Molina Healthcare to Acquire ConnectiCare

July 23, 2024

Transaction expands Molina's Government managed care presence into Connecticut and is expected to add $1.00 per share to new store embedded earnings[1]

LONG BEACH, Calif.--(BUSINESS WIRE)--Jul. 23, 2024-- Molina Healthcare, Inc. (NYSE: MOH) ("Molina" or the "Company") announced today that it has entered into a definitive agreement to acquire ConnectiCare Holding Company, Inc. ("ConnectiCare"), a wholly owned subsidiary of EmblemHealth, Inc. The purchase price for the transaction is $350 million, representing 25% of expected 2024 premium revenue of $1.4 billion.

ConnectiCare is a leading health plan in the state of Connecticut serving approximately 140,000 members across Marketplace, Medicare, and certain commercial products as of June 30, 2024. The acquisition represents a strong strategic fit for Molina, adding an established government business, recognized brand, and a statewide provider network. The acquisition is expected to add $1.00 per share to new store embedded earnings.

"The addition of ConnectiCare to Molina brings a well-rounded government sponsored healthcare plan, and a new state, to our portfolio," said Joe Zubretsky, President and CEO of Molina. "Today's announcement demonstrates the continuing success of our strategy of acquiring stable revenue streams, deploying capital efficiently, and delivering value through the application of the standard Molina playbook."

Molina intends to fund the purchase with cash on hand. The transaction is subject to the receipt of applicable federal and state regulatory approvals, and the satisfaction of other customary closing conditions. It is expected to close in the first half of 2025.

About Molina Healthcare

Molina Healthcare, Inc., a FORTUNE 500 company, provides managed healthcare services under the Medicaid and Medicare programs and through the state insurance marketplaces. For more information about Molina Healthcare, please visit MolinaHealthcare.com.

[1] See Reconciliation notes below.

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

This press release contains forward-looking statements regarding our intended acquisition of ConnectiCare Holding Company, Inc. ("ConnectiCare"), including the expected timing of the closing of the acquisition, ConnectiCare's expected 2024 premium revenues, and our expected new store embedded earnings. In some cases, you can identify forward-looking statements by words such as "guidance", "future", "anticipates", "believes", "embedded", "estimates", "expects", "growth", "intends", "plans", "predicts", "projects", "will", "would", "could", "can", "may" or the negative of these terms or other similar expressions. All forward-looking statements are based on current expectations that are subject to numerous risk factors that could cause actual results to differ materially. Such risk factors include, without limitation, risks that the transaction may not close on a timely basis or at all, that we may be unable to obtain regulatory approvals and third-party consents or to satisfy all closing conditions, that we may be unable to integrate the acquisition as currently expected without unreasonable delay or cost, or to fully realize embedded earnings at the level expected. Additional risk factors to which the Company is subject are provided in our periodic reports and filings with the Securities and Exchange Commission, including the Company's most recent Annual Report on Form 10-K. 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 cannot give assurances that its forward-looking statements will prove to be accurate. All forward-looking statements represent the Company's judgment as of the date hereof, 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.

Non-GAAP Financial Measures

The Company includes in this release the financial measure, "new store embedded earnings," which is a non-GAAP measure. The term is defined as the incremental diluted earnings per share impact that we expect to achieve in future years related to newly awarded but not yet commenced state Medicaid contracts, and recently closed and announced acquisitions. The incremental impact reflects the expected full-year earnings for the newly-awarded California, Iowa, Nebraska, New Mexico, and Texas Medicaid contracts, and the Agewell, MyChoice Wisconsin, and California Medicare Health Plans acquisitions, not yet included in the current full-year guidance issued by the Company. This measure excludes amortization of intangible assets and non-recurring costs associated with acquisitions, including various transaction and integration costs. The Company and management believe this measure is useful to investors in assessing the Company's expected performance related to new Medicaid contracts and acquisitions, and is used internally to enable management to assess the Company's performance consistently over time. New store embedded earnings should be considered as a supplement to, and not as a substitute for or superior to, GAAP measures. Management is unable to reconcile this measure to the growth in GAAP earnings per share, the most directly comparable GAAP measure, without unreasonable effort due to the unknown impact from the amortization of intangible assets related to recently announced acquisitions, which cannot be determined until purchase accounting valuations are completed. Non-recurring costs associated with the recently announced acquisitions are estimated at approximately $15 million.

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Source: Molina Healthcare, Inc.