94,894 64,089

Total liabilities and  
stockholders' equity \$170,766 \$131,366

#### CENTENE CORPORATION AND SUBSIDIARIES Consolidated Statements of Earnings (In thousands, except share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002 (Unaudited)	2001 (Unaudited)	2002 (Unaudited)	2001 (Unaudited)
<b>REVENUES:</b>				
Premiums	\$116,289	\$85,313	\$319,441	\$235,995
Administrative services fees	109	101	320	283
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Total revenues	116,398	85,414	319,761	236,278
<b>EXPENSES:</b>				
Medical services costs	95,644	70,473	262,697	195,512
General and administrative expenses	12,726	9,586	35,056	27,992
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Total operating expenses	108,370	80,059	297,753	223,504
Earnings from operations	8,028	5,355	22,008	12,774
<b>OTHER INCOME (EXPENSE):</b>				
Investment and				

other income, net	6,768	909	8,659	2,806
Interest expense	(16)	(89)	(27)	(285)
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Earnings before				
income taxes	14,780	6,175	30,640	15,295
INCOME TAX EXPENSE	5,507	2,612	11,833	6,320
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Net earnings	9,273	3,563	18,807	8,975

ACCRETION OF REDEEMABLE PREFERRED STOCK	--	(123)	--	(369)
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Net earnings attributable to common stockholders	\$9,273	\$3,440	\$18,807	\$8,606
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EARNINGS PER COMMON SHARE, BASIC:

Net earnings per common share	\$0.87	\$3.78	\$1.81	\$9.47
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EARNINGS PER COMMON SHARE, DILUTED:

Net earnings per common share	\$0.78	\$0.45	\$1.63	\$1.15
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SHARES USED IN COMPUTING PER SHARE AMOUNTS:

Basic	10,694,797	908,939	10,372,053	908,918
Diluted	11,833,381	7,862,779	11,565,345	7,787,653

CENTENE CORPORATION AND SUBSIDIARIES  
Consolidated Statements of Cash Flows  
(In thousands)

Nine Months Ended  
September 30,

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2002    2001  
(Unaudited)

CASH FLOWS FROM OPERATING ACTIVITIES:

Net earnings	\$18,807	\$8,975
Adjustments to reconcile net earnings to net cash provided by operating activities --		
Depreciation and amortization	1,534	1,274
Stock compensation expense	264	6
Gain on sale of investments	(632)	(72)
Changes in assets and liabilities --		
(Increase) decrease in premium and related receivables	(1,218)	8,285
(Increase) decrease in other current assets	(663)	810
Decrease in deferred income taxes	248	338
Decrease in other assets	171	--
Increase in medical claims liabilities	5,629	13,100
(Decrease) increase in accounts payable and accrued expenses	(2,247)	6,850
Increase in unearned capitation premium	897	--
Decrease in other liabilities	(659)	--
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Net cash provided by operating activities	22,131	39,566

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of property and equipment	(3,110)	(2,540)
Purchase of investments	(155,690)	(17,459)
Sales and maturities of investments	96,975	16,148
Contract acquisitions	(570)	(1,250)
Investment in subsidiary	(3,193)	7,995
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Net cash (used in) provided by investing activities	(65,588)	2,894
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CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from issuance of common stock	10,317	17
Proceeds from exercise of stock options	339	--
Purchase/redemption of stock	--	(102)
Net cash provided by (used in) financing activities	10,656	(85)
Net (decrease) increase in cash and cash equivalents	(32,801)	42,375
CASH AND CASH EQUIVALENTS, beginning of period	88,867	19,023
CASH AND CASH EQUIVALENTS, end of period	\$56,066	\$61,398

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Interest paid	\$11	\$817
Income taxes paid	\$11,878	\$2,107

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

	Q3 2002	Q2 2002	Q1 2002	Q4 2001
<b>MEMBERSHIP</b>				
Wisconsin	126,800	123,900	114,600	114,300
Indiana	101,500	92,800	77,600	65,900
Texas	67,800	61,900	57,100	54,900
<b>TOTAL</b>	<b>296,100</b>	<b>278,600</b>	<b>249,300</b>	<b>235,100</b>
=====				
Medicaid	266,700	254,700	228,400	214,100
SCHIP	29,400	23,900	20,900	21,000
<b>TOTAL</b>	<b>296,100</b>	<b>278,600</b>	<b>249,300</b>	<b>235,100</b>
=====				
REVENUE PER MEMBER	\$133.20	\$132.33	\$131.84	\$129.95
<b>CLAIMS</b>				
Inventory	51,719	79,013	83,957	123,355
Inventory per Member	0.17	0.28	0.34	0.52
<b>DAYS IN CLAIMS</b>				
PAYABLE (a)	62.7	65.6	74.0	73.4

(a) Days in Claims Payable is a calculation of Medical Claims Liabilities at the end of the period divided by average claims expense per calendar day for such period.

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<https://investors.centene.com/2002-10-28-Centene-Corporation-Reports-Thirteenth-Consecutive-Quarter-of-Increased-Profitability>