# Molina Healthcare Reports First Quarter 2022 Financial Results

April 27, 2022

*Increases Full-Year 2022 Revenue and Earnings Guidance*

LONG BEACH, Calif.--(BUSINESS WIRE)--Apr. 27, 2022-- Molina Healthcare, Inc. (NYSE: MOH) (the "Company") today reported first quarter 2022 GAAP earnings per diluted share of $4.39 and adjusted earnings per diluted share of $4.90. Financial results are summarized below:

| | Quarter ended March 31, | |
|---|---|---|
| | **2022** | **2021** |
| *(In millions, except per-share results)* | | |
| Premium Revenue | $7,531 | $6,306 |
| Total Revenue | $7,770 | $6,522 |
| | | |
| **GAAP:** | | |
| Net Income | $258 | $228 |
| EPS – Diluted | $4.39 | $3.89 |
| Medical Care Ratio (MCR) | 87.1% | 86.8% |
| G&A Ratio | 7.4% | 7.3% |
| After-tax Margin | 3.3% | 3.5% |
| | | |
| **Adjusted:** | | |
| Net Income | $288 | $260 |
| EPS – Diluted | $4.90 | $4.44 |
| G&A Ratio | 7.1% | 7.0% |
| After-tax Margin | 3.7% | 4.0% |

*See the Reconciliation of Unaudited Non-GAAP Financial Measures at the end of this release.*

**Quarter Highlights**

- As of March 31, 2022, the Company served approximately 5.1 million members, an increase of 480,000 members or 10% compared to March 31, 2021.
- Premium revenue was approximately $7.5 billion for the first quarter of 2022, an increase of 19% compared to the first quarter of 2021.
- GAAP earnings were $4.39 per diluted share.
- Adjusted earnings were $4.90 per diluted share.
- The net effect of COVID decreased net income by approximately $0.57 per diluted share in the first quarter of 2022.
- The Company increased its full year 2022 premium revenue guidance to approximately $29.25 billion, compared to its previous guidance of approximately $28.5 billion.
- The Company increased its full year 2022 adjusted earnings guidance to no less than $17.10 per diluted share, compared to its previous guidance of no less than $17.00 per diluted share.

"We are very pleased with our first quarter results," said Joseph Zubretsky, President and Chief Executive Officer. "We are maintaining strong momentum across each dimension of our strategy by delivering high quality health care for members, achieving meaningful top line growth, and producing attractive margins. The Company's performance continues to validate our long-term strategy and its value creation potential."

**Premium Revenue**

Premium revenue was approximately $7.5 billion for the first quarter of 2022, an increase of 19% compared to the first quarter of 2021. The higher premium revenue reflects increased organic membership in the Medicaid and Medicare lines of business and the impact of acquisitions.

**Net Income**

Net income for the first quarter of 2022 was $4.39 per diluted share, compared to $3.89 per diluted share in the first quarter of 2021. Adjusted net

income for the first quarter of 2022 was $4.90 per diluted share, compared to $4.44 per diluted share in the first quarter of 2021. The net effect of COVID decreased the first quarter of 2022 GAAP and adjusted EPS by $0.57 per diluted share, compared to a negligible impact in the first quarter of 2021.

**Medical Care Ratio**

The consolidated MCR for the first quarter of 2022 was 87.1%, compared to 86.8% for first quarter of 2021. The net effect of COVID added approximately 50 basis points to the consolidated MCR. In the prior year, the net effect of COVID was negligible. In both periods, the impact varied by line of business.

- The Medicaid MCR of 88.1% was in line with the Company's long-term target. The net effect of COVID added approximately 10 basis points in the quarter.
- The Medicare MCR of 86.5% was favorable to the Company's long-term target. The net effect of COVID added approximately 190 basis points in the quarter.
- The Marketplace MCR of 78.6% was in line with the Company's long-term target and reflects the successful execution of the Company's product repositioning strategy. The net effect of COVID added approximately 270 basis points in the quarter.

**General and Administrative Expense Ratio**

The G&A ratio for the first quarter of 2022 was 7.4%, compared to 7.3% for the first quarter of 2021. The adjusted G&A ratio was 7.1% for the first quarter, compared to 7.0% for the first quarter of 2021 reflecting temporary labor challenges and one-time items.

**Balance Sheet**

Cash and investments at the parent company were $250 million as of March 31, 2022, compared to $348 million as of December 31, 2021.

**Cash Flow**

Operating cash flow for the first quarter of 2022 was $363 million and was lower compared to the first quarter of 2021, primarily due to the net impact of timing differences in government receivables and payables and partially offset by an increase in net earnings.

**2022 Guidance**

Premium revenue for full year 2022 is now expected to be approximately $29.25 billion, compared to the previous guidance of approximately $28.5 billion. The guidance increase of approximately $750 million includes the extension of the Public Health Emergency from April to July, higher Marketplace membership, and pass through revenue payments.

The Company increased its full year 2022 adjusted earnings guidance to no less than $17.10 per diluted share, compared to the previous guidance of no less than $17.00 per diluted share, reflecting:

- Strong first quarter 2022 performance and expected underlying business strength in the rest of the year; and,
- Margin associated with the increase in premium revenue guidance; partially offset by,
- A $0.50 per diluted share increase in projected net effect of COVID.

See the Reconciliation of Unaudited Non-GAAP Financial Measures at the end of this release.

**Conference Call**

Management is hosting a conference call and webcast to discuss Molina Healthcare's first quarter 2022 results at 8:00 a.m. Eastern Time on Thursday, April 28, 2022. The number to call for the interactive teleconference is (877) 883-0383 and the confirmation number is 6168107. A telephonic replay of the conference call will be available through Thursday, May 12, 2022, by dialing (877) 344-7529 and entering confirmation number 3378643. A live audio broadcast of this conference call will be available on Molina Healthcare's website, molinahealthcare.com. A 30-day online replay will be available approximately an hour following the conclusion of the live broadcast.

**About Molina Healthcare**

Molina Healthcare, Inc., a FORTUNE 500 company (currently ranked 155), provides managed healthcare services under the Medicaid and Medicare programs and through the state insurance marketplaces. Molina Healthcare served approximately 5.1 million members as of March 31, 2022, located across 19 states. For more information about Molina Healthcare, please visit molinahealthcare.com.

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

This earnings release and the Company's accompanying oral remarks contain forward-looking statements regarding its 2022 guidance, as well as its plans and expectations regarding future developments. Actual results could differ materially due to numerous known and unknown risks and uncertainties. These risks and uncertainties are discussed under the headings "Forward-Looking Statements," and "Risk Factors," in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, which is on file with the SEC, and also in its Quarterly Report on Form 10-Q for the three months ended March 31, 2022, which the Company expects to file on or about April 28, 2022.

These reports can be accessed under the investor relations tab of the Company's website or on the SEC's website at 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 any other results or

developments projected or contemplated by its forward-looking statements will in fact occur, and the Company cautions investors not to place undue reliance on these statements. All forward-looking statements in this release represent the Company's judgment as of April 27, 2022, and, except as otherwise required by law, the Company disclaims any obligation to update any forward-looking statement to conform the statement to actual results or changes in its expectations.

**MOLINA HEALTHCARE, INC.**
**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**

| | Three Months Ended March 31, | |
|---|---|---|
| | **2022** | **2021** |
| | ***(In millions, except per-share amounts)*** | |
| Revenue: | | |
| Premium revenue | $ 7,531 | $ 6,306 |
| Premium tax revenue | 208 | 187 |
| Investment income | 11 | 9 |
| Other revenue | 20 | 20 |
| Total revenue | 7,770 | 6,522 |
| Operating expenses: | | |
| Medical care costs | 6,563 | 5,474 |
| General and administrative expenses | 571 | 473 |
| Premium tax expenses | 208 | 187 |
| Depreciation and amortization | 40 | 33 |
| Other | 16 | 20 |
| Total operating expenses | 7,398 | 6,187 |
| Operating income | 372 | 335 |
| Other expenses, net: | | |
| Interest expense | 28 | 30 |
| Total other expenses, net | 28 | 30 |
| Income before income tax expense | 344 | 305 |
| Income tax expense | 86 | 77 |
| Net income | $ 258 | $ 228 |
| Net income per share – Diluted | $ 4.39 | $ 3.89 |
| Diluted weighted average shares outstanding | 58.7 | 58.6 |
| **Operating Statistics:** | | |
| Medical care ratio | 87.1% | 86.8% |
| G&A ratio | 7.4% | 7.3% |
| Premium tax ratio | 2.7% | 2.9% |
| Effective income tax rate | 25.0% | 25.2% |
| After-tax margin | 3.3% | 3.5% |

**MOLINA HEALTHCARE, INC.**
**CONSOLIDATED BALANCE SHEETS**

| | **March 31, 2022** | **December 31, 2021** |
|---|---|---|
| | **Unaudited** | |
| | ***(Dollars in millions, except per-share amounts)*** | |
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 4,804 | $ 4,438 |
| Investments | 2,988 | 3,202 |
| Receivables | 2,156 | 2,177 |
| Prepaid expenses and other current assets | 198 | 247 |
| Total current assets | 10,146 | 10,064 |
| Property, equipment, and capitalized software, net | 393 | 396 |

| | | |
|---|---|---|
| Goodwill and intangible assets, net | 1,305 | 1,252 |
| Restricted investments | 221 | 212 |
| Deferred income taxes | 114 | 106 |
| Other assets | 181 | 179 |
| Total assets | $ 12,360 | $ 12,209 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Medical claims and benefits payable | $ 3,601 | $ 3,363 |
| Amounts due government agencies | 2,613 | 2,472 |
| Accounts payable, accrued liabilities and other | 809 | 842 |
| Deferred revenue | 18 | 370 |
| Total current liabilities | 7,041 | 7,047 |
| Long-term debt | 2,174 | 2,173 |
| Finance lease liabilities | 217 | 219 |
| Other long-term liabilities | 134 | 140 |
| Total liabilities | 9,566 | 9,579 |
| Stockholders' equity: | | |
| Common stock, $0.001 par value, 150 million shares authorized; outstanding: 59 million shares at March 31, 2022, and 58 million shares at December 31, 2021 | — | — |
| Preferred stock, $0.001 par value; 20 million shares authorized, no shares issued and outstanding | — | — |
| Additional paid-in capital | 218 | 236 |
| Accumulated other comprehensive loss | (81) | (5) |
| Retained earnings | 2,657 | 2,399 |
| Total stockholders' equity | 2,794 | 2,630 |
| Total liabilities and stockholders' equity | $ 12,360 | $ 12,209 |

**MOLINA HEALTHCARE, INC.**
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | Three Months Ended March 31, | |
|---|---|---|
| | **2022** | **2021** |
| | ***(In millions)*** | |
| Operating activities: | | |
| Net income | $ 258 | $ 228 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 40 | 33 |
| Deferred income taxes | 16 | 6 |
| Share-based compensation | 34 | 24 |
| Other, net | (8) | 12 |
| Changes in operating assets and liabilities: | | |
| Receivables | 21 | (98) |
| Prepaid expenses and other current assets | (32) | (15) |
| Medical claims and benefits payable | 263 | 168 |
| Amounts due government agencies | 137 | 432 |
| Accounts payable, accrued liabilities and other | (81) | 16 |
| Deferred revenue | (352) | (304) |
| Income taxes | 67 | 66 |
| Net cash provided by operating activities | 363 | 568 |
| Investing activities: | | |
| Purchases of investments | (403) | (388) |
| Proceeds from sales and maturities of investments | 513 | 308 |
| Purchases of property, equipment, and capitalized software | (23) | (16) |
| Other, net | (13) | 9 |
| Net cash provided by (used in) investing activities | 74 | (87) |
| Financing activities: | | |
| Common stock withheld to settle employee tax obligations | (52) | (51) |
| Contingent consideration liabilities settled | (20) | (20) |
| Common stock purchases | — | (128) |

| | | |
|---|---|---|
| Other, net | (5) | (8) |
| Net cash used in financing activities | (77) | (207) |
| Net increase in cash, cash equivalents, and restricted cash and cash equivalents | 360 | 274 |
| Cash, cash equivalents, and restricted cash and cash equivalents at beginning of period | 4,506 | 4,223 |
| Cash, cash equivalents, and restricted cash and cash equivalents at end of period | $ 4,866 | $ 4,497 |

**MOLINA HEALTHCARE, INC.**
**UNAUDITED SEGMENT DATA**
***(Dollars in millions)***

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| **Ending Membership by Segment:** | | | |
| Medicaid | 4,566,000 | 4,329,000 | 3,859,000 |
| Medicare | 148,000 | 142,000 | 126,000 |
| Marketplace | 371,000 | 728,000 | 620,000 |
| Total | 5,085,000 | 5,199,000 | 4,605,000 |

| | Three Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Premium Revenue | Medical Margin | MCR [1] | Premium Revenue | Medical Margin | MCR [1] |
| Medicaid | $ 5,980 | $ 710 | 88.1% | $ 4,840 | $ 604 | 87.5% |
| Medicare | 943 | 128 | 86.5 | 799 | 77 | 90.3 |
| Marketplace | 608 | 130 | 78.6 | 667 | 151 | 77.3 |
| Consolidated | $ 7,531 | $ 968 | 87.1% | $ 6,306 | $ 832 | 86.8% |

[1] The MCR represents medical costs as a percentage of premium revenue.

**MOLINA HEALTHCARE, INC.**
**CHANGE IN MEDICAL CLAIMS AND BENEFITS PAYABLE**
***(Dollars in millions)***

The Company's claims liabilities include additional reserves to account for moderately adverse conditions based on historical experience and other factors including, but not limited to, variations in claims payment patterns, changes in utilization and cost trends, known outbreaks of disease, and large claims. The Company's reserving methodology is consistently applied across all periods presented. The amounts displayed for "Components of medical care costs related to: Prior year" represent the amounts by which the original estimates of claims and benefits payable at the beginning of the year were more than the actual liabilities based on information (principally the payment of claims) developed since those liabilities were first reported. The following table presents the components of the change in medical claims and benefits payable for the periods indicated:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| | Unaudited | |
| Medical claims and benefits payable, beginning balance | $ 3,363 | $ 2,696 |
| Components of medical care costs related to: | | |
| Current year | 6,769 | 5,668 |
| Prior year | (206) | (194) |
| Total medical care costs | 6,563 | 5,474 |
| Payments for medical care costs related to: | | |
| Current year | 4,197 | 3,513 |
| Prior year | 2,199 | 1,781 |
| Total paid | 6,396 | 5,294 |
| Acquired balances, net of post-acquisition adjustments | (25) | (25) |
| Change in non-risk and other provider payables | 96 | (12) |
| Medical claims and benefits payable, ending balance | $ 3,601 | $ 2,839 |
| Days in Claims Payable [1] | 51 | 48 |

(1) The Company calculates Days in Claims Payable using claims incurred but not paid, or IBNP, and other fee-for-service payables included in medical claims and benefits payable, and quarterly fee-for-service related costs included in medical care costs within the Company's consolidated financial statements.

**MOLINA HEALTHCARE, INC.**
**RECONCILIATION OF UNAUDITED NON-GAAP FINANCIAL MEASURES**
***(In millions, except per diluted share amounts)***

The Company believes that certain non-GAAP (generally accepted accounting principles) financial measures are useful supplemental measures to investors in comparing the Company's performance to the performance of other public companies in the health care industry. The non-GAAP financial measures are also used internally to enable management to assess the Company's performance consistently over time. These non-GAAP financial measures, presented below, should be considered as supplements to, and not as substitutes for or superior to, GAAP measures.

**Adjustments** represent additions and deductions to GAAP net income as indicated in the table below, which include the non-cash impact of amortization of acquired intangible assets, acquisition-related expenses, and the impact of certain expenses and other items that management believes are not indicative of longer-term business trends and operations.

**Adjusted G&A Ratio** represents the GAAP G&A ratio, recognizing adjustments.

**Adjusted net income** represents GAAP net income recognizing the adjustments, net of tax. The Company believes that adjusted net income is helpful to investors in assessing the Company's financial performance.

**Adjusted net income per diluted share** represents adjusted net income divided by weighted average common shares outstanding on a fully diluted basis.

**Adjusted after-tax margin** represents adjusted net income, divided by total revenue.

| | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| | Amount | Per Diluted Share | Amount | Per Diluted Share |
| Net income | $ 258 | $ 4.39 | $ 228 | $ 3.89 |
| Adjustments: | | | | |
| Acquisition-related expenses (1) | 19 | 0.33 | 21 | 0.36 |
| Amortization of intangible assets | 18 | 0.30 | 12 | 0.21 |
| Other (2) | 3 | 0.04 | 9 | 0.15 |
| Subtotal, adjustments | 40 | 0.67 | 42 | 0.72 |
| Income tax effect | (10) | (0.16) | (10) | (0.17) |
| Adjustments, net of tax | 30 | 0.51 | 32 | 0.55 |
| Adjusted net income | $ 288 | $ 4.90 | $ 260 | $ 4.44 |

(1) Reflects non-recurring costs associated with acquisitions, including various transaction and integration costs.

(2) The three months ended March 31, 2022 includes certain non-recurring costs associated with disposal of fixed assets. The three months ended March 31, 2021 includes change in premium deficiency reserves, loss on sale of property, and restructuring costs.

**MOLINA HEALTHCARE, INC.**
**RECONCILIATION OF UNAUDITED NON-GAAP FINANCIAL MEASURES (CONTINUED)**
**2022 GUIDANCE**

| | Amount | Per Diluted Share (2) |
|---|---|---|
| Net income | $ 911 | $ 15.60 |
| Adjustments: | | |
| Acquisition-related expenses | 47 | 0.80 |
| Amortization of intangible assets | 66 | 1.13 |
| Other | 3 | 0.04 |
| Subtotal, adjustments | 116 | 1.97 |
| Income tax effect (1) | (28) | (0.47) |
| Adjustments, net of tax | 88 | 1.50 |
| Adjusted net income per diluted share | $ 999 | $ 17.10 |

(1) Income tax effect calculated at the statutory tax rate of approximately 23.9%.

(2) Computations assume approximately 58.4 million diluted weighted average shares outstanding.

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