

EXPRESS SCRIPTS INC  
Form 10-Q  
October 24, 2006

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-Q**

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
x EXCHANGE ACT OF 1934  
For the quarterly period ended September 30, 2006.  
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
o EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number: 0-20199

**EXPRESS SCRIPTS, INC.**  
(Exact name of registrant as specified in its charter)

**Delaware**  
(State of Incorporation)

**43-1420563**  
(I.R.S. employer identification no.)

**13900 Riverport Dr., Maryland Heights,  
Missouri**  
(Address of principal executive offices)

**63043**  
(Zip Code)

Registrant's telephone number, including area code: (314) 770-1666

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

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Common stock outstanding as of September 30, 2006: 135,437,000 Shares

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EXPRESS SCRIPTS, INC.

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PART I. FINANCIAL INFORMATION**Item 1. Financial Statements****EXPRESS SCRIPTS, INC.  
Unaudited Consolidated Balance Sheet**

<i>(in millions, except share data)</i>	<b>September 30, 2006</b>	<b>December 31, 2005</b>
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 68.1	\$ 477.9
Receivables, net	1,298.3	1,393.2
Inventories	271.4	273.4
Deferred taxes	62.8	53.1
Prepaid expenses and other current assets	25.3	59.8
<b>Total current assets</b>	<b>1,725.9</b>	<b>2,257.4</b>
Property and equipment, net	189.8	201.3
Goodwill, net	2,686.8	2,700.1
Other intangible assets, net	389.5	303.3
Other assets	31.4	31.4
<b>Total assets</b>	<b>\$ 5,023.4</b>	<b>\$ 5,493.5</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities:</b>		
Claims and rebates payable	\$ 1,201.1	\$ 1,380.0
Accounts payable	595.6	596.5
Accrued expenses	376.0	308.7
Current maturities of long-term debt	150.0	110.0
<b>Total current liabilities</b>	<b>2,322.7</b>	<b>2,395.2</b>
Long-term debt	1,480.4	1,400.5
Other liabilities	249.6	233.0
<b>Total liabilities</b>	<b>4,052.7</b>	<b>4,028.7</b>
<b>Stockholders' Equity:</b>		
Preferred Stock, \$0.01 par value per share, 5,000,000 shares authorized, and no shares issued and outstanding	-	-
Common Stock, 650,000,000 and 275,000,000 shares authorized, respectively, \$0.01 par value; shares issued: 159,439,000 and 159,499,000, respectively; shares outstanding: 135,437,000 and 145,993,000, respectively	1.6	1.6
Additional paid-in capital	524.2	473.5
Unearned compensation under employee compensation plans	(29.6)	(5.8)
Accumulated other comprehensive income	12.4	9.8
Retained earnings	1,870.0	1,542.8
	<b>2,378.6</b>	<b>2,021.9</b>

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Common Stock in treasury at cost, 24,002,000 and 13,506,000 shares, respectively	(1,407.9)	(557.1)
Total stockholders' equity	970.7	1,464.8
Total liabilities and stockholders' equity	\$ 5,023.4	\$ 5,493.5

*See accompanying Notes to Unaudited Consolidated Financial Statements*

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**EXPRESS SCRIPTS, INC.**  
**Unaudited Consolidated Statement of Operations**

<i>(in millions, except per share data)</i>	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
Revenues <sup>1</sup>	\$ 4,330.2	\$ 3,847.6	\$ 13,131.3	\$ 11,631.0
Cost of revenues <sup>1</sup>	3,955.9	3,554.4	12,048.8	10,796.1
Gross profit	374.3	293.2	1,082.5	834.9
Selling, general and administrative	168.6	132.1	500.8	387.1
Operating income	205.7	161.1	581.7	447.8
Other (expense) income:				
Undistributed loss from joint venture	(0.4)	(0.6)	(1.2)	(1.9)
Interest income	2.3	3.5	11.3	