



# Molina Healthcare, Inc. JP Morgan Healthcare Conference

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# Cautionary Statement

## Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

This presentation and the accompanying oral remarks include forward-looking statements regarding, without limitation, the Company's capital position, planning, and deployment; our growth plans and prospects; future procurement opportunities; and our financial outlook. The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. The Company cannot guarantee that it will actually achieve the plans, outlook, or expectations disclosed in its forward-looking statements and, accordingly, you should not place undue reliance on the Company's forward-looking statements. Those risks and uncertainties are discussed under Item 1A in the section entitled "Risk Factors" in the Company's Annual Report on Form 10-K and also in the Company's quarterly reports and other reports and filings with the Securities and Exchange Commission, or SEC. These reports can be accessed under the investor relations tab of the Company's website or on the SEC's website at [www.sec.gov](http://www.sec.gov). Given these risks and uncertainties, the Company can give no assurances that its forward-looking statements will prove to be accurate, or that the results or events projected or contemplated by its forward-looking statements will in fact occur. All forward-looking statements in this presentation represent management's judgment as of January 13, 2020, and, except as otherwise required by law, the Company disclaims any obligation to update any forward-looking statements to conform the statement to actual results or changes in its expectations.

# 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%

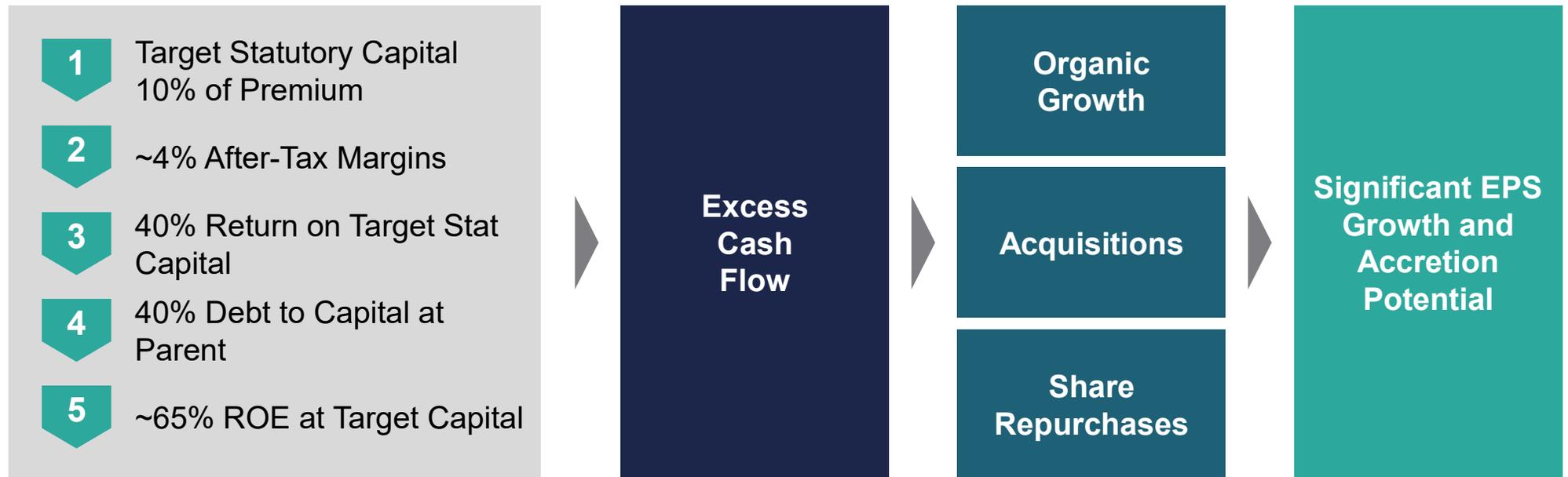


# Capital Deployment

# ROE Drives Capital Generation

Our capital creation and deployment model can create significant value

## Illustration



# Total Deployable Capital

Deployable capital gives us great flexibility in allocation

|                                   |                |
|-----------------------------------|----------------|
| <b>Excess Cash at Parent 3Q19</b> | <b>~\$800M</b> |
| <b>Undrawn Debt Capacity</b>      | <b>~\$900M</b> |
| <b>Total Deployable Capital</b>   | <b>~\$1.7B</b> |

# 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

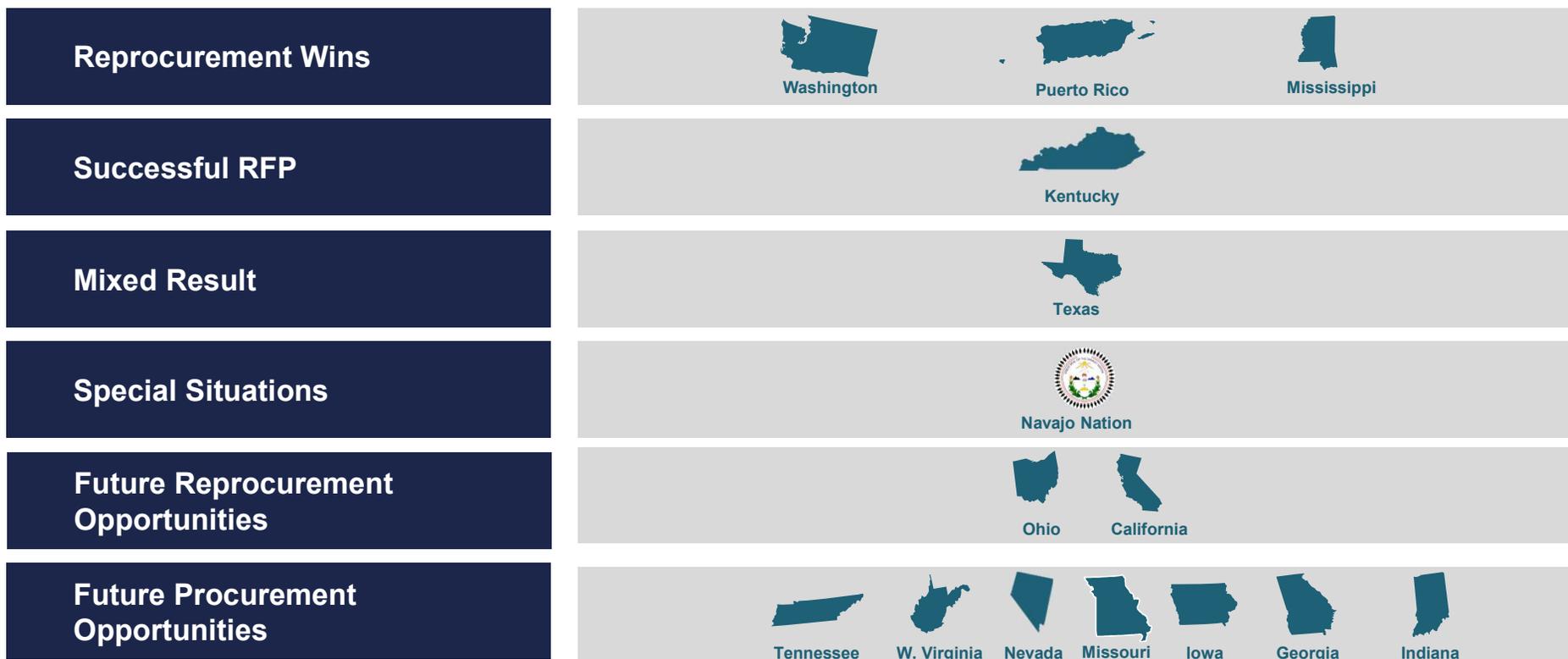
## Medicare

- 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



# 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

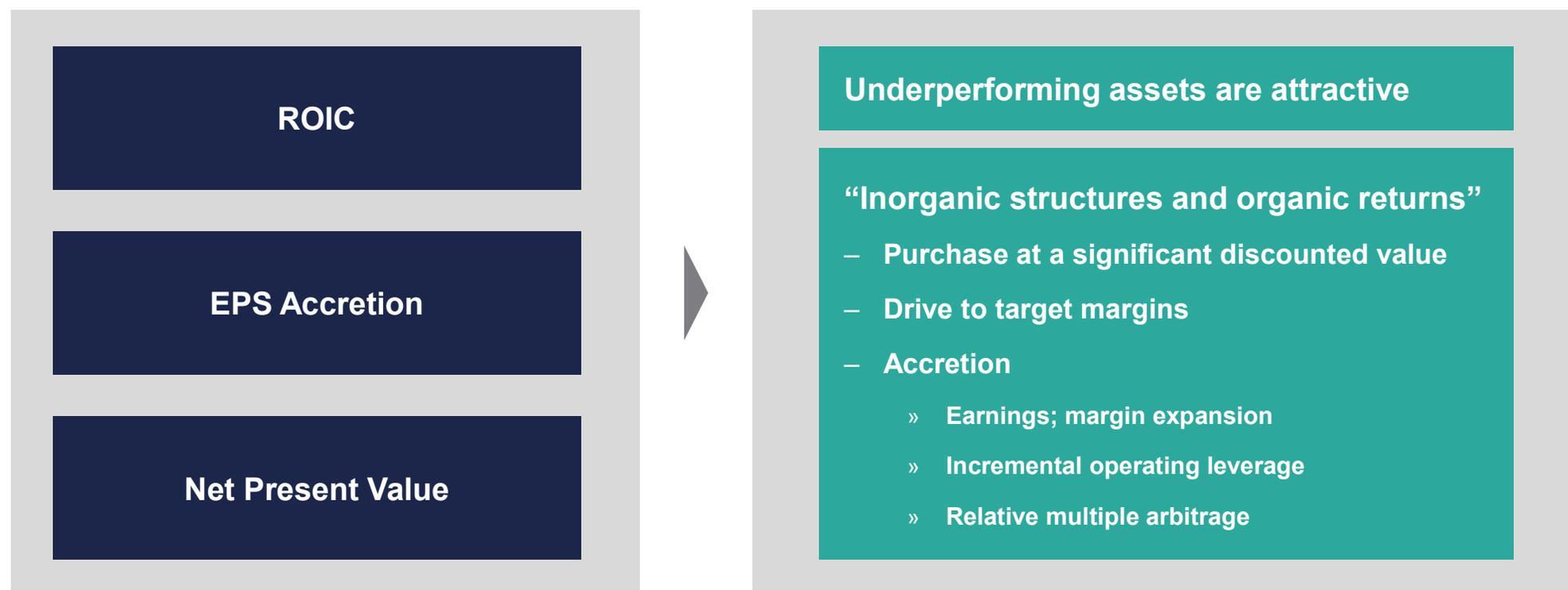
Opportunities pursued will lead to incremental EPS accretion

5

Will not pursue capabilities plays

# Inorganic Growth – Our Transaction Calculus

Focus on strategic fit, operational synergies and EPS accretion





# Financial Outlook

# Reiterate Full Year 2019 Guidance

Continued strong financial performance

As of October 29, 2019

|                                 |                          |
|---------------------------------|--------------------------|
| <b>Total Revenue</b>            | <b>~\$16.1B</b>          |
| <b>Medical Care Ratio (MCR)</b> | <b>~86%</b>              |
| <b>G&amp;A Ratio</b>            | <b>~7.7%</b>             |
| <b>Net Income</b>               | <b>\$725M – \$740M</b>   |
| <b>EPS</b>                      | <b>\$11.30 – \$11.55</b> |
| <b>After-tax Margin</b>         | <b>4.3% – 4.4%</b>       |

# Total Company Long-Term Outlook

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

|                               |                    |
|-------------------------------|--------------------|
| <b>Premium Revenue Growth</b> | <b>10% - 12%</b>   |
| <b>After-Tax Margin</b>       | <b>3.8% - 4.2%</b> |
| <b>Net Income Growth</b>      | <b>9% - 11%</b>    |
| <b>EPS Growth</b>             | <b>12% - 15%</b>   |

# Updates

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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       |
|-------------------------------|----------------|----------------|
| <b>Net Income</b>             | <b>\$725M</b>  | <b>\$740M</b>  |
| <b>Adjustments:</b>           |                |                |
| Depreciation and Amortization | <b>\$90M</b>   | <b>\$90M</b>   |
| Interest Expense              | <b>\$90M</b>   | <b>\$90M</b>   |
| Income Tax Expense            | <b>\$235M</b>  | <b>\$240M</b>  |
| <b>EBITDA</b>                 | <b>\$1,140</b> | <b>\$1,160</b> |