

Centene Corporation Announces 2017 Guidance And Confirms 2016 Guidance - Dec 15, 2016

ST. LOUIS, Dec. 15, 2016 /PRNewswire/ -- Centene Corporation (NYSE: CNC) announced today its 2017 financial guidance. Total revenue is expected to be \$46.0 billion to \$46.8 billion, representing growth of approximately 17% compared to the midpoint of the 2016 guidance range. Earnings per diluted share are expected to be \$3.78 to \$4.22, representing an increase of 44% compared to the 2016 guidance range of \$2.73 to \$2.83. Adjusted diluted earnings per share are expected to be \$4.40 to \$4.85. The Company's 2017 guidance reflects lower margins on the Health Insurance Marketplace business as a result of the uncertainty created by the outcome of the presidential election. This additional conservatism in the Marketplace margins reduced the Company's GAAP and adjusted diluted earnings per share by approximately \$0.20 per diluted share for 2017. If the Health Insurance Marketplace business performance is consistent with 2016, the Company's earnings are expected to be at the high end of the guidance range.

For its 2017 fiscal year, the Company expects the following results from continuing operations:

- Total revenues in the range of \$46.0 billion to \$46.8 billion.
- Consolidated health benefits ratio of approximately 87.0% to 87.5%.
- Consolidated selling, general and administrative (SG&A) expense ratio in the range of 9.0% to 9.5%.
- Consolidated SG&A expense ratio, excluding Health Net acquisition related expenses, of approximately 9.0% to 9.5%.
- Effective tax rate of approximately 39.0% to 41.0%.
- Diluted shares outstanding of approximately 176.9 million to 177.9 million.
- Earnings per diluted share of approximately \$3.78 to \$4.22.
- Adjusted earnings per diluted share of approximately \$4.40 to \$4.85.

Adjusted diluted earnings per share excludes approximately \$0.01 to \$0.03 per diluted share of Health Net acquisition related expenses and approximately \$0.57 to \$0.62 per diluted share of amortization of acquired intangible assets.

The Company affirms its 2016 revenue guidance in the previously announced range for total revenues of \$39.4 billion to \$40.0 billion, earnings per diluted share of \$2.73 to \$2.83 and adjusted diluted earnings per share of approximately \$4.28 to \$4.38, which excludes Health Net acquisition related expenses of \$1.00 to \$1.05 per diluted share and amortization of acquired intangible assets of \$0.50 to \$0.55 per diluted share. Full year 2016 earnings will be reported on February 7, 2017, at 6:00 AM, with a conference call at 8:30 AM (Eastern Time).

Investor Meeting

Centene Corporation will host an investor meeting tomorrow, including a question-and-answer session, to discuss the details of its guidance at the Pierre Hotel in New York City. The meeting will begin promptly at 8:30 AM (Eastern Time) and end approximately at noon (Eastern Time). Investors and other interested parties who are unable to attend in person are invited to listen to the investor meeting via a live, audio webcast on the Company's website and view a copy of the investor presentation at www.centene.com, under the Investors section.

Non-GAAP Financial Presentation

The Company is providing certain non-GAAP financial measures in this release as the Company believes that these figures are helpful in allowing investors to more accurately assess the ongoing nature of the Company's operations and measure the Company's performance more consistently across periods. The Company uses the presented non-GAAP financial measures internally to allow management to focus on period-to-period changes in the Company's core business operations. Therefore, the Company believes that this information is meaningful in addition to the information contained in the GAAP presentation of financial information. The presentation of this additional non-GAAP financial information is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with GAAP.

Specifically, the Company believes the presentation of non-GAAP financial information that excludes Health Net acquisition related expenses and amortization of acquired intangible assets allows investors to develop a more meaningful understanding of the Company's performance over time. The table below provide a reconciliation of non-GAAP items:

Annual Guidance December 31, 2016	Annual Guidance December 31, 2017
--------------------------------------------	--------------------------------------------

GAAP diluted EPS	\$2.73 - \$2.83	\$3.78 - \$4.22
Health Net acquisition related expenses ⁽¹⁾	\$1.00 - \$1.05	\$0.01 - \$0.03
Amortization of acquired intangible assets ⁽²⁾	\$0.50 - \$0.55	\$0.57 - \$0.62
Adjusted diluted EPS	<u>\$4.28 - \$4.38</u>	<u>\$4.40 - \$4.85</u>

(1) The Health Net acquisition related expenses per diluted share presented above are net of the income tax benefit of an estimated \$0.37 to \$0.41 for the year ended December 31, 2016 and an estimated \$0.01 to \$0.02 for the year ended December 31, 2017.

(2) The amortization of acquired intangible assets per diluted share presented above are net of the income tax benefit of \$0.31 to \$0.35 for the year ended December 31, 2016 and an estimated \$0.36 to \$0.40 for the year ended December 31, 2017.

About Centene Corporation

Centene Corporation is a diversified, multi-national healthcare enterprise that provides a portfolio of services to government sponsored healthcare programs, focusing on under-insured and uninsured individuals. Many receive benefits provided under Medicaid, including the State Children's Health Insurance Program (CHIP), as well as Aged, Blind or Disabled (ABD), Foster Care and Long Term Care (LTC), in addition to other state-sponsored programs, Medicare (including the Medicare prescription drug benefit commonly known as "Part D"), dual eligible programs and programs with the U.S. Department of Defense and U.S. Department of Veterans Affairs. Centene also provides healthcare services to groups and individuals delivered through commercial health plans. Centene operates local health plans and offers a range of health insurance solutions. It also contracts with other healthcare and commercial organizations to provide specialty services including behavioral health management, care management software, correctional healthcare services, dental benefits management, in-home health services, life and health management, managed vision, pharmacy benefits management, specialty pharmacy and telehealth services.

Centene uses its investor relations website to publish important information about the Company, including information that may be deemed material to investors. Financial and other information about Centene is routinely posted and is accessible on Centene's investor relations website, <http://www.centene.com/investors>.

Forward-Looking Statements

The company and its representatives may from time to time make written and oral forward-looking statements within the meaning of the Private Securities Litigation Reform Act ("PSLRA") of 1995, including statements in this and other press releases, in presentations, filings with the Securities and Exchange Commission ("SEC"), reports to stockholders and in meetings with investors and analysts. In particular, the information provided in this press release may contain certain forward-looking statements with respect to the financial condition, results of operations and business of Centene and certain plans and objectives of Centene with respect thereto, including but not limited to the expected benefits of the acquisition of Health Net, Inc. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Without limiting the foregoing, forward-looking statements often use words such as "anticipate", "seek", "target", "expect", "estimate", "intend", "plan", "goal", "believe", "hope", "aim", "continue", "will", "may", "can", "would", "could" or "should" or other words of similar meaning or the negative thereof. We intend such forward-looking statements to be covered by the safe-harbor provisions for forward-looking statements contained in PSLRA. A number of factors, variables or events could cause actual plans and results to differ materially from those expressed or implied in forward-looking statements. Such factors include, but are not limited to, Centene's ability to accurately predict and effectively manage health benefits and other operating expenses and reserves; competition; membership and revenue declines or unexpected trends; changes in healthcare practices, new technologies and advances in medicine; increased health care costs; changes in economic, political or market conditions; changes in federal or state laws or regulations, including changes with respect to government health care programs as well as changes with respect to the Patient Protection and Affordable Care Act and the Health Care and Education Affordability Reconciliation Act and any regulations enacted thereunder that may result from changing political conditions; rate cuts or other payment reductions or delays by governmental payors and other risks and uncertainties affecting Centene's government businesses; Centene's ability to adequately price products on federally facilitated and state based Health Insurance Marketplaces; tax matters; disasters or major epidemics; the outcome of legal or regulatory proceedings; changes in expected contract start dates; provider, state, federal and other contract changes and timing of regulatory approval of contracts; the expiration, suspension or termination of Centene's contracts with federal or state governments (including but not limited to Medicaid, Medicare, and TRICARE); challenges to Centene's contract awards; cyber-attacks or other privacy or data security incidents; the possibility that the expected synergies and value creation from acquired businesses, including, without limitation, the Health Net acquisition, will not be realized, or will not be realized within the expected time period, including, but not limited to, as a result of conditions, terms,

obligations or restrictions imposed by regulators in connection with their approval of, or consent to, the acquisition; the exertion of management's time and Centene's resources, and other expenses incurred and business changes required in connection with complying with the undertakings in connection with certain regulatory approvals; disruption from the acquisition making it more difficult to maintain business and operational relationships; the risk that unexpected costs will be incurred in connection with, among other things, the acquisition and/or the integration; changes in expected closing dates, estimated purchase price and accretion for acquisitions; the risk that acquired businesses will not be integrated successfully; Centene's ability to maintain or achieve improvement in CMS Star ratings and other quality scores that impact revenue; availability of debt and equity financing, on terms that are favorable to Centene; inflation; foreign currency fluctuations; and risks and uncertainties discussed in the reports that Centene has filed with the SEC. These forward-looking statements reflect Centene's current views with respect to future events and are based on numerous assumptions and assessments made by Centene in light of its experience and perception of historical trends, current conditions, business strategies, operating environments, future developments and other factors it believes appropriate. By their nature, forward-looking statements involve known and unknown risks and uncertainties and are subject to change because they relate to events and depend on circumstances that will occur in the future. The factors described in the context of such forward-looking statements in this press release could cause Centene's plans with respect to the Health Net acquisition, actual results, performance or achievements, industry results and developments to differ materially from those expressed in or implied by such forward-looking statements. Although it is currently believed that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct and persons reading this press release are therefore cautioned not to place undue reliance on these forward-looking statements which speak only as of the date of this press release. Centene does not assume any obligation to update the information contained in this press release (whether as a result of new information, future events or otherwise), except as required by applicable law. This list of important factors is not intended to be exhaustive. We discuss certain of these matters more fully, as well as certain other risk factors that may affect Centene's business operations, financial condition and results of operations, in Centene's filings with the SEC, including the annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.

To view the original version on PR Newswire, visit: <http://www.prnewswire.com/news-releases/centene-corporation-announces-2017-guidance-and-confirms-2016-guidance-300379435.html>

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For further information: Investor Relations Inquiries, Edmund E. Kroll, Jr., Senior Vice President, Finance & Investor Relations, (212) 759-0382; Media Inquiries, Marcela Manjarrez-Hawn, Senior Vice President and Chief Communications Officer, (314) 445-0790

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