Molina Healthcare, Inc.
JP Morgan Healthcare Conference

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Today's Agenda

Today's presentation will focus on:

1. **Capital Position**
2. **Capital Deployment**
3. **Financial Outlook**

Capital Position

Performance Since 2017

Prudent capital deployment to enhance value

What We Did

- Improved margins; created excess capital
- Executed an aggressive subsidiary dividend program
- Deployed $1.7 billion of excess capital
- Retired the expensive converts

What It Means

- Clean balance sheet, top decile margins, produce excess cash flow
- Capital position and future cash flow create substantial value
- Capital management is a core strength

What We Are Doing

- Organic growth is first priority
- Vigorously pursuing financially attractive M&A
- Returning excess capital to shareholders in a programmatic way

Important Facts

~$13 per share in excess cash headlines other strong metrics

Capital Flexibility

- $800 million of excess cash at the parent
- Represents ~$13 per share

Strong Equity Base

- Target regulatory capital 10% of premium or 300% RBC
- $2 billion of shareholder equity, 90% tangible
- Target subsidiary dividends at 75% of health plan earnings

Compelling Ratios and ROE

- Debt to Capital at parent 40%
- Debt to EBITDA 1.3x
- ROE 35%
- ROE at target capital 65%

Capital Deployment

ROE Drives Capital Generation

Our capital creation and deployment model can create significant value

Illustration

1. Target Statutory Capital 10% of Premium
2. ~4% After-Tax Margins
3. 40% Return on Target Stat Capital
4. 40% Debt to Capital at Parent
5. ~65% ROE at Target Capital

Excess Cash Flow

Organic Growth

Acquisitions

Share Repurchases

Significant EPS Growth and Accretion Potential

Total Deployable Capital

Deployable capital gives us great flexibility in allocation

Excess Cash at Parent 3Q19	~$800M
Undrawn Debt Capacity	~$900M
Total Deployable Capital	~$1.7B

Growth Capacity

Total deployable capital could support any of the following:

Re-invest in organic growth	**$17 billion** in additional premium capacity
or	
Invest in inorganic growth	**$3.5 billion** in additional premium capacity via M&A
or	
Return to Shareholders	**$1.7 billion** in share repurchase capacity

Total Deployable Capital Will be Invested Prudently

Will deploy capital to achieve stable, consistent growth and accretion

Re-invest in organic growth	– Organic growth is the highest priority – Most efficient use of capital to grow – All lines of business are high growth
Invest in inorganic growth	– Expert team – Robust pipeline, disciplined approach – Strategic fit, meet return hurdles
Return to Shareholders	– Balanced approach – Share repurchase program on shelf

Total Deployable Capital Return Profiles

Attractive returns on capital deployed

Re-invest in organic growth	– Highest return use of capital – Least capital intensive – 65% ROE at targeted capital
Invest in inorganic growth	– Next highest return use of capital – Accretive to share repurchases – Benefit from operating leverage
Return to Shareholders	– Capital maintenance program; share repurchase – $500 million share repurchase authorization – Accretive to EPS

Organic Growth Model

Initiatives that drive long-term growth

Medicaid

1. Increase Medicaid market share
2. Add adjacent Medicaid geographies
3. Pursue Medicaid benefit carve-ins
4. Win Medicaid RFPs in new states

Medicare

1. Increase market share
2. Increase penetration in existing Medicaid footprint
3. Age-ins

Marketplace

1. Increase market share
2. Increase penetration in existing Medicaid footprint

Track Record of Winning Business

Reprocurement Wins	Washington, Puerto Rico, Mississippi
Successful RFP	Kentucky
Mixed Result	Texas
Special Situations	Navajo Nation
Future Reprocurement Opportunities	Ohio, California
Future Procurement Opportunities	Tennessee, W. Virginia, Nevada, Missouri, Iowa, Georgia, Indiana

Inorganic Growth Model

Focus on strategic fit, operational synergies and EPS accretion

1. Attractive bolt-on membership opportunities in current states
2. ~300 government program health plan opportunities
3. Turning around under-performing plans
4. Opportunities pursued will lead to incremental EPS accretion
5. Will not pursue capabilities plays

Inorganic Growth – Our Transaction Calculus

Focus on strategic fit, operational synergies and EPS accretion

ROIC

EPS Accretion

Net Present Value

Underperforming assets are attractive

"Inorganic structures and organic returns"

- Purchase at a significant discounted value
- Drive to target margins
- Accretion
  - Earnings; margin expansion
  - Incremental operating leverage
  - Relative multiple arbitrage

Financial Outlook

Reiterate Full Year 2019 Guidance

Continued strong financial performance

	As of October 29, 2019
Total Revenue	~$16.1B
Medical Care Ratio (MCR)	~86%
G&A Ratio	~7.7%
Net Income	$725M – $740M
EPS	$11.30 – $11.55
After-tax Margin	4.3% – 4.4%

Total Company Long-Term Outlook

Long-term, compound annual growth rates – average over time

Premium Revenue Growth	**10% - 12%**
After-Tax Margin	**3.8% - 4.2%**
Net Income Growth	**9% - 11%**
EPS Growth	**12% - 15%**

Updates

- Kentucky RFP
- Marketplace Update
- Texas Protest
- M&A Execution
- Management Team Additions

Thank You for Your Interest in Molina

Reconciliation of Non-GAAP Financial Measures

Reconciliation of Non-GAAP Financial Measures

2019 guidance as of 3Q19

	Low End	High End
Net Income	$725M	$740M
Adjustments:		
Depreciation and Amortization	$90M	$90M
Interest Expense	$90M	$90M
Income Tax Expense	$235M	$240M
EBITDA	$1,140	$1,160