

Has "Adjusted EPS" Become Too Adjusted? The SEC Thinks So

An In-Depth Analysis Of Non-GAAP Adjustments In the Healthcare Services Sector

Summary

The SEC is more focused on the excessive use of non-GAAP reporting measures given the recent C&DIs on the subject, and so are we. Based on our analysis, many company's adjustments are questionable and, as result, our models now reflect a "MSUSA adjusted EPS". We suspect that over time the SEC could be forced to issue regulations surrounding non-GAAP reporting if company's behavior does not change post the guidelines.

Key Points

SEC Is Focused On Non-GAAP. The SEC has made it increasingly clear in recent months that they think companies are being excessive when reporting using non-GAAP measures. With the additional guidelines, we think the SEC want to limit the company's discretion on reporting non-GAAP measures going forward and wants to ensure that companies are not overly aggressive by applying adjustments that are normal operational in nature, recurring, cash operating expenses necessary to operate a company's business as well as recurring non-cash items.

Sheryl Skolnick's Analysis. Three of our companies guide to GAAP or near-GAAP EPS (HCA, UNH & HLS) and we make no adjustments to those high quality estimates. With the exception of KND, the rest of our companies do not yet add-back intangible amortization: we do not introduce this add-back to those companies either. KND is by far the most difficult company to model given a host of complex 'adjusted' concepts and add-backs, so we focus most on KND and make modest adjustments to those add-backs to EPS and would make more if we could have better detail.

Ann Hynes Analysis. Based on the guidelines, we think the only valid non-cash recurring adjustment is acquisition-related goodwill amortization. However, various companies in our coverage universe adjust other non-cash items (e.g. LIFO and stock comp). More concerning, many companies adjust out recurring cash expenses (e.g. recurring restructuring costs, expenses related to the implementation of cost-savings programs and acquisition-related expenses post a year after a deal close). **Based on our analysis, we think ABC, TMH, MCK, DGX and WBA non-GAAP adjustments are "overly-adjusted", while we view CVS and ACHC as the highest quality.**

Company	Symbol	Price (7/25)	Rating		PT
			Prior	Curr	
AAC Holdings, Inc.	AAC	\$22.62	-	Buy	\$26.00
Acadia Healthcare Company, Inc.	ACHC	\$54.18	-	Buy	\$71.00
Amerisource Bergen Corp.	ABC	\$85.41	-	Neutral	\$80.00
AmSurg Corporation	AMSG	\$77.10	-	Buy	\$95.00
Cardinal Health, Inc.	CAH	\$82.86	-	Buy	\$91.00
CVS Health	CVS	\$94.04	-	Buy	\$108.00
Diplomat Pharmacy, Inc.	DPLO	\$36.21	-	Neutral	\$33.00
Envision Healthcare Holdings, Inc.	EVHC	\$25.45	-	Neutral	\$27.00
Express Scripts Inc.	ESRX	\$77.39	-	Neutral	\$77.00
HCA Holdings, Inc.	HCA	\$79.70	-	Buy	\$102.00
HealthSouth Corporation	HLS	\$40.96	-	Buy	\$47.00
IMS Health Holdings, Inc.	IMS	\$28.74	-	Buy	\$27.00
Kindred Healthcare, Inc.	KND	\$12.14	-	Neutral	\$11.00
Laboratory Corp. of America Holdings	LH	\$137.84	-	Neutral	\$132.00
McKesson Corporation	MCK	\$196.01	-	Neutral	\$174.00
MEDNAX, Inc.	MD	\$75.18	-	Buy	\$79.00
Quest Diagnostics Inc.	DGX	\$84.45	-	Buy	\$84.00
Rite Aid Corporation	RAD	\$6.92	-	Buy	\$9.00
Team Health Holdings Inc	TMH	\$42.70	-	Neutral	\$47.00
UnitedHealth Group Incorporated	UNH	\$141.73	-	Buy	\$160.00
Universal Health Services Inc.	UHS	\$136.64	-	Buy	\$150.00
Walgreens Boots Alliance, Inc.	WBA	\$81.57	-	Buy	\$90.00

Source: Bloomberg and Mizuho Securities USA

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Has “Adjusted EPS” Become Too Adjusted? The SEC Thinks So

In recent months it has become increasingly clear that the Securities and Exchange Commission (SEC) is more focused on the use of non-GAAP versus GAAP financial reporting. As a result of the increased scrutiny, in May 2016 the SEC issued new Compliance & Disclosure Interpretations (C&DIs) regarding the use of non-GAAP financial measures. The new C&DIs echoed the sentiment of several SEC officials who have publically voiced concerns recently about excessive reporting using non-GAAP measures. The SEC states that adjustments related to unusual, infrequent and other items that are not representative of the underlying trends of a company (not recurring within a two-year period) are okay. However with these new guidelines, we believe the SEC want to limit the company’s discretion on reporting non-GAAP measures going forward and wants to ensure that companies are not overly aggressive by applying adjustments that are normal operational in nature, recurring, cash operating expenses necessary to operate a company’s business as well as recurring non-cash items.

EPS Adjustments: What’s the Point?

Why do companies make EPS adjustments and guide to other-than-GAAP earnings?

As we’re not in the habit of intentionally asking questions whose answers are blindingly obvious, we hope that the reader immediately understands that the ‘why’ matters.

It matters, in our view, whether companies are trying to give investors and analysts a sense of the strength of the underlying, going forward business OR whether the companies are excluding items in order to show adjusted earnings that are as high as they can be.

Frankly, it’s sometimes hard to tell the difference between those earnings that really are trying to give investors and analysts good insight into the core business and those that have other possible motivations.

But in both cases, the resulting adjusted EPS is almost never ‘cash’ EPS. Some of the add-backs, for example legal fees and/or severance payments, really are cash outflows. But they may truly be one-time or out-of-period items that distort the underlying earnings power generated in the current period by the going-forward business.

In MSUSA’s work, we’re trying to get to a notion of cash earnings that also incorporates the notion of core strength. We understand that there is an ongoing tension around accrual-based accounting and a real desire on the part of investors to move from accrual to cash-basis. But we live in an accrual world – which is sometimes right in concept, not wrong –and if investors want to understand the cash implications, we suggest that the focus shift from just the income statement to

include the Statement of Cash Flows and the Balance Sheets. That's in part what those two statements are there for.

Thus, we think it is okay to look at earnings excluding legal settlements (usually related to prior periods and/or prior managements), but it's not okay to look at earnings excluding on-going legal fees. For example, in some business models, legal fees are as much an ongoing cost of business as production labor. Specialty and generic pharma companies come to mind: defending intellectual property in those businesses is a routine business expense. But attorney's fees paid to counsel to represent a current or ex-CEO subpoenaed by Congress isn't a routine expense, or at least it shouldn't be. Both of those items are 'cash' so excluding the latter, i.e., the special situation legal fees, does NOT create a 'cash' EPS.

Take the synergies, but not the cost of synergies? No. Other such examples include restructuring and severance charges: serial acquirors frequently attempt to exclude such expenses from their adjusted view of their earnings. But should we, as investors, allow that? Or should we be shown the actual impact of an acquisition, not the dressed-up version. These are frequently planned, real costs of the transaction that generate the synergies that are prized by both companies and investors. But is it fair to value just the synergies and allow companies to exclude the costs of obtaining them? We strongly suspect that investors generally believe these to be 'net' concepts, i.e., the benefits of a leaner labor force should be valued net of the costs (cash and non-cash) required to obtain those benefits. But if we allow companies to exclude restructuring and severance costs, then we allow them to have the cake without the calories.

Thus, in the work we have done, we have tried to be thoughtful and considerate about the add-backs we allow. Frankly, there is a serious concern with allowing any add-backs because once we allow one add-back, it opens the door to arguments about whether we should allow the others.

As a result, across the health care team, we are really focused on a notion of comparable 'cash' earnings. We'll allow the exclusion of certain obviously one-time items and amortization of acquisition-related intangibles as those intangibles reflect the allocation of purchase price and not a cost of doing business. Amortization of capitalized software, however, is a cost of doing business: it's the GAAP accounting way of charging the business on an ongoing basis for its ongoing use of software needed to run the business day-to-day. It is non-cash, but it matches the timing of the expense to the period in which the use of the software occurs and it seems right to us.

Thus, this analysis required that we examine the types of charges that are excluded from each company's GAAP earnings and retain or reject similar types of charges across all of the companies. We do this in an effort to keep our estimates comparable within our coverage universe of health care companies, even as they may be different from those companies' guidance. And finally, in a nod toward consensus, we will still be projecting estimates on a 'guidance basis,' but we hope that investors will

understand that in some cases guidance basis may have very little to do with the company's ability to generate real cash.

Summary of SEC Guidelines

The SEC provides guidance that non-GAAP measures can be valuable to investors as supplemental information but should not be used to replace the information in GAAP financial statements or to mislead investors. Historically, non-GAAP information has been considered useful to investors as it provides additional insight into a business; providing information that is demonstrative of the core business and separate from performance affected by unusual, infrequent, and other items that are not representative of the underlying trends of a company. While the SEC maintains its view that non-GAAP information provides value in certain circumstances, their tone on the measures is shifting. The SEC is concerned that companies are applying adjustments in an excessive manner that may inflate earnings and that investors are relying too heavily on these adjusted performance measures, which may not be indicative of actual performance. SEC Chairman Mary Jo White voiced her thoughts in March 2016, expressing that the SEC is seriously looking at whether non-GAAP measures need to be reined in through regulation.

Most recently in May 2016, the SEC issued new C&DIs on the subject, representing their interpretation of the rules and regulations on the use of non-GAAP financial measures. The C&DIs suggest that a non-GAAP measure may be misleading under several situations. Specifically non-GAAP measures may violate Regulation G (which applies to all public disclosures by SEC registrants, with limited exceptions for foreign private issuers) and Item 10(e) of Regulation S-K (which applies to SEC filings and earnings releases). Areas of focus were the exclusion of normal recurring cash operating expenses necessary to operate a business, an emphasis on consistency between reporting periods, and including/excluding both charges and gains consistently. Further, the C&DIs emphasize that GAAP measures must be presented with "equal or greater prominence" to any non-GAAP measures. According to FactSet, in 2015 the difference between GAAP and non-GAAP earnings per share for companies in the Dow Jones Industrial Average (DJIA) was 30.7% on average, an increase from 11.8% in 2014. We suspect this reverses post the guidelines.

We summarize eight of the new C&DIs below that we believe that force a change in the definition of "adjusted EPS" going forward. A more detailed description of these guidelines and additional guidelines not highlighted below can be found on the SEC website ([SEC](#)). We think the first four C&DIs will impact our coverage universe the most, particularly how the SEC describes a non-recurring gain or charge.

- Non-GAAP measures can be misleading. Certain non-GAAP adjustments, although not explicitly prohibited, may violate Rule 100(b) of Regulation G because they are misleading. For example, presenting a performance measure that excludes normal, recurring, cash operating expenses necessary to operate a registrant's business could be misleading.

- Non-GAAP measures can be misleading if presented inconsistently between periods. For example, a non-GAAP measure that adjusts a particular charge or gain in the current period and for which other, similar charges or gains were not also adjusted in prior periods could violate Rule 100(b) of Regulation G unless clearly explained. Depending on the significance of the change, it may be necessary to recast prior measures.
- Non-GAAP measures can be misleading if they exclude charges, but do not exclude gains. For example, a non-GAAP measure that is adjusted only for non-recurring charges when there were non-recurring gains that occurred during the same period could violate Rule 100(b) of Regulation G.
- Item 10(e) of Regulation S-K prohibits adjusting a non-GAAP financial performance measure to eliminate or smooth items identified as non-recurring, infrequent or unusual when the nature of the charge or gain is such that it is reasonably likely to recur within two years or there was a similar charge or gain within the prior two years.
- A company cannot present a non-GAAP performance measure that is adjusted to accelerate revenue recognized ratably over time in accordance with GAAP as though it earned revenue when customers are billed. Non-GAAP measures that substitute individually tailored revenue recognition (and other line items) and measurement methods for those of GAAP could violate Rule 100(b) of Regulation G.
- Non-GAAP EPS numbers are allowed in documents filed or furnished with the SEC. Item 10(e) recognizes that certain non-GAAP per share performance measures may be meaningful from an operating standpoint. Non-GAAP per share performance measures should be reconciled to GAAP earnings per share, while non-GAAP liquidity measures that measure cash generated must not be presented on a per share basis in documents filed or furnished with the Commission.
- Free-Cash-Flow presentations are allowed, but should provide a detailed description. Companies should be aware that this measure does not have a uniform definition and its title does not describe how it is calculated. Accordingly, a clear description of how this measure is calculated, as well as the necessary reconciliation, should accompany the measure where it is used. Companies should also avoid inappropriate or potentially misleading inferences about its usefulness.
- Non-GAAP measures should not be presented net of tax; Income taxes should be shown as a separate adjustment and clearly explained.

EPS Adjustments for Hospitals, MCOs and Post-Acute Companies: Who Guides to What? (Analyst Sheryl Skolnick)

Within this segment of MSUSA's Health Care Research coverage, several of the companies actually guide to GAAP EPS or Adjusted EPS with only modest adjustments. Those companies, whose rigor we think should be applauded, include:

- HCA, which only adds-back clearly one-time items and then only rarely, but guides to GAAP;
- HealthSouth, which provides the add-backs specifically, but guides to GAAP;
- UnitedHealth Group, which only adds back intangible amortization and then only because its peer group did, but who absorbs exchange losses this year.

Then there are another handful of companies whose add-backs are rather significant. We've italicized the add-backs that cause us some concern:

- Amedisys, who adds back to EPS and EBITDA, but not Cash Flow:
 - IT conversion implementation costs due to a one-time company-wide conversion;
 - *Legal fees – which seem to be ongoing due to the DOJ hospice investigation;*
 - Legal settlements;
 - Asset impairment charges;
 - *Restructuring charges – without which the turnaround wouldn't be possible;*
 - *Miscellaneous/other.*
- Tenet Healthcare, who adds back to GAAP EPS, and in some cases to Cash Flow, the following items:
 - Impairment charges;
 - *Restructuring charges;*
 - Acquisition-related costs;
 - Gains/Loss from early extinguishment of debt;
 - *Litigation and investigation costs (because for THC they're not one-time);*
 - Gains on sales;
 - *Consolidation and deconsolidation of facilities;* and the
 - Related impact on non-controlling interests.
- LifePoint Health, who did not exclude expected dilution from acquisitions in 2016, nevertheless still adjusts out the following:
 - Interventional cardiology investigation settlement (\$0.35 in 1Q16); and
 - Accelerated depreciation of the Marquette General Hospital as LPNT decided it needed a replacement facility (\$0.04).
- Community Health Systems, who adds back to GAAP EPS the following items:
 - Gain/Loss from early extinguishment of debt;
 - Impairment charges;

- *Litigation and investigation costs* & settlements and related expenses;
 - Reserves and expenses related to the HMA CVR; and
 - Expenses related to the QHC spin-off, among other one-time items.
- Quorum Health Corp, who adds back to GAAP EPS (when reported so far) the following items:
 - Spin-off related expenses.
- Kindred Healthcare has two levels of add-backs, i.e., those required to get to 'Core EPS' and those required to get to 'Adjusted Core EPS.' For Core EPS, KIND adds-back the following:
 - Litigation contingency expenses (some of which seems to be one-time, especially as related to the RehabCare DOJ settlement);
 - *Retirement and severance costs*;
 - *Home health and hospice closings* (i.e., the cost of 'synergies' associated with the GTIV acquisition and other profitability improvement initiatives);
 - Impairment charges)
 - Business interruption settlements;
 - *Research and Development Expenses*;
 - *Project cancellation and other restructuring costs*;
 - Transaction and integration costs, including:
 - *Professional and consulting fees*;
 - *Severance and retention payments*;
 - *Lease Termination*;
 - Pre-closing financing charges in both administrative & interest expense lines;
 - Trade name impairment charges
 - Lease termination expenses
 - Other transaction costs.
- To get to Adjusted Core EPS, KIND further adds back to Core EPS:
 - Stock-based compensation expense;
 - Amortization of intangibles and
 - *Deferred financing costs*.

Thus, for HCA, UNH and HLS we are not making any adjustments to our estimates: high quality guidance-based EPS should be left alone. We do, however, make adjustments to the other companies related to the italicized items above. But it must be stressed that our going forward model does not include any of these types of charges in future periods. So we're really only backing out the 1Q16 impact of those items when formulating our 2016 MSUSA adjusted EPS estimates. We show these estimates in the table below. See the footnotes for the items we've excluded/included in our MSUSA Adjusted estimates.

Exhibit 1: Adjustment Impact for Skolnick's Coverage

	UNH		HCA		THC		LPNT		CYH		QHC		HLS		AMED		KND	
	2016E	2017E	2016E	2017E	2016E	2017E	2016E	2017E	2016E	2017E	2016E	2017E	2016E	2017E	2016E	2017E	2016E	2017E
GAAP EPS Continuing Operations	\$ 7.34	\$ 8.44	\$ 6.51	\$ 7.03	\$ 0.59	\$ 2.06	\$ 3.52	\$ 4.25	\$ 2.02	NE	\$ 0.49	NE	\$ 2.51	\$ 2.87	\$ 1.52	\$ 2.40	\$ 0.84	NE
MSUSA Add-Backs:																		
MSUSA Estimate of Amortization	\$ 0.55	\$ 0.54			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -						\$ -
MSUSA Estimate of One-time Charges					\$ 1.04	\$ -	\$ 0.39	\$ -	\$ 0.17		\$ 0.08				\$ 0.14	\$ -	\$ 0.09	
MSUSA Adjusted EPS	\$ 7.89	\$ 8.98	\$ 6.51	\$ 7.03	\$ 0.59	\$ 2.06	\$ 3.52	\$ 4.25	\$ 2.02	NE	\$ 0.49	NE	\$ 2.51	\$ 2.87	\$ 1.66	\$ 2.40	\$ 0.93	NE
Guidance - Basis EPS	\$ 7.89	\$ 8.98	\$ 6.51	\$ 7.03	\$ 1.63	\$ 2.06	\$ 3.91	\$ 4.25	\$ 2.19	NE	\$ 0.49	NE	\$ 2.51	\$ 2.87	\$ 1.66	\$ 2.40	\$ 0.96	NE

Notes:

HCA - de minimus; guides to GAAP; not disclosed except company does disclose depreciation split out from D&A

LPNT - allocation is to fixed asset, so no material amort related to acqs; charges related to investigation and 1 facility's accelerated depreciation

THC - Charges include both impairment and restructuring combined, so we can't split them out. In addition, litigation reserve taken 1Q16; guides to pre-charge, adjusted EPS

QHC - No acquisition related amortization. Only amort relates to physician guarantees and capitalized software; impairment charge 1Q16 (still under CYH at that time)

HLS -Amortization of intangibles: We can figure it out from the F page disclosures, Encompass plus CareSouth plus Reliant & Cardinal Hill total \$20mm/ year; guides to GAAP

CYH - asset impairment charge taken 1Q16, pf for QHC spin

AMED - charges relate to HCIT implementation and restructuring

KND -Our estimate is for Core Diluted EPS, not Adj. Core EPS, which has amortization of intangibles (\$0.19 per share by our estimate), stock-based comp and deferred financing costs added back.

KND - See next table for specific add-backs for KND

Source: Company reports, Bloomberg and Mizuho Securities USA estimates

Exhibit 2: Derivation of MSUSA Adjusted EPS for KND

	As Reported 1Q16A	MSUSA Adjusted EPS 1Q16 A Adj	MSUSA Adjusted EPS 2Q16E	MSUSA Adjusted EPS 3Q16E	MSUSA Adjusted EPS 4Q16E	MSUSA Adjusted EPS 2016E
Income to common continuing <i>including</i> all charges	\$ 13,323	\$ 13,323	\$ 29,858	\$ 11,639	\$ 19,148	\$ 73,969
Add-back Charges						
One-time bonus costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Severance & Restructuring	(1,582)					-
Customer bankruptcy/R&D	(863)	(863)				(863)
Facility closing and development cancellation costs	(341)					-
Business interruption	1,138	1,138				1,138
Litigation costs	(1,910)	(1,910)				(1,910)
Transaction costs	(2,121)	(2,121)				(2,121)
Consulting fees related to new LTAC rule, Gentiva						-
Impairment charges	(7,788)	(7,788)				(7,788)
Lease cancellation charges (rent expense)	(251)					-
Gentiva pre-closing financing charges (interest expense)						-
Debt refinancing charges (interest expense)	-	-	-	-	-	-
Subtotal	\$ (13,718)	\$ (11,544)	\$ -	\$ -	\$ -	\$ (11,544)
Income tax benefit	4,710	3,964				3,964
Charges net of tax	(9,008)	(7,580)				
Allocation to participating unvested restricted holders	(133)	(112)				(112)
Available to common stockholders	(8,875)	(7,469)				(7,469)
Income to common <i>excluding</i> charges	\$ 22,331	\$ 20,792	\$ 29,858	\$ 11,639	\$ 19,148	\$ 81,437
Weighted average shares for diluted EPS (mand convert)	87,249	87,249	88,000	88,000	88,000	88,000
Adjusted Core EPS, Diluted	\$ 0.26	\$ 0.24	\$ 0.34	\$ 0.13	\$ 0.22	\$ 0.93
Impact on EPS from MSUSA Adjustments		\$ (0.09)				\$ 0.09
GAAP EPS	\$ 0.15	\$ 0.15	\$ 0.34	\$ 0.13	\$ 0.22	\$ 0.84
Add-back non-cash expenses						
Amort. Of intangible assets	\$ 6,826	\$ 6,826	\$ 6,800	\$ 6,750	\$ 6,725	\$ 27,101
Amort of stock-based comp in swb	3,746	3,746	3,900	3,600	3,900	15,146
Amort of deferred financing costs	3,567	3,567	3,570	3,570	3,570	14,277
Subtotal	14,139	14,139	14,270	13,920	14,195	56,524
Tax benefit related to non-cash expenses	5,564	5,564.00	5,423	5,290	5,394	21,479
Non-cash expenses, net of tax	\$ 8,575	\$ 8,575	8,847	8,630	8,801	35,045
Adjusted Core Earnings	\$ 30,906	\$ 29,367	\$ 38,706	\$ 20,270	\$ 27,949	\$ 116,482
Adjusted Core EPS	\$ 0.35	\$ 0.34	\$ 0.44	\$ 0.23	\$ 0.32	\$ 1.32

A Deeper Analysis Reveals a Plethora of Adjustments – Analyst Ann Hynes

As a result of the new guidelines, we analyzed each company's adjustments. While most companies' adjustments consist primarily of true one-time items, we found most in our coverage universe adjusted out recurring non-cash items (acquisition-related amortization, LIFO, stock and based compensation), in some cases companies adjustments for recurring cash items (e.g. recurring restructuring costs, expenses associated with implementing cost-savings programs and acquisition-related expenses post a year after a deal close), which we no longer believe should be adjusted given the SEC guidelines. The SEC has made it clear that, if companies' behavior does not change with the new guidelines, the agency will be forced to issue regulations addressing the over-adjustments. With respect to current year guidance, we believe ABC, TMH, MCK, DGX and WBA non-GAAP adjustments are "over-adjusted", while we view CVS and ACHC as the highest quality.

Below is a chart that illustrates the impact of non-cash recurring items, as well as recurring cash items, on each company's current year guidance to illustrate the potential risk to earnings if the SEC were to issue regulations in the event that interpretation of the guidelines were not satisfactory.

Exhibit 3: Adjusted EPS As A % Of Current Year Guidance

Company	Ticker	FY16 Ad. EPS		Acq.-Related Amortization		LIFO		Stock-Based Comp		Contingent Consideration		Other		Total Excluding	
		Guidance Mid-Point		Adj. EPS (est.)	% of total	Adj. EPS (est.)	% of total	Adj. EPS (est.)	% of total	Adj. EPS (est.)	% of total	Adj. EPS (est.)	% of total	Total	Acq. Amort
AmerisourceBergen	ABC	\$5.49		\$0.31	6%	\$1.23	22%	\$0.00	0%	\$0.00	0%	\$0.05	1%	29%	23%
TeamHealth	TMH	\$2.80		\$0.90	32%	\$0.00	0%	\$0.00	0%	\$0.29	10%	\$0.00	0%	43%	10%
McKesson	MCK	\$13.68		\$1.35	10%	\$0.48	4%	\$0.00	0%	\$0.00	0%	\$0.73	5%	19%	9%
Quest Diagnostics	DGX	\$5.10		\$0.38	7%	\$0.00	0%	\$0.00	0%	\$0.00	0%	\$0.43	8%	16%	8%
Walgreens Boots	WBA	\$4.50		\$0.26	6%	\$0.19	4%	\$0.00	0%	\$0.00	0%	\$0.18	4%	14%	8%
AmSurg	AMSG	\$4.32		\$0.00	0%	\$0.00	0%	\$0.31	7%	\$0.00	0%	\$0.00	0%	7%	7%
AAC Holdings	AAC	\$0.99		\$0.00	0%	\$0.00	0%	\$0.00	0%	\$0.00	0%	\$0.06	6%	6%	6%
MedNax	MD	\$4.30		\$0.00	0%	\$0.00	0%	\$0.24	6%	\$0.00	0%	\$0.00	0%	6%	6%
Cardinal Health	CAH	\$5.22		\$0.85	16%	\$0.12	2%	\$0.00	0%	\$0.00	0%	\$0.04	1%	19%	3%
IMS Health	IMS	\$1.60		\$0.43	27%	\$0.00	0%	\$0.04	3%	\$0.00	0%	\$0.00	0%	30%	3%
Universal Health	UHS	\$7.35		\$0.00	0%	\$0.00	0%	\$0.00	0%	\$0.00	0%	\$0.17	2%	2%	2%
Express Scripts	ESRX	\$6.37		\$1.64	26%	\$0.00	0%	\$0.00	0%	\$0.00	0%	\$0.13	2%	28%	2%
Envision Healthcare	EVHC	\$1.50		\$0.00	0%	\$0.00	0%	\$0.03	2%	\$0.00	0%	\$0.00	0%	2%	2%
Laboratory Corp	LH	\$8.75		\$1.16	13%	\$0.00	0%	\$0.00	0%	\$0.00	0%	\$0.07	1%	14%	1%
Acadia Healthcare	ACHC	\$2.84		\$0.00	0%	\$0.00	0%	\$0.00	0%	\$0.00	0%	\$0.00	0%	0%	0%
CVS Caremark	CVS	\$5.81		\$0.45	8%	\$0.00	0%	\$0.00	0%	\$0.00	0%	\$0.00	0%	8%	0%
Diplomat Pharmacy	DPLO	\$0.92		\$0.32	35%	\$0.00	0%	\$0.00	0%	\$0.00	0%	\$0.00	0%	35%	0%

Source: Company reports and Mizuho Securities USA (MSUSA) estimates. MCK reflects FY17 guidance.

For non-cash adjustments, we think acquisition-related amortization is the most appropriate adjustment and therefore the least likely to be questioned by the SEC; however we believe there is a realistic chance that, overtime, the SEC has an issue with non-cash recurring adjustments such as LIFO, stock based compensation and contingent consideration going forward. Below we highlight some of the biggest adopters of these adjustments and think valuations for these companies could be impacted if the SEC further tightens its stance and issues regulation (as we suspect company's behavior is unlikely to change immediately).

Acquisition-related Amortization - Of the major adjustments we believe the SEC is least likely to take issue with acquisition-related amortization because it is non-cash and is generally thought of as non-operational because it relates to a one time purchase. Having said that, we think it is important to highlight as some companies' adjustment as a % of total EPS is very high.

Exhibit 4: Acquisition-Related Amortization As % of Adjusted EPS Guidance

Company	Ticker	FY16 Ad. EPS	Acq.-Related Amortization	
		Guidance Mid-Point	Adj. EPS (est.)	% of total
Diplomat Pharmacy	DPLO	\$0.92	\$0.32	35%
TeamHealth	TMH	\$2.80	\$0.90	32%
IMS Health	IMS	\$1.60	\$0.43	27%
Express Scripts	ESRX	\$6.37	\$1.64	26%
Cardinal Health	CAH	\$5.22	\$0.85	16%
Laboratory Corp	LH	\$8.75	\$1.16	13%
McKesson	MCK	\$13.68	\$1.35	10%
CVS Caremark	CVS	\$5.81	\$0.45	8%
Quest Diagnostics	DGX	\$5.10	\$0.38	7%
Walgreens Boots	WBA	\$4.50	\$0.26	6%
AmerisourceBergen	ABC	\$5.49	\$0.31	6%
AmSurg	AMSG	\$4.32	\$0.00	0%
AAC Holdings	AAC	\$0.99	\$0.00	0%
MedNax	MD	\$4.30	\$0.00	0%
Universal Health	UHS	\$7.35	\$0.00	0%
Envision Healthcare	EVHC	\$1.50	\$0.00	0%
Acadia Healthcare	ACHC	\$2.84	\$0.00	0%

Source: Company reports and Mizuho Securities USA estimates. MCK reflects FY17 guidance.

LIFO - We have removed the LIFO adjustments from our adjusted EPS estimates. Several of our companies (MCK, CAH, ABC and WBA) choose to report inventory and COGS using the LIFO method rather than FIFO (CVS and ESRX), which is considered more conservative than FIFO from an income perspective as it generally increases COGS (assuming an inflationary environment). However, it also decreases taxable income so can be beneficial to companies from a cash flow perspective. The issue for us is that it feels somewhat disingenuous for a company to benefit from lower taxable income and therefore lower taxes/higher cash flow, while also reporting an adjusted metric that counteracts this, especially in recent quarters when the adjustment were large given the unexpected deflation of generic drugs. We believe ABC's adjustment is higher as a % of adjusted EPS versus MCK and CAH given that ABC is a pure-play distributor, versus MCK and CAH who have medical surgery businesses so their inventory is more than drugs. Overall, we view this adjustment as questionable and only maintain the LIFO in our adjusted EPS for industry valuation comparisons. We highlight the companies using the adjustment below.

Exhibit 5: LIFO As % of Adjusted EPS Guidance

Company	Ticker	FY16 Ad. EPS	LIFO	
		Guidance Mid-Point	Adj. EPS (est.)	% of total
AmerisourceBergen	ABC	\$5.49	\$1.23	22%
Walgreens Boots	WBA	\$4.50	\$0.19	4%
McKesson	MCK	\$13.68	\$0.48	4%
Cardinal Health	CAH	\$5.22	\$0.12	2%
Diplomat Pharmacy	DPLO	\$0.92	\$0.00	0%
TeamHealth	TMH	\$2.80	\$0.00	0%
IMS Health	IMS	\$1.60	\$0.00	0%
Express Scripts	ESRX	\$6.37	\$0.00	0%
Laboratory Corp	LH	\$8.75	\$0.00	0%
CVS Caremark	CVS	\$5.81	\$0.00	0%
Quest Diagnostics	DGX	\$5.10	\$0.00	0%
AmSurg	AMSG	\$4.32	\$0.00	0%
AAC Holdings	AAC	\$0.99	\$0.00	0%
MedNax	MD	\$4.30	\$0.00	0%
Universal Health	UHS	\$7.35	\$0.00	0%
Envision Healthcare	EVHC	\$1.50	\$0.00	0%
Acadia Healthcare	ACHC	\$2.84	\$0.00	0%

Source: Company reports and Mizuho Securities USA estimates. MCK reflects FY17 guidance.

Contingent Consideration - This adjustment mainly impacts the physician services companies. When these companies make acquisitions, a strategy is to put some of the purchase price in the form of an earn-out based various operational metrics or continued employment. The companies that adjusted out contingent consideration viewed it as an element of purchase acquisition even though it's reportable under GAAP on the income statement. Contingent consideration expense could be considered operational because it is tied to operational metrics and although it is non-cash in the period it is incurred, it eventually turns in to cash out of the door. While the counterargument to this way of thinking is that the expense is an element of purchase price and not really operational expense, we believe the important takeaway is that this is a questionable adjustment. Below we highlight the companies that adjusted out contingent consideration. We previously excluded this line item from our adjusted EPS, so we did not have to change our estimates. While we think the companies' explanation for the adjustment is valid, we believe it could be questionable under the SEC guidelines or potential SEC regulation regarding adjustments. Currently we believe TMH is the only company that adjusts this out for 2016E guidance. AMSG has adjusted this expense out in the past (2015 the adjustment accounted for roughly 4-5% of total adjusted EPS) so this will be an area to watch going forward as it could change our 2016 estimates if included in guidance.

Exhibit 6: Purchase Contingent Consideration As % of Adjusted EPS Guidance

Company	Ticker	FY16 Ad. EPS	Contingent Consideration	
		Guidance Mid-Point	Adj. EPS (est.)	% of total
TeamHealth	TMH	\$2.80	\$0.29	10%
AmerisourceBergen	ABC	\$5.49	\$0.00	0%
Walgreens Boots	WBA	\$4.50	\$0.00	0%
McKesson	MCK	\$13.68	\$0.00	0%
Cardinal Health	CAH	\$5.22	\$0.00	0%
Diplomat Pharmacy	DPLO	\$0.92	\$0.00	0%
IMS Health	IMS	\$1.60	\$0.00	0%
Express Scripts	ESRX	\$6.37	\$0.00	0%
Laboratory Corp	LH	\$8.75	\$0.00	0%
CVS Caremark	CVS	\$5.81	\$0.00	0%
Quest Diagnostics	DGX	\$5.10	\$0.00	0%
AmSurg	AMSG	\$4.32	\$0.00	0%
AAC Holdings	AAC	\$0.99	\$0.00	0%
MedNax	MD	\$4.30	\$0.00	0%
Universal Health	UHS	\$7.35	\$0.00	0%
Envision Healthcare	EVHC	\$1.50	\$0.00	0%
Acadia Healthcare	ACHC	\$2.84	\$0.00	0%

Source: Company reports and Mizuho Securities USA estimates. MCK reflects FY17 guidance.

Stock Based Compensation- We believe the adjustment for stock based compensation expense is an aggressive major adjustment and therefore have not adjusted the expense but included it in our MSUSA Adjusted EPS estimates for most of the companies who adjust this expense out for some time, besides for IMS. We view stock based comp expense as recurring and operational and believe companies should not be able to exclude it from Adjusted EPS.

Exhibit 7: Stock Based Compensation Expense As % of Adjusted EPS Guidance

Company	Ticker	FY16 Ad. EPS	Stock-Based Comp	
		Guidance Mid-Point	Adj. EPS (est.)	% of total
AmSurg	AMSG	\$4.32	\$0.31	7%
MedNax	MD	\$4.30	\$0.24	6%
IMS Health	IMS	\$1.60	\$0.04	3%
Envision Healthcare	EVHC	\$1.50	\$0.03	2%
TeamHealth	TMH	\$2.80	\$0.00	0%
AmerisourceBergen	ABC	\$5.49	\$0.00	0%
Walgreens Boots	WBA	\$4.50	\$0.00	0%
McKesson	MCK	\$13.68	\$0.00	0%
Cardinal Health	CAH	\$5.22	\$0.00	0%
Diplomat Pharmacy	DPLO	\$0.92	\$0.00	0%
Express Scripts	ESRX	\$6.37	\$0.00	0%
Laboratory Corp	LH	\$8.75	\$0.00	0%
CVS Caremark	CVS	\$5.81	\$0.00	0%
Quest Diagnostics	DGX	\$5.10	\$0.00	0%
AAC Holdings	AAC	\$0.99	\$0.00	0%
Universal Health	UHS	\$7.35	\$0.00	0%
Acadia Healthcare	ACHC	\$2.84	\$0.00	0%

Source: Company reports and Mizuho Securities USA estimates. MCK reflects FY17 guidance.

Other - Most of the “other” adjustments are recurring cash expense or non-cash expenses that are recurring and, we view, as part of operating a business. For example, while we are very comfortable adjusting out “acquisition-related expense” up to a year post the acquisitions closings, certain companies (i.e. MCK) are still adjusting out acquisition-related expenses related to companies purchased 2-3 years ago. At that juncture, we view that as a part of continuing operations. Also, we cover several companies (i.e. WBA, DGX, and LH) that currently have cost-savings program in place, and are adjusting out the costs associated with implementing the programs, even though the costs are recurring. Further, we view a cost reduction program as a part of doing business and operational. Other companies have recurring severance charges and other restructuring charges when, again, if it is not a part of discrete acquisition, we view these expenses as running a business. We highlight the major offenders below and would be surprised if these companies can continue adjusting these expenses out given the SEC’s new guidelines.

Exhibit 8: Other Expenses As % of Adjusted EPS Guidance

Company	Ticker	FY16 Ad. EPS	Other	
		Guidance Mid-Point	Adj. EPS (est.)	% of total
Quest Diagnostics	DGX	\$5.10	\$0.43	8%
AAC Holdings	AAC	\$0.99	\$0.06	6%
McKesson	MCK	\$13.68	\$0.73	5%
Walgreens Boots	WBA	\$4.50	\$0.18	4%
Universal Health	UHS	\$7.35	\$0.17	2%
Express Scripts	ESRX	\$6.37	\$0.13	2%
AmerisourceBergen	ABC	\$5.49	\$0.05	1%
Laboratory Corp	LH	\$8.75	\$0.07	1%
Cardinal Health	CAH	\$5.22	\$0.04	1%
AmSurg	AMSG	\$4.32	\$0.00	0%
MedNax	MD	\$4.30	\$0.00	0%
IMS Health	IMS	\$1.60	\$0.00	0%
Envision Healthcare	EVHC	\$1.50	\$0.00	0%
TeamHealth	TMH	\$2.80	\$0.00	0%
Diplomat Pharmacy	DPLO	\$0.92	\$0.00	0%
CVS Caremark	CVS	\$5.81	\$0.00	0%
Acadia Healthcare	ACHC	\$2.84	\$0.00	0%

Source: Company reports and Mizuho Securities USA estimates.

- **DGX’s** ongoing adjustment for restructuring and integration charges should not be excluded from adjusted measures in our opinion. These charges are related to the Invigorate Program and related to the integration and restructuring efforts of acquisitions that closed years ago, likely prior to the current management’s tenure. While we applaud this management team for its Invigorate Program and the significant savings that will result from the efforts, we view the cost of fixing a company and making it a leaner organization as part of running a business and believe these costs

are multi-year ongoing operational expenses. The costs relate to operational expenses such as systems conversions as well as costs associated with workforce and professional fees and are recurring adjustments. As a result we now have included the charges in our MSUSA Adjusted EPS.

- **AAC.** AAC adjusts out de nova start-up expenses. We understand why the company adjusts for denova expenses given it is a young, growth company, but denova expenses are a part of doing business and this adjustment could be frowned upon by the SEC going forward.
- **MCK.** MCK adjusts out several questionable items. Acquisitions-related expense adjustments still include charges related to the acquisition of the 2014 and 2013 acquisitions of Celesio AG and PSS World Medical. At this juncture, we do not believe it is appropriate on MCK's part to adjust these items out given the length of time they have been running the business. MCK also includes \$140mm of anti-trust litigation gains in FY17 guidance, which we view as non-operational. This gain (which adds roughly \$0.42 to FY17 adjusted EPS) is even more questionable considering in the same FY17 guidance, MCK is adjusting out recurring cost alignment plan expenses of \$0.12-\$0.15 after taking a \$0.73 (which we view as valid) in FQ4:16.
- **WBA** excludes costs related to its cost transformation program when calculating Adjusted EPS. The program is part of an initiative to reduce costs and increase operating efficiencies through the reorganization of corporate and field operations as well as the closing of approximately 200 stores. We view the program, which is expected to be completed by the end of FY17, as both operational and recurring (at least through FY17).
- **UHS.** The company's adjusted EPS guidance excludes the costs/benefit for the implementation of Electronic Health Records (EHR). We view the charges as operational in nature and consider them recurring because the adjustments started in 2012. Our estimates never excluded these costs, so there is no change to our estimates.
- **ESRX.** Amortization related to the customer contract with Anthem which commenced upon closing of the NextRx acquisition in 2009 is excluded from our MSUSA Adjusted EPS estimates but we thought it was worth highlighting due to the Anthem's pending lawsuit. ESRX's 10-year agreement with Anthem was previously amortized using a modified pattern of benefit method over an estimated useful life of 15 years. Beginning in March 2016, ESRX

began amortizing its agreement with Anthem over the remaining term of the contract, which will likely increase its impact to EPS in the short term so it should be an adjustment to watch moving forward.

- **ABC's** adjustment for employee severance, litigation, and other is concerning given its recurring nature. The expenses are operational in our view and should not be excluded from Adjusted EPS when not associated with a discrete acquisition.
- **LH** There are several different expense items that we believe are operational and have decided to include them in our MSUSA Adjusted EPS. These adjustments include Consulting Fees, Acquisition-related expenses (pertains to acquisition related costs from over a year ago), Wind-down minimum volume contract operations, and Project Launch Pad implementation costs. At this juncture, we do not believe it is appropriate for LH to adjust these items out as the costs are not one-time in nature.
- **CAH's** adjustment for restructuring and employee severance is concerning to us given its recurring nature. The expense more specifically refers to termination benefits provided to employees as well as costs associated with lease terminations, equipment relocation, project consulting fees, etc. Due to the recurrence of this adjustment, we believe these expenses are simply the cost of doing business and should not be excluded from Adjusted EPS.

Model Changes Post Our Analysis

Our models now reflect a "company adjusted EPS" and a "MSUSA adjusted EPS". Below we highlight the changes in our estimates to remove questionable adjustments. We would note that many of our models have not changed significantly given these adjustments have bothered us for a while. As a result, we began to make changes over the past year (e.g. especially with MCK and the physician services companies) for what we viewed as questionable adjustments.

The only non-cash adjustment we continue to adjust out is acquisition-related amortization. Prior to this note, we did not adjusted out stock-based compensation expense or contingent consideration, so did not have to make major changes to our model (beside IMS) for those adjustments.

The following page includes a chart with changes for our coverage universe.

Exhibit 9: MSUSA Adjusted EPS Model Changes

			FY16E		%	FY17E		%
Company	Ticker	Rating	Previous	New	Change	Previous	New	Change
<u>Specialty Hospitals</u>								
Acadia Healthcare	ACHC	Buy	\$2.84	\$2.84	+0%	\$3.41	\$3.41	+0%
Universal Health Services	UHS	Buy	\$7.35	\$7.35	+0%	\$8.05	\$8.05	+0%
AAC Holdings	AAC	Buy	\$0.98	\$0.93	(5%)	\$1.10	\$1.10	+0%
<u>PBM</u>								
Express Scripts	ESRX	Neutral	\$6.33	\$6.33	+0%	\$6.95	\$6.95	+0%
<u>Retail Pharmacy</u>								
CVS Caremark	CVS	Buy	\$5.80	\$5.80	+0%	\$6.45	\$6.45	+0%
Walgreens Boots	WBA	Buy	\$4.52	\$4.15	(8%)	\$5.00	\$4.81	(4%)
<u>Specialty Retail Pharmacy</u>								
Diplomat Pharmacy	DPLO	Neutral	\$0.92	\$0.92	+0%	\$1.18	\$1.18	+0%
<u>Clinical Labs</u>								
Quest Diagnostics	DGX	Buy	\$5.10	\$4.69	(8%)	\$5.35	\$5.07	(5%)
Laboratory Corp. Of America	LH	Neutral	\$8.75	\$8.68	(1%)	\$9.57	\$9.57	+0%
<u>Drug Distributors</u>								
AmerisourceBergen	ABC	Neutral	\$5.52	\$4.24	(23%)	\$5.80	\$4.57	(21%)
Cardinal Health	CAH	Buy	\$5.25	\$5.09	(3%)	\$5.70	\$5.60	(2%)
Mckesson *	MCK	Neutral	\$13.45	\$12.66	(6%)	\$14.24	\$13.64	(4%)
<u>Healthcare Business Services</u>								
IMS Health Holdings	IMS	Buy	\$1.58	\$1.54	(3%)	\$1.72	\$1.68	(2%)
<u>Physician Services</u>								
AmSurg	AMSG	Buy	\$4.01	\$4.01	+0%	\$4.70	\$4.70	+0%
Envision Healthcare	EVHC	Neutral	\$1.47	\$1.47	+0%	\$1.67	\$1.67	+0%
MedNax	MD	Buy	\$4.07	\$4.07	+0%	\$4.51	\$4.51	+0%
TeamHealth	TMH	Neutral	\$2.49	\$2.49	+0%	\$2.91	\$2.91	+0%

Source: Company reports and Mizuho Securities USA estimates.

Exhibit 10: AAC Income Statement, 2015-2017E (\$mm)

	2015					2016E					2017E				
	Q1	Q2	Q3	Q4	Year	Q1A	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Revenues	\$42.8	\$53.8	\$57.4	\$58.3	\$212.3	\$65.3	\$70.1	\$71.6	\$67.9	\$274.9	\$73.0	\$75.9	\$77.8	\$76.3	\$303.0
SG&A	\$18.4	\$19.7	\$21.7	\$23.2	\$83.0	\$28.7	\$27.7	\$27.9	\$27.3	\$111.6	\$31.4	\$29.6	\$30.0	\$30.5	\$121.5
Advertising and marketing	4.6	5.1	5.8	5.3	20.8	4.4	4.7	4.8	4.5	18.4	4.8	5.0	5.1	5.0	20.0
Professional fees	1.5	1.9	3.4	3.6	10.3	4.3	4.7	4.9	3.4	17.3	4.8	5.1	5.4	3.8	19.1
Client related services	2.9	3.5	4.4	4.9	15.8	4.9	5.3	5.5	5.1	20.8	5.5	5.8	6.0	5.7	23.0
Other	4.8	5.5	5.7	6.7	22.7	6.5	7.0	7.2	6.8	27.6	7.2	7.5	7.8	7.6	30.1
Rent	0.7	1.2	1.6	1.9	5.3	1.5	1.6	1.6	1.6	6.4	1.7	1.8	1.8	1.8	7.1
Bad Debt	3.4	4.2	5.4	5.2	18.1	5.5	5.8	6.3	5.4	23.0	6.1	6.3	6.5	6.1	25.0
EBITDA	\$6.6	\$12.7	\$9.4	\$7.6	\$36.3	\$9.5	\$13.2	\$13.2	\$13.7	\$49.6	\$11.5	\$14.9	\$15.3	\$15.8	\$57.4
Depreciation and amortization	\$1.3	\$1.7	\$1.9	\$2.9	\$7.8	\$3.9	\$4.0	\$4.5	\$4.7	\$17.0	\$4.9	\$5.1	\$5.3	\$5.5	\$20.7
Interest expense, net	0.7	0.5	1.2	1.2	3.6	1.7	1.7	1.7	1.7	6.8	1.7	1.7	1.7	1.7	6.8
Other expense (income), net	(0.0)	(0.0)	0.0	(0.7)	(0.7)	(0.0)	(0.0)	0.0	(0.7)	(0.7)	(0.0)	(0.0)	0.0	(0.7)	(0.7)
Pretax Income	\$4.5	\$10.6	\$6.3	\$3.7	\$25.1	\$3.9	\$7.6	\$7.0	\$8.0	\$26.6	\$4.9	\$8.1	\$8.3	\$9.3	\$30.7
Taxes	1.7	3.9	1.7	1.0	8.3	0.3	2.7	2.5	2.8	8.2	1.2	2.7	2.7	3.1	9.7
Net income	\$2.7	\$6.7	\$4.6	\$2.7	\$16.8	\$3.6	\$4.9	\$4.6	\$5.2	\$18.4	\$3.7	\$5.5	\$5.5	\$6.3	\$20.9
Noncontrolling interest	(0.6)	(0.4)	(0.7)	(1.1)	(2.8)	(0.9)	(0.5)	(0.8)	(1.2)	(3.4)	(1.0)	(0.6)	(0.9)	(1.3)	(3.8)
AAC Net Income	\$3.3	\$7.1	\$5.3	\$3.8	\$19.6	\$4.5	\$5.5	\$5.4	\$6.4	\$21.7	\$4.6	\$6.1	\$6.4	\$7.5	\$24.7
Preferred Dividends	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjusted Net Income	\$3.2	\$7.1	\$5.3	\$3.8	\$19.4	\$4.5	\$5.5	\$5.4	\$6.4	\$21.7	\$4.6	\$6.1	\$6.4	\$7.5	\$24.7
AAC Adjusted EPS	\$0.15	\$0.33	\$0.24	\$0.17	\$0.90	\$0.20	\$0.25	\$0.24	\$0.29	\$0.98	\$0.21	\$0.27	\$0.29	\$0.33	\$1.10
*Other items not adjusted by MSUSA	\$0.00	\$0.00	\$0.02	\$0.09	\$0.11	\$0.04	\$0.02	\$0.00	\$0.00	\$0.06	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
MSUSA EPS	\$0.15	\$0.33	\$0.22	\$0.08	\$0.78	\$0.17	\$0.23	\$0.24	\$0.29	\$0.93	\$0.21	\$0.27	\$0.29	\$0.33	\$1.10
Diluted shares outstanding	21.3	21.5	22.0	22.0	21.7	22.1	21.9	22.3	22.1	22.1	22.3	22.3	22.5	22.5	22.4
* De-novo expenses															
Year-over-Year Change															
Revenue	+42%	+85%	+57%	+57%	+60%	+53%	+30%	+25%	+16%	+29%	+12%	+8%	+9%	+12%	+10%
Salaries, wages and benefits	+59%	+70%	+39%	+55%	+54%	+56%	+40%	+29%	+18%	+35%	+9%	+7%	+7%	+12%	+9%
Professional fees	(41%)	(22%)	+96%	+147%	+28%	+193%	+152%	+46%	(6%)	+68%	+12%	+8%	+9%	+12%	+10%
Client related services	+19%	+26%	+59%	+76%	+46%	+69%	+53%	+24%	+3%	+32%	+12%	+8%	+9%	+12%	+10%
Other	+77%	+96%	+40%	+71%	+68%	+36%	+27%	+27%	+2%	+21%	+10%	+7%	+8%	+11%	+9%
EBITDA	+124%	+305%	+63%	+30%	+105%	+45%	+4%	+40%	+81%	+37%	+21%	+12%	+15%	+15%	+16%
EPS - Operating	+114%	+371%	+64%	(13%)	+84%	+34%	(25%)	+0%	+67%	+10%	+3%	+9%	+18%	+16%	+12%
	+227%	+732%	+118%	(36%)	+108%	+31%	(26%)	(0%)	+91%	+10%					
Expense Analysis/Revenue															
SG&A	42.9%	36.7%	37.8%	39.3%	39.2%	43.9%	39.5%	39.0%	40.3%	40.7%	43.0%	39.0%	38.5%	40.0%	40.1%
Advertising and marketing	10.8%	9.5%	10.1%	10.1%	10.1%	6.7%	6.7%	6.7%	6.7%	6.7%	6.6%	6.6%	6.6%	6.6%	6.6%
Professional fees	3.4%	3.5%	5.9%	5.0%	4.4%	6.6%	6.7%	6.9%	5.0%	6.3%	6.6%	6.7%	6.9%	5.0%	6.3%
Client related services	6.8%	6.5%	7.7%	7.0%	7.0%	7.5%	7.6%	7.7%	7.5%	7.6%	7.5%	7.6%	7.7%	7.5%	7.6%
Other	11.2%	10.3%	9.9%	10.0%	10.4%	10.0%	10.0%	10.1%	10.0%	10.0%	9.9%	9.9%	10.0%	9.9%	9.9%
Rentals and leases	1.6%	2.2%	2.8%	2.7%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%
Bad Debt	7.9%	7.8%	9.4%	7.9%	8.2%	8.4%	8.3%	8.8%	8.0%	8.4%	8.3%	8.3%	8.4%	7.9%	8.2%
Tax rate	38.7%	37.1%	27.0%	37.9%	35.2%	6.7%	35.0%	35.0%	35.0%	27.9%	25.0%	33.0%	33.0%	33.0%	31.0%
Adjusted Margin Analysis															
EBITDA Margin	15.3%	23.7%	16.5%	13.0%	17.1%	14.5%	18.9%	18.5%	20.2%	18.1%	15.7%	19.6%	19.6%	20.7%	18.9%
Pretax Margin	10.5%	19.7%	11.0%	6.3%	11.8%	5.9%	10.9%	9.8%	11.8%	9.7%	6.7%	10.7%	10.6%	12.2%	10.1%
Adjusted Net Margin	7.5%	13.2%	9.2%	6.6%	9.2%	6.8%	7.8%	7.5%	9.4%	7.9%	6.4%	8.0%	8.3%	9.9%	8.2%

Source: Company filings and MSUSA. Adjusted EPS excludes one-time acquisition- related expenses and other one-time items.

Exhibit 11: ACHC Income Statement, 2015-2017E (\$mm)

	2015					2016E					2017E				
	Q1	Q2	Q3	Q4	Year	Q1A	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Revenue	\$374.2	\$461.8	\$488.7	\$504.9	\$1,829.6	\$627.2	\$771.8	\$782.7	\$781.3	\$2,962.9	\$807.7	\$827.7	\$834.7	\$837.1	\$3,307.1
Bad Debt	(8.4)	(8.1)	(9.0)	(9.6)	(35.1)	(10.4)	(13.4)	(14.2)	(14.1)	(52.0)	(17.7)	(14.3)	(15.1)	(14.8)	(61.9)
Cash Revenue	\$365.8	\$453.7	\$479.7	\$495.3	\$1,794.5	\$616.8	\$758.4	\$768.5	\$767.2	\$2,910.9	\$790.0	\$813.3	\$819.6	\$822.3	\$3,245.2
SG&A	\$205.9	\$243.3	\$258.4	\$266.1	\$973.7	\$341.0	\$406.7	\$412.7	\$412.1	\$1,572.5	\$442.4	\$435.1	\$440.1	\$440.6	\$1,758.2
Professional fees	22.4	30.0	30.8	33.2	116.5	40.0	50.2	49.2	51.4	190.8	52.1	53.8	52.0	54.6	212.5
Supplies	16.3	20.5	21.6	22.2	80.7	26.7	33.4	34.2	34.5	128.8	34.0	35.8	36.1	36.2	142.0
Rents and leases	5.9	8.2	8.5	9.9	32.5	14.8	15.2	15.4	15.3	60.7	12.7	14.7	14.3	16.4	58.2
Other	40.5	51.1	57.2	57.8	206.7	70.2	91.8	95.3	93.2	350.5	89.3	91.5	97.5	97.4	375.6
EBITDA	\$74.8	\$100.4	\$103.1	\$106.0	\$384.4	\$124.1	\$161.2	\$161.8	\$160.7	\$607.6	\$159.5	\$182.4	\$179.7	\$177.1	\$698.6
D&A	\$13.1	\$14.9	\$16.9	\$18.6	\$63.6	\$28.0	\$32.8	\$28.0	\$28.0	\$116.8	\$28.8	\$29.7	\$29.9	\$30.4	\$118.8
Interest, net	22.1	28.0	27.7	28.8	106.7	37.7	45.3	45.3	45.3	173.7	45.3	45.3	45.3	45.3	181.4
Pretax Income	\$39.6	\$57.5	\$58.5	\$58.5	\$214.1	\$58.4	\$83.0	\$88.4	\$87.3	\$317.0	\$85.3	\$107.3	\$104.4	\$101.4	\$398.4
Taxes	12.5	18.0	15.1	16.8	62.4	12.9	19.1	20.3	20.1	72.3	19.6	24.7	24.0	23.3	91.6
Non-controlling interest	0.0	0.0	(0.5)	(0.6)	(1.1)	(0.3)	(0.3)	(0.3)	(0.3)	(1.3)	(0.3)	(0.3)	(0.3)	(0.3)	(1.3)
Net income	\$27.1	\$39.5	\$43.9	\$42.3	\$152.8	\$45.8	\$64.2	\$68.4	\$67.5	\$246.0	\$66.0	\$83.0	\$80.7	\$78.4	\$308.1
Adjusted EPS	\$0.43	\$0.57	\$0.62	\$0.59	\$2.22	\$0.55	\$0.74	\$0.78	\$0.77	\$2.84	\$0.74	\$0.92	\$0.89	\$0.86	\$3.41
Other items not adjusted by MSUS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ACHC Adjusted EPS	\$0.43	\$0.57	\$0.62	\$0.59	\$2.22	\$0.55	\$0.74	\$0.78	\$0.77	\$2.84	\$0.74	\$0.92	\$0.89	\$0.86	\$3.41
Weighted average shares	62.9	68.7	71.1	71.1	68.5	83.4	86.7	87.5	88.3	86.5	89.1	89.9	90.7	91.5	90.3
<u>Year-over-Year Change</u>															
Cash Revenue	+81.6%	+112.2%	+62.9%	+68.0%	+78.6%	+68.6%	+67.2%	+60.2%	+54.9%	+62.2%	+28.1%	+7.2%	+6.7%	+7.2%	+11.5%
SG&A	+75.1%	+98.7%	+53.2%	+59.6%	+69.2%	+65.7%	+67.2%	+59.7%	+54.8%	+61.5%	+29.7%	+7.0%	+6.7%	+6.9%	+11.8%
Professional fees	+116.0%	+175.7%	+106.7%	+103.6%	+121.9%	+78.3%	+67.2%	+59.9%	+54.6%	+63.8%	+30.4%	+7.2%	+5.7%	+6.2%	+11.4%
Supplies	+61.5%	+93.9%	+53.8%	+62.3%	+66.6%	+64.2%	+62.4%	+58.1%	+55.3%	+59.6%	+27.3%	+7.2%	+5.5%	+4.8%	+10.3%
Other	+75.4%	+107.4%	+82.1%	+83.8%	+86.8%	+73.3%	+79.5%	+66.5%	+61.1%	+69.5%	+27.1%	(0.3%)	+2.3%	+4.4%	+7.1%
EBITDA	+99.4%	+137.4%	+65.7%	+67.3%	+87.1%	+65.8%	+60.4%	+56.8%	+51.6%	+58.1%	+28.6%	+13.1%	+11.1%	+10.2%	+15.0%
EPS - Operating	+55.3%	+79.3%	+34.5%	+30.4%	+44.2%	+27.5%	+29.1%	+26.6%	+28.6%	+28.3%	+34.9%	+24.6%	+13.9%	+12.0%	+19.9%
<u>Expense Analysis/Revenue</u>															
Salaries & Wages	56.3%	53.6%	53.9%	53.7%	54.4%	56.0%	53.6%	53.7%	53.7%	54.3%	56.0%	53.5%	53.7%	53.6%	54.2%
Professional fees	6.1%	6.6%	6.4%	6.7%	6.5%	6.6%	6.6%	6.4%	6.7%	6.6%	6.6%	6.6%	6.3%	6.6%	6.5%
Supplies	4.4%	4.5%	4.5%	4.5%	4.5%	4.4%	4.4%	4.5%	4.5%	4.4%	4.3%	4.4%	4.4%	4.4%	4.4%
Rent and leases	1.6%	1.8%	1.8%	2.0%	1.8%	1.6%	2.0%	2.0%	2.0%	1.9%	1.6%	1.8%	1.8%	2.0%	1.8%
Bad Debt	2.2%	1.8%	1.8%	1.9%	1.9%	2.2%	1.8%	1.8%	1.8%	1.9%	2.2%	1.8%	1.8%	1.8%	1.9%
Other operating expenses	11.1%	11.3%	11.9%	11.7%	11.5%	12.1%	12.1%	12.4%	12.2%	12.2%	11.3%	11.3%	11.9%	11.8%	11.6%
Tax Rate	31.5%	31.3%	25.8%	28.8%	29.3%	24.0%	23.0%	23.0%	23.0%	23.3%	23.0%	23.0%	23.0%	23.0%	23.0%
<u>Margin Analysis</u>															
EBITDA Margin	20.5%	22.1%	21.5%	21.4%	21.4%	20.1%	21.2%	21.1%	20.9%	20.9%	20.2%	22.4%	21.9%	21.5%	21.5%
Pretax Margin	10.8%	12.7%	12.2%	11.8%	11.9%	9.5%	10.9%	11.5%	11.4%	10.9%	10.8%	13.2%	12.7%	12.3%	12.3%
Adjusted Net Margin	7.4%	8.7%	9.1%	8.5%	8.5%	7.4%	8.5%	8.9%	8.8%	8.5%	8.4%	10.2%	9.8%	9.5%	9.5%

Source: Company reports and Mizuho Securities USA estimates. EBITDA and Adjusted EPS excludes one-time transaction related expenses and gains/losses on FX hedges.

Exhibit 12: ABC Income Statement, F2015-F2017E (\$M)

	FY15					FY16E					FY17E				
	Q1	Q2	Q3	Q4	Year	Q1A	Q2A	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Revenue	\$33,588.6	\$32,669.3	\$34,233.6	\$35,470.4	\$135,961.8	\$36,709.0	#####	\$36,806.5	\$37,976.3	\$147,190.1	\$39,222.6	\$39,771.6	\$39,337.1	\$40,609.3	\$158,940.6
Cost of Goods Sold	\$32,692.3	\$31,627.6	\$33,226.9	\$34,408.3	\$131,955.2	\$35,655.4	#####	\$35,731.7	\$36,848.4	\$142,766.1	\$38,108.6	\$38,498.9	\$38,188.5	\$39,419.4	\$154,215.5
Gross Profit	\$896.3	\$1,041.6	\$1,006.6	\$1,062.1	\$4,006.6	\$1,053.6	\$1,167.8	\$1,074.7	\$1,127.9	\$4,424.1	\$1,113.9	\$1,272.7	\$1,148.6	\$1,189.9	\$4,725.1
Distribution, Selling & Admin.	\$411.5	\$432.7	\$483.0	\$536.8	\$1,864.0	\$497.1	\$484.0	\$515.3	\$563.9	\$2,060.4	\$537.3	\$552.8	\$558.6	\$609.1	\$2,257.9
EBITDA	\$484.9	\$608.9	\$523.6	\$525.3	\$2,142.7	\$556.6	\$683.7	\$559.5	\$563.9	\$2,363.7	\$576.6	\$719.9	\$590.1	\$580.7	\$2,467.2
Depreciation and Amortization	\$49.3	\$56.2	\$68.43	\$69.3	\$243.3	\$81.4	\$91.3	\$92.1	\$92.9	\$357.8	\$92.9	\$93.7	\$94.5	\$95.3	\$376.4
Operating Income	\$435.6	\$552.7	\$455.1	\$456.0	\$1,899.4	\$475.1	\$592.4	\$467.3	\$471.0	\$2,005.9	\$483.7	\$626.2	\$495.5	\$485.4	\$2,090.8
Other	\$1.0	\$11.4	(\$1.5)	\$2.2	\$13.1	(\$0.3)	(\$0.8)	(\$1.5)	\$2.2	(\$0.4)	(\$0.3)	(\$0.8)	(\$1.5)	\$2.2	(\$0.4)
Interest Expense	15.2	20.8	27.6	26.8	90.4	28.7	31.0	31.0	31.0	121.6	31.0	31.0	31.0	31.0	123.8
Pretax Income	\$419.3	\$520.5	\$429.0	\$427.0	\$1,795.9	\$446.7	\$562.2	\$437.9	\$437.9	\$1,884.7	\$453.0	\$596.0	\$466.1	\$452.2	\$1,967.3
Income taxes	158.9	186.0	151.7	158.0	654.7	154.7	176.2	145.4	145.4	621.7	147.2	193.7	151.5	147.0	639.4
Net Income	260.4	334.5	277.3	269.0	1,141.2	292.0	386.0	292.5	292.5	1,263.0	305.8	402.3	314.6	305.3	1,327.9
ABC Adjusted EPS	\$1.14	\$1.45	\$1.20	\$1.17	\$4.96	\$1.27	\$1.68	\$1.28	\$1.29	\$5.52	\$1.34	\$1.76	\$1.37	\$1.33	\$5.80
Other items not adjusted by MSUS	0.00	0.00	0.00	0.01	0.01	0.01	0.05	0.00	0.00	0.05	0.00	0.00	0.00	0.00	0.00
Acquisition-related Amortization	0.01	0.03	0.05	0.05	0.15	0.09	0.11	0.05	0.05	0.31	0.09	0.11	0.05	0.05	0.31
LIFO Adjustment	0.39	0.40	0.41	0.26	1.46	0.29	0.27	0.41	0.26	1.23	0.29	0.27	0.41	0.26	1.23
MSUSA EPS	\$0.75	\$1.05	\$0.78	\$0.90	\$3.48	\$0.98	\$1.37	\$0.87	\$1.03	\$4.24	\$1.05	\$1.49	\$0.96	\$1.07	\$4.57
Shares Outstanding	229.3	230.4	231.3	230.1	230.3	229.9	229.3	228.3	227.3	228.7	228.7	228.6	229.0	229.5	228.9
Growth Analysis (Y/Y)															
Total Revenues	+15%	+15%	+13%	+12%	+14%	+9%	+9%	+8%	+7%	+8%	+7%	+11%	+7%	+7%	+8%
COGS	+15%	+14%	+13%	+12%	+14%	+9%	+9%	+8%	+7%	+8%	+7%	+11%	+7%	+7%	+8%
Gross Profit	+24%	+25%	+22%	+15%	+21%	+18%	+12%	+7%	+6%	+11%	+6%	+9%	+7%	+5%	+7%
SG&A	+15%	+17%	+26%	+18%	+19%	+21%	+12%	+7%	+5%	+11%	+8%	+14%	+8%	+8%	+10%
Operating Income	+35%	+33%	+16%	+8%	+23%	+9%	+7%	+3%	+3%	+6%	+2%	+6%	+6%	+3%	+4%
EBITDA	+32%	+32%	+19%	+11%	+24%	+15%	+12%	+7%	+7%	+10%	+4%	+5%	+5%	+3%	+4%
Adjusted EPS	+42%	+37%	+19%	+6%	+26%	+12%	+16%	+7%	+10%	+11%	+5%	+5%	+7%	+3%	+5%
Expense Analysis															
Cost of Goods Sold	97.33%	96.81%	97.06%	97.01%	97.05%	97.13%	96.73%	97.08%	97.03%	96.99%	97.16%	96.80%	97.08%	97.07%	97.03%
Distribution, Selling & Admin.	1.23%	1.32%	1.41%	1.51%	1.37%	1.35%	1.36%	1.40%	1.49%	1.40%	1.37%	1.39%	1.42%	1.50%	1.42%
Tax Rate	37.9%	35.7%	35.4%	37.0%	36.5%	34.6%	31.3%	33.2%	33.2%	33.0%	32.5%	32.5%	32.5%	32.5%	32.5%
		0.10%		0.10%											
Margin Analysis															
Gross Margin	2.67%	3.19%	2.94%	2.99%	2.95%	2.87%	3.27%	2.92%	2.97%	3.01%	2.84%	3.20%	2.92%	2.93%	2.97%
EBITDA Margin	1.44%	1.86%	1.53%	1.48%	1.58%	1.52%	1.92%	1.52%	1.49%	1.61%	1.47%	1.81%	1.50%	1.43%	1.55%
Operating Margin	1.30%	1.69%	1.33%	1.29%	1.40%	1.29%	1.66%	1.27%	1.24%	1.36%	1.23%	1.57%	1.26%	1.20%	1.32%
Pretax Margin	1.25%	1.59%	1.25%	1.20%	1.32%	1.22%	1.57%	1.19%	1.15%	1.28%	1.15%	1.50%	1.18%	1.11%	1.24%
Net Margin	0.78%	1.02%	0.81%	0.76%	0.84%	0.80%	1.08%	0.79%	0.77%	0.86%	0.78%	1.01%	0.80%	0.75%	0.84%

Source: Company Reports and Mizuho Securities USA estimates. Adjusted EPS excludes severance, litigation, intangible amortization, LIFO and warrants.

Exhibit 13: AMSG Income Statement, 2015-2017E (\$M)

	2015					2016E					2017E				
	Q1	Q2	Q3	Q4	Year	Q1A	Q2	Q3	Q4	Year	Q1A	Q2	Q3	Q4	Year
Revenue	\$638.2	\$707.7	\$712.7	\$774.3	\$2,833.0	\$818.3	\$859.3	\$856.0	\$910.9	\$3,444.5	\$935.8	\$951.7	\$947.7	\$998.5	\$3,833.7
Bad Debt	(67.8)	(65.8)	(62.5)	(70.0)	(266.1)	(93.6)	(73.1)	(69.0)	(75.6)	(311.3)	(89.8)	(80.9)	(76.4)	(82.8)	(330.0)
Net Revenue	\$570.4	\$642.0	\$650.2	\$704.3	\$2,566.9	\$724.7	\$786.2	\$787.0	\$835.4	\$3,133.3	\$846.0	\$870.8	\$871.3	\$915.7	\$3,503.7
SG&A, Adjusted	\$298.5	\$316.5	\$323.8	\$360.6	\$1,299.4	\$402.7	\$413.5	\$408.9	\$438.6	\$1,663.7	\$469.51	\$458.0	\$452.7	\$480.1	\$1,860.4
Supplies	42.6	45.8	45.6	50.2	184.2	47.0	48.0	47.2	51.0	193.1	54.1	53.1	52.3	56.8	216.3
Other	90.6	98.6	96.9	102.9	389.0	107.7	114.0	114.9	119.5	456.0	125.2	125.4	126.3	130.0	507.0
Total Operating Exp.	\$431.6	\$460.9	\$466.4	\$513.7	\$1,872.6	\$557.3	\$575.5	\$571.1	\$609.0	2,312.9	\$648.9	\$636.5	\$631.4	\$666.9	2,583.6
EBITDA	\$138.8	\$181.1	\$183.9	\$190.6	\$694.3	\$167.4	\$210.7	\$216.0	\$226.4	\$820.4	\$197.1	\$234.2	\$240.0	\$248.8	\$920.1
D&A (ex acquisition-related intangible)	\$10.4	\$11.1	\$11.4	\$11.8	\$44.7	\$11.4	\$11.7	\$11.9	\$12.1	\$47.0	\$12.3	\$12.6	\$12.8	\$13.0	\$50.6
Interest Expense	30.2	30.2	30.2	30.9	121.6	30.8	30.8	30.8	30.8	123.2	31.0	31.1	31.1	31.2	124.2
Equity Income	2.7	4.0	4.9	4.6	16.2	6.6	4.6	5.8	5.4	22.5	7.7	5.2	6.4	6.0	25.3
Pretax Income	\$100.8	\$143.7	\$147.1	\$152.4	\$544.1	\$131.8	\$172.9	\$179.1	\$188.9	\$672.6	\$161.6	\$195.8	\$202.6	\$210.6	\$770.6
Taxes	21.4	36.8	38.5	38.7	135.3	31.3	44.2	48.3	47.9	171.8	38.5	50.1	54.7	53.5	196.7
Net Income	79.5	107.0	108.7	113.7	408.8	100.5	128.6	130.7	141.0	500.8	123.2	145.7	147.9	157.2	573.9
Non-Controlling Interest	47.7	57.1	55.6	57.8	218.2	53.8	66.4	65.3	68.6	254.2	63.4	73.8	72.6	75.4	285.3
AMSG Net Income	\$31.7	\$49.9	\$53.0	\$56.7	\$191.3	\$46.6	\$62.2	\$65.4	\$72.4	\$246.6	\$59.8	\$71.8	\$75.3	\$81.8	\$288.6
AMSG Adjusted EPS	\$0.62	\$0.97	\$1.03	\$1.07	\$3.71	\$0.82	\$1.09	\$1.14	\$1.27	\$4.32	\$1.04	\$1.25	\$1.31	\$1.42	\$5.02
Shares outstanding	51.1	51.2	51.3	52.9	51.6	57.1	57.1	57.1	57.1	57.1	57.3	57.4	57.5	57.6	57.5
AMSG Adjusted EBITDA (minus NCI plus EI)	\$93.8	\$128.0	\$133.2	\$137.4	\$492.3	\$120.1	\$148.9	\$156.4	\$163.2	\$588.7	\$133.7	\$160.4	\$167.4	\$173.4	\$634.8
Year-over-Year Change															
Total revenues	+120%	+131%	+29%	+21%	+58%	+27%	+22%	+21%	+19%	+22%	+17%	+11%	+11%	+10%	+12%
SG&A, Adjusted	+275%	+288%	+36%	+26%	+90%	+35%	+31%	+26%	+22%	+28%	+17%	+11%	+11%	+9%	+12%
Supplies	+13%	+12%	+9%	+15%	+12%	+10%	+5%	+3%	+1%	+5%	+15%	+11%	+11%	+11%	+12%
Other	+67%	+77%	+19%	+10%	+37%	+19%	+16%	+19%	+16%	+17%	+16%	+10%	+10%	+9%	+11%
EBITDA	+58%	+81%	+30%	+20%	+42%	+21%	+16%	+17%	+19%	+18%	+18%	+11%	+11%	+10%	+12%
Adjusted EBITDA	+105%	+149%	+38%	+24%	+62%	+28%	+16%	+17%	+19%	+20%	+11%	+8%	+7%	+6%	+8%
EPS - Adjusted	+9%	+45%	+51%	+39%	+38%	+31%	+12%	+11%	+18%	+16%	+28%	+15%	+14%	+12%	+16%
Expense Analysis/Revenue															
SG&A, Adjusted	52.3%	49.3%	49.8%	51.2%	50.7%	55.6%	52.6%	52.0%	52.5%	53.2%	55.5%	52.6%	52.0%	52.4%	53.1%
Supplies	7.5%	7.1%	7.0%	7.1%	7.2%	6.5%	6.1%	6.0%	6.1%	6.2%	6.4%	6.1%	6.0%	6.2%	6.2%
Other	15.9%	15.4%	14.9%	14.6%	15.2%	14.9%	14.5%	14.6%	14.3%	14.6%	14.8%	14.4%	14.5%	14.2%	14.5%
Tax rate (adj for NCI)	21.2%	25.6%	26.1%	25.4%	24.6%	23.8%	25.6%	27.0%	25.4%	25.4%	23.8%	25.6%	27.0%	25.4%	25.4%
AMSG Adjusted Margin Analysis															
EBITDA less NCI plus EI	16.4%	19.9%	20.5%	19.5%	19.2%	16.6%	18.9%	19.9%	19.5%	18.8%	15.8%	18.4%	19.2%	18.9%	18.1%
Pretax Margin	17.7%	22.4%	22.6%	21.6%	21.2%	18.2%	22.0%	22.8%	22.6%	21.5%	19.1%	22.5%	23.2%	23.0%	22.0%
Net Operating Margin	13.9%	16.7%	16.7%	16.2%	15.9%	13.9%	16.4%	16.6%	16.9%	16.0%	14.6%	16.7%	17.0%	17.2%	16.4%
MSUSA Adjusted EBITDA & EPS															
Stock-based compensation	\$3.7	\$3.9	\$3.7	\$3.7	\$15.0	\$7.2	\$7.3	\$7.4	\$7.5	\$29.3	\$7.6	\$7.7	\$7.8	\$7.9	\$30.9
Fair value of contingent consideration	0.0	0.4	1.9	0.5	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MSUSA Adjusted EBITDA	\$90.0	\$117.7	\$127.5	\$133.2	\$468.5	\$112.9	\$141.7	\$149.1	\$155.7	\$559.4	\$126.1	\$152.7	\$159.6	\$165.5	\$604.0
ylly growth	+108%	+141%	+36%	+23%	+59%	+25%	+20%	+17%	+17%	+19%	+12%	+8%	+7%	+6%	+8%
Adjusted EBITDA Margin	15.8%	18.3%	19.6%	18.9%	18.3%	15.6%	18.0%	18.9%	18.6%	17.9%	14.9%	17.5%	18.3%	18.1%	17.2%
Stock-based compensation EPS	\$0.04	\$0.04	\$0.04	\$0.04	\$0.17	\$0.08	\$0.08	\$0.08	\$0.08	\$0.31	\$0.08	\$0.08	\$0.08	\$0.08	\$0.32
Fair value of contingent consideration	0.00	0.07	0.02	0.01	0.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.07	0.00	0.07	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MSUSA Adjusted EPS	\$0.58	\$0.86	\$0.90	\$1.02	\$3.36	\$0.74	\$1.01	\$1.07	\$1.19	\$4.01	\$0.96	\$1.17	\$1.23	\$1.34	\$4.70
ylly growth	+9%	+37%	+37%	+39%	+32%	+28%	+18%	+19%	+16%	+19%	+30%	+16%	+15%	+13%	+17%

Source: Company reports and Mizuho USA estimates. AMMSG adjusted EPS excludes acquisition-related goodwill amortization, stock-based compensation expense, fair value of contingent consideration and other.

Exhibit 14: CAH Income Statement, FY16-FY18E (\$M)

	FY15		FY16E					FY17E					FY18E				
	Q4	Year	Q1A	Q2A	Q3A	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Revenue	\$27,547	\$102,529	\$28,055	\$31,445	\$30,662	\$31,961	\$122,123	\$32,235	\$33,269	\$32,439	\$33,814	\$131,757	\$34,105	\$35,206	\$34,440	\$35,816	\$139,567
Cost of Goods Sold	\$26,089	\$96,817	\$26,476	\$29,797	\$28,960	\$30,328	\$115,561	\$30,488	\$31,525	\$30,636	\$32,045	\$124,694	\$32,226	\$33,329	\$32,501	\$33,910	\$131,967
Gross Profit	\$1,458	\$5,712	\$1,579	\$1,648	\$1,702	\$1,633	\$6,562	\$1,747	\$1,743	\$1,804	\$1,768	\$7,062	\$1,879	\$1,876	\$1,939	\$1,905	\$7,600
SG&A	\$847	\$3,240	\$842	\$922	\$914	\$966	\$3,645	\$964	\$975	\$967	\$1,018	\$3,923	\$1,010	\$1,021	\$1,019	\$1,071	\$4,121
Operating Income	\$611	\$2,473	\$737	\$726	\$788	\$667	\$2,918	\$783	\$769	\$837	\$751	\$3,139	\$870	\$855	\$920	\$835	\$3,479
Interest Expense	36	141	44	45	44	44	177	44	44	44	44	176	44	44	44	44	175
Other (income)/expense, inc Fx	(1)	(7)	8	(2)	0	5	11	(3)	(1)	(2)	(1)	(7)	(3)	(1)	(2)	(1)	(7)
Pretax Income	\$577	\$2,339	\$685	\$683	\$744	\$618	\$2,730	\$742	\$726	\$795	\$708	\$2,971	\$829	\$813	\$878	\$792	\$3,311
Income taxes	243	870	226	253	272	241	992	267	265	288	280	1,099	298	297	318	313	1,226
Non-GAAP Continuing Ops NI	334	1,470	458	430	472	377	1,737	475	461	507	428	1,871	530	516	560	479	2,086
CAH Adjusted EPS*	\$1.00	\$4.38	\$1.38	\$1.30	\$1.43	\$1.14	\$5.25	\$1.44	\$1.40	\$1.55	\$1.31	\$5.70	\$1.63	\$1.58	\$1.72	\$1.47	\$6.40
Other items not adjusted by MSUSA	0.02	0.08	0.02	0.00	0.01	0.00	0.04	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
LIFO Adjustment	0.00	0.00	0.00	0.07	0.02	0.02	0.12	0.02	0.04	0.02	0.02	0.10	0.02	0.04	0.02	0.02	0.10
Amortization and Other Acquisition Related Cos	0.18	0.54	0.21	0.22	0.21	0.21	0.85	0.21	0.21	0.21	0.21	0.86	0.21	0.21	0.21	0.21	0.86
MSUSA EPS	\$0.98	\$4.30	\$1.36	\$1.22	\$1.39	\$1.12	\$5.09	\$1.42	\$1.36	\$1.53	\$1.29	\$5.60	\$1.61	\$1.54	\$1.70	\$1.45	\$6.30
Shares Outstanding	333.0	335.3	331.0	332.0	331.0	329.6	330.9	328.8	328.1	327.9	327.8	328.2	326.4	325.8	325.7	325.7	325.9
Growth Analysis (Y/Y)																	
Total Revenues	+20%	+13%	+17%	+23%	+21%	+16%	+19%	+15%	+6%	+6%	+6%	+8%	+6%	+6%	+6%	+6%	+6%
COGS	+21%	+13%	+16%	+24%	+21%	+16%	+19%	+15%	+6%	+6%	+6%	+8%	+6%	+6%	+6%	+6%	+6%
Gross Profit	+16%	+11%	+18%	+13%	+17%	+12%	+15%	+11%	+6%	+6%	+8%	+8%	+8%	+8%	+8%	+8%	+8%
SG&A	+7%	+7%	+9%	+13%	+14%	+14%	+13%	+14%	+6%	+6%	+5%	+8%	+5%	+5%	+5%	+5%	+5%
Operating Income	+33%	+17%	+30%	+14%	+20%	+9%	+18%	+6%	+6%	+6%	+13%	+8%	+11%	+11%	+10%	+11%	+11%
Adjusted Operating EPS	+21%	+15%	+38%	+8%	+20%	+14%	+20%	+4%	+8%	+8%	+14%	+9%	+12%	+13%	+11%	+13%	+12%
Expense Analysis																	
Cost of Goods Sold	94.71%	94.43%	94.37%	94.76%	94.45%	94.89%	94.63%	94.58%	94.76%	94.44%	94.77%	94.64%	94.49%	94.67%	94.37%	94.68%	94.55%
Distribution, Selling & Admin.	3.07%	3.16%	3.00%	2.93%	2.98%	3.02%	2.98%	2.99%	2.93%	2.98%	3.01%	2.98%	2.96%	2.90%	2.96%	2.99%	2.95%
Tax Rate	42.2%	37.2%	33.1%	37.0%	36.6%	39.0%	36.4%	36.0%	36.5%	36.2%	39.5%	37.0%	36.0%	36.5%	36.2%	39.5%	37.0%
Margin Analysis																	
Gross Margin	5.29%	5.57%	5.63%	5.24%	5.55%	5.11%	5.37%	5.42%	5.24%	5.56%	5.23%	5.36%	5.51%	5.33%	5.63%	5.32%	5.45%
Operating Margin	2.22%	2.41%	2.63%	2.31%	2.57%	2.09%	2.39%	2.43%	2.31%	2.58%	2.22%	2.38%	2.55%	2.43%	2.67%	2.33%	2.49%
Pretax Margin	2.09%	2.28%	2.44%	2.17%	2.43%	1.93%	2.24%	2.30%	2.18%	2.45%	2.09%	2.25%	2.43%	2.31%	2.55%	2.21%	2.37%
Net Margin	1.21%	1.43%	1.63%	1.37%	1.54%	1.18%	1.42%	1.47%	1.38%	1.56%	1.27%	1.42%	1.56%	1.47%	1.63%	1.34%	1.49%
D&A	\$115.0	\$451.0	\$137.0	\$169.0	\$159.0	\$159.4	\$624.4	\$159.8	\$160.2	\$160.6	\$161.0	\$641.6	\$161.4	\$161.8	\$162.2	\$162.6	\$648.0
EBITDA	\$726.0	\$2,923.5	\$873.6	\$895.0	\$946.9	\$826.4	\$3,541.9	\$943.1	\$928.7	\$997.5	\$911.7	\$3,781.0	\$1,031.1	\$1,017.3	\$1,081.8	\$997.1	\$4,127.2
EBITDA y/y growth	+26.0%	+12.8%	+29.6%	+19.2%	+22.6%	+13.8%	+21.2%	+8.0%	+3.8%	+5.3%	+10.3%	+6.8%	+9.3%	+9.5%	+8.4%	+9.4%	+9.2%
EBITDA Margin	2.64%	2.85%	3.11%	2.85%	3.09%	2.59%	2.90%	2.93%	2.79%	3.08%	2.70%	2.87%	3.02%	2.89%	3.14%	2.78%	2.96%

Source: Company reports and Mizuho Securities USA estimates. *Adjusted EPS excludes one-time restructuring and acquisition, litigation, impairments and amortization of acquisition intangibles charges.

Exhibit 15: CVS Income Statement, 2015-2017E (\$M)

	2015					2016E					2017E				
	Q1	Q2	Q3	Q4	Year	Q1A	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Net sales	\$36,332	\$37,169	\$38,644	\$41,145	\$153,290	\$43,215	\$44,361	\$45,904	\$47,535	\$181,016	\$46,051	\$46,592	\$48,322	\$50,194	\$191,160
Cost of Goods Sold	\$30,168	\$30,767	\$31,983	\$33,844	\$126,762	\$36,471	\$37,308	\$38,486	\$39,473	\$151,738	\$38,886	\$39,184	\$40,514	\$41,681	\$160,264
Gross Profit	\$6,164	\$6,402	\$6,661	\$7,301	\$26,528	\$6,744	\$7,053	\$7,418	\$8,062	\$29,278	\$7,166	\$7,408	\$7,809	\$8,513	\$30,896
SG&A	\$4,032	\$4,119	\$4,204	\$4,410	\$16,765	\$4,305	\$4,436	\$4,499	\$4,563	\$17,803	\$4,588	\$4,659	\$4,736	\$4,824	\$18,806
Operating Profit	\$2,132	\$2,283	\$2,458	\$2,891	\$9,764	\$2,439	\$2,617	\$2,920	\$3,499	\$11,474	\$2,578	\$2,749	\$3,073	\$3,689	\$12,090
Add Amortization of Intangible Assets	129	131	160	191	611	0	0	0	0	0	0	0	0	0	0
Adjusted Operating Profit	\$2,261	\$2,414	\$2,618	\$3,082	\$10,375	\$2,439	\$2,617	\$2,920	\$3,499	\$11,474	\$2,578	\$2,749	\$3,073	\$3,689	\$12,090
Interest expense	134	130	246	276	786	283	282	281	280	1,126	278	276	274	272	1,100
Pretax income	\$2,127	\$2,284	\$2,372	\$2,806	\$9,589	\$2,156	\$2,335	\$2,639	\$3,219	\$10,348	\$2,300	\$2,473	\$2,799	\$3,417	\$10,990
Income Taxes	833	905	933	1,093	3,764	847	911	1,026	1,252	4,036	897	964	1,092	1,333	4,286
Net Income	1,294	1,379	1,439	1,713	5,825	1,309	1,425	1,612	1,967	6,312	1,403	1,508	1,708	2,085	6,704
Noncontrolling Interest	0	0	(1)	(1)	(3)	(1)	(1)	(1)	(1)	(3)	(1)	(1)	(1)	(1)	(2)
Income Allocated to Participating Securite	0	0	0	(8)	(8)	(7)	(7)	(7)	(7)	(27)	(7)	(7)	(7)	(7)	(27)
Net Income	\$1,294	\$1,379	\$1,437	\$1,704	\$5,825	\$1,301	\$1,418	\$1,605	\$1,959	\$6,312	\$1,396	\$1,501	\$1,701	\$2,077	\$6,704
CVS Adjusted EPS	\$1.14	\$1.22	\$1.28	\$1.53	\$5.17	\$1.18	\$1.31	\$1.49	\$1.82	\$5.80	\$1.32	\$1.44	\$1.65	\$2.04	\$6.45
Diluted shares (MM)	1,136.0	1,132.0	1,114.0	1,114.0	1,124.0	1,099.0	1,083.0	1,078.1	1,077.5	1,084.4	1,061.5	1,045.1	1,029.0	1,017.1	1,038.2
Growth Analysis (Y/Y)															
Total Revenues	+11%	+7%	+10%	+11%	+10%	+19%	+19%	+19%	+16%	+18%	+7%	+5%	+5%	+6%	+6%
Cost of Goods Sold	+13%	+9%	+12%	+11%	+11%	+21%	+21%	+20%	+17%	+20%	+7%	+5%	+5%	+6%	+6%
Gross Profit	+4%	+1%	+3%	+10%	+5%	+9%	+10%	+11%	+10%	+10%	+6%	+5%	+5%	+6%	+6%
SG&A	+3%	+0%	(0%)	+2%	+1%	+7%	+8%	+7%	+3%	+6%	+7%	+5%	+5%	+6%	+6%
Operating Profit	+5%	+3%	+9%	+25%	+11%	+14%	+15%	+19%	+21%	+18%	+6%	+5%	+5%	+5%	+5%
Adjusted Operating Profit	+5%	+3%	+10%	+26%	+11%	+8%	+8%	+12%	+14%	+11%	+6%	+5%	+5%	+5%	+5%
Adjusted EPS	+12%	+8%	+12%	+26%	+15%	+4%	+7%	+16%	+19%	+12%	+11%	+10%	+11%	+12%	+11%
Expense Analysis															
Cost of Goods Sold	83.0%	82.8%	82.8%	82.3%	82.7%	84.4%	84.1%	83.8%	83.0%	83.8%	84.4%	84.1%	83.8%	83.0%	83.9%
SG&A	10.7%	10.7%	10.5%	10.3%	10.5%	10.0%	10.0%	9.8%	9.6%	9.8%	10.0%	10.0%	9.8%	9.6%	9.8%
Tax Rate	39.2%	39.6%	39.3%	39.0%	39.3%	39.3%	39.0%	38.9%	38.9%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%
Margin Analysis															
Gross Margin	17.0%	17.2%	17.2%	17.7%	17.3%	15.6%	15.9%	16.2%	17.0%	16.2%	15.6%	15.9%	16.2%	17.0%	16.2%
Operating Margin	5.9%	6.1%	6.4%	7.0%	6.4%	5.6%	5.9%	6.4%	7.4%	6.3%	5.6%	5.9%	6.4%	7.4%	6.3%
Adjusted Operating Margin	6.2%	6.5%	6.8%	7.5%	6.8%	5.6%	5.9%	6.4%	7.4%	6.3%	5.6%	5.9%	6.4%	7.4%	6.3%
Pretax Income	5.9%	6.1%	6.1%	6.8%	6.3%	5.0%	5.3%	5.7%	6.8%	5.7%	5.0%	5.3%	5.8%	6.8%	5.7%
Net Income	3.6%	3.7%	3.7%	4.1%	3.8%	3.0%	3.2%	3.5%	4.1%	3.5%	3.0%	3.2%	3.5%	4.1%	3.5%
Adjusted EBITDA Analysis															
D&A	\$490	\$488	\$532	\$582	\$2,092	\$617	\$622	\$627	\$632	\$2,498	\$648	\$653	\$658	\$664	\$2,623
Adjusted EBITDA	\$2,751	\$2,902	\$3,150	\$3,664	\$12,467	\$3,056	\$3,239	\$3,547	\$4,131	\$13,972	\$3,226	\$3,402	\$3,732	\$4,353	\$14,712
Margin	7.6%	7.8%	8.2%	8.9%	8.1%	7.1%	7.3%	7.7%	8.7%	7.7%	7.0%	7.3%	7.7%	8.7%	7.7%
y/y growth	+4.5%	+2.6%	+10.6%	+24.7%	+10.6%	+11.1%	+11.6%	+12.6%	+12.7%	+12.0%	+5.6%	+5.0%	+5.2%	+5.4%	+5.3%

Source: Company reports and Mizuho Securities USA estimates. Adjusted EPS excludes one-time items and acquisition-related amortization.

Exhibit 16: DGX Income Statement, 2015E-2017E (\$mm)

	2015			2016E					2017E					2018E				
	Q3	Q4	Year	Q1A	Q2A	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Net Sales	\$1,880	\$1,849	\$7,493	\$1,863	\$1,906	\$1,884	\$1,848	\$7,501	\$1,870	\$1,938	\$1,927	\$1,890	\$7,625	\$1,898	\$1,970	\$1,959	\$1,922	\$7,750
Cost of Services	\$1,162	\$1,150	\$4,657	\$1,144	\$1,155	\$1,149	\$1,138	\$4,587	\$1,144	\$1,167	\$1,168	\$1,159	\$4,637	\$1,156	\$1,180	\$1,178	\$1,171	\$4,685
Gross Profit	\$718	\$699	\$2,836	\$719	\$751	\$735	\$709	\$2,914	\$726	\$771	\$759	\$732	\$2,988	\$742	\$790	\$782	\$752	\$3,066
SG&A	\$403	\$402	\$1,643	\$439	\$427	\$407	\$405	\$1,678	\$428	\$432	\$412	\$410	\$1,683	\$428	\$436	\$412	\$409	\$1,686
Amortization Intangible Assets	20	20	81	19	17	20	20	76	19	17	20	20	77	19	17	21	21	78
Other Operating	(1)	11	14	(1)	0	1	(1)	(1)	0	(0)	1	(1)	(0)	0	(0)	1	(1)	(0)
Operating Income	\$296	\$266	\$1,098	\$262	\$307	\$307	\$285	\$1,160	\$278	\$322	\$326	\$302	\$1,228	\$295	\$337	\$348	\$322	\$1,302
Interest expense	\$35	\$36	\$147	\$36	\$34	\$33	\$33	\$136	\$33	\$33	\$33	\$33	\$131	\$33	\$33	\$33	\$33	\$131
Other expense/(income)	4	(3)	(1)	1	(1)	4	(3)	1	(1)	(1)	4	(3)	(1)	(1)	(1)	4	(3)	(1)
Pretax Income	\$257	\$233	\$966	\$225	\$274	\$270	\$255	\$1,024	\$246	\$291	\$289	\$272	\$1,097	\$263	\$305	\$311	\$292	\$1,171
Income Taxes	98	85	362	88	103	101	96	388	92	109	108	102	412	99	114	117	110	439
Equity Income*	6.4	8	14	10	9	6	8	33	10	9	6	8	33	10	9	7	8	34
Net Income Continuing Ops	165	156	618	147	180	175	167	668	163	191	187	178	718	174	200	201	191	766
Noncontrolling Interest	12	12	45	12	14	14	14	54	14	14	14	14	56	14	14	14	14	56
Net Income for Common	\$153	\$143	\$573	\$135	\$166	\$161	\$153	\$614	\$149	\$177	\$173	\$164	\$662	\$160	\$186	\$187	\$177	\$710
Diluted EPS Continuing Operations	\$1.06	\$0.99	\$3.95	\$0.93	\$1.17	\$1.13	\$1.07	\$4.31	\$1.05	\$1.25	\$1.22	\$1.16	\$4.68	\$1.15	\$1.33	\$1.35	\$1.28	\$5.10
Acquisition-related amortization	0.10	0.11	0.38	0.10	0.09	0.10	0.10	0.38	0.10	0.09	0.10	0.10	0.38	0.10	0.10	0.10	0.10	0.40
MSUSA Adjusted EPS	\$1.16	\$1.10	\$4.33	\$1.03	\$1.26	\$1.23	\$1.17	\$4.69	\$1.15	\$1.34	\$1.32	\$1.26	\$5.07	\$1.25	\$1.43	\$1.45	\$1.37	\$5.50
Other items adjusted by MSUSA	0.12	0.09	0.44	0.09	0.08	0.13	0.13	0.43	0.10	0.10	0.08	0.06	0.33	0.05	0.05	0.04	0.03	0.16
DGX Adjusted EPS	\$1.28	\$1.19	\$4.77	\$1.12	\$1.34	\$1.36	\$1.30	\$5.12	\$1.24	\$1.44	\$1.40	\$1.32	\$5.40	\$1.29	\$1.48	\$1.49	\$1.40	\$5.66
GAAP EPS	2.35	1.29	4.87	0.70	1.37	0.00	0.00	2.07	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Diluted shares (MM)	145.0	144.0	145.0	144.0	142.0	142.2	142.5	142.7	142.2	141.7	141.3	140.8	141.5	139.8	139.4	139.0	138.6	139.2
Growth Analysis Continuing Operations (Y/Y)																		
Total Revenues	(1%)	(2%)	+1%	+1%	(1%)	+0%	(0%)	+0%	+0%	+2%	+2%	+2%	+2%	+2%	+2%	+2%	+2%	+2%
COGS	(1%)	(3%)	+0%	(2%)	(2%)	(1%)	(1%)	(2%)	+0%	+1%	+2%	+2%	+1%	+1%	+1%	+1%	+1%	+1%
Gross Profit	(1%)	+0%	+1%	+6%	+1%	+2%	+1%	+3%	+1%	+3%	+3%	+3%	+3%	+2%	+2%	+3%	+3%	+3%
SG&A	(8%)	+0%	(2%)	+7%	(0%)	+1%	+1%	+2%	(2%)	+1%	+1%	+1%	+0%	(0%)	+1%	+0%	(0%)	+0%
Operating Income	+12%	(6%)	+7%	+10%	+3%	+4%	+7%	+6%	+6%	+5%	+6%	+6%	+6%	+6%	+4%	+7%	+7%	+6%
Diluted EPS Continuing Operations	+14%	+3%	+11%	+12%	+6%	+5%	+7%	+7%	+11%	+7%	+7%	+7%	+8%	+7%	+5%	+8%	+8%	+7%
MSUSA Adjusted EPS	+12%	+5%	+9%	+13%	+9%	+6%	+6%	+8%	+11%	+7%	+8%	+8%	+8%	+9%	+7%	+10%	+9%	+9%
DGX Adjusted EPS	+6%	+1%	+6%	+7%	+7%	+6%	+9%	+7%	+11%	+7%	+3%	+2%	+5%	+4%	+3%	+6%	+6%	+5%
Expense Analysis Continuing Operations																		
Cost of Goods Sold	61.8%	62.2%	62.2%	61.4%	60.6%	61.0%	61.6%	61.1%	61.2%	60.2%	60.6%	61.3%	60.8%	60.9%	59.9%	60.1%	60.9%	60.4%
SG&A	21.4%	21.7%	21.9%	23.6%	22.4%	21.6%	21.9%	22.4%	22.9%	22.3%	21.4%	21.7%	22.1%	22.6%	22.2%	21.1%	21.3%	21.8%
Tax Rate	38.3%	36.5%	37.5%	39.1%	37.7%	37.5%	37.5%	37.9%	37.5%	37.5%	37.5%	37.5%	37.5%	37.5%	37.5%	37.5%	37.5%	37.5%
Margin Analysis Continuing Operations																		
Gross Margin	38.2%	37.8%	37.8%	38.6%	39.4%	39.0%	38.4%	38.9%	38.8%	39.8%	39.4%	38.7%	39.2%	39.1%	40.1%	39.9%	39.1%	39.6%
EBITDA Margin	18.8%	16.9%	17.5%	16.4%	18.4%	18.5%	17.6%	17.7%	17.1%	18.9%	18.9%	18.0%	18.2%	17.6%	19.2%	19.7%	18.7%	18.8%
Operating	15.7%	14.4%	14.7%	14.1%	16.1%	16.3%	15.4%	15.5%	14.9%	16.6%	16.9%	16.0%	16.1%	15.5%	17.1%	17.8%	16.8%	16.8%
Pretax Income	13.7%	12.6%	12.9%	12.1%	14.4%	14.3%	13.8%	13.7%	13.2%	15.0%	15.0%	14.4%	14.4%	13.8%	15.5%	15.9%	15.2%	15.1%
Net Income	8.1%	7.7%	7.6%	7.2%	8.7%	8.6%	8.3%	8.2%	8.0%	9.1%	9.0%	8.6%	8.7%	8.4%	9.4%	9.6%	9.2%	9.2%

Source: Company reports and Mizuho Securities USA estimates. Adjusted EPS excludes acquisition-related goodwill amortization and one-time costs.

Exhibit 17: DPLO Income Statement, 2015E-2017E (\$mm)

	2015					2016E					2017E				
	Q1	Q2	Q3	Q4	Year	Q1A	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Net sales	\$624.9	\$808.0	\$946.9	\$986.8	\$3,366.6	\$995.9	\$1,127.0	\$1,284.6	\$1,335.5	\$4,743.0	\$1,344.8	\$1,508.8	\$1,605.7	\$1,699.4	\$6,158.7
Cost of goods sold	\$583.7	\$738.3	\$871.2	\$910.2	\$3,103.4	\$916.6	\$1,038.0	\$1,184.4	\$1,234.0	\$4,373.0	\$1,241.2	\$1,391.1	\$1,477.3	\$1,570.3	\$5,679.9
Gross profit	\$41.1	\$69.7	\$75.9	\$76.7	\$263.3	\$79.2	\$89.0	\$100.2	\$101.5	\$370.0	\$103.5	\$117.7	\$128.5	\$129.2	\$478.8
Selling, general and administrative	\$33.2	\$50.3	\$46.4	\$52.2	\$182.0	\$53.9	\$63.1	\$71.9	\$72.1	\$261.1	\$71.3	\$83.0	\$88.3	\$93.5	\$336.0
Adjusted Operating income	\$8.0	\$19.4	\$29.5	\$24.5	\$81.4	\$25.3	\$25.9	\$28.3	\$29.4	\$108.9	\$32.3	\$34.7	\$40.1	\$35.7	\$142.8
Interest expense	\$0.3	\$1.9	\$1.5	\$1.5	\$5.2	\$1.4	\$1.4	\$2.0	\$2.0	\$6.9	\$2.0	\$2.0	\$2.0	\$2.0	\$8.0
Equity loss on non-consolidated entity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other income	(0.1)	0.0	0.0	(0.0)	(0.1)	(0.1)	0.0	0.0	(0.0)	(0.1)	(0.1)	0.0	0.0	(0.0)	(0.1)
Other	0.0	(0.1)	0.0	0.0	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pretax Income - Adjusted	\$7.8	\$17.6	\$27.9	\$23.0	\$76.3	\$24.0	\$24.5	\$26.3	\$27.4	\$102.1	\$30.4	\$32.7	\$38.1	\$33.7	\$134.9
Taxes	3.3	7.6	10.7	9.4	30.9	8.6	10.0	10.8	11.2	40.7	12.5	13.4	15.6	13.8	55.3
Net income	4.5	10.0	17.2	13.7	45.4	15.3	14.4	15.5	16.2	61.5	17.9	19.3	22.5	19.9	79.6
Non-controlling interest	(0.2)	(0.3)	(0.3)	(0.3)	(1.0)	(0.2)	(0.3)	(0.3)	(0.3)	(1.1)	(0.3)	(0.3)	(0.3)	(0.3)	(1.3)
Net income allocable to preferred share	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjusted Net income	\$4.7	\$10.3	\$17.5	\$13.9	\$46.4	\$15.6	\$14.8	\$15.8	\$16.5	\$62.6	\$18.2	\$19.6	\$22.8	\$20.2	\$80.9
DPLO Adjusted EPS	\$0.09	\$0.16	\$0.27	\$0.21	\$0.72	\$0.23	\$0.22	\$0.23	\$0.24	\$0.92	\$0.27	\$0.29	\$0.33	\$0.29	\$1.18
Amortization related to Acquisitions	0.02	0.06	0.08	0.08	0.24	0.08	0.08	0.08	0.08	0.32	0.08	0.08	0.08	0.08	0.32
MSUSA Adjusted EPS	\$0.09	\$0.16	\$0.27	\$0.21	\$0.72	\$0.23	\$0.22	\$0.23	\$0.24	\$0.92	\$0.27	\$0.29	\$0.33	\$0.29	\$1.18
Diluted shares	54.8	64.8	65.4	67.1	63.0	67.8	68.0	68.1	68.3	68.1	68.5	68.7	68.8	69.0	68.8
Growth Analysis (Y/Y)															
Revenues	+34.2%	+49.2%	+59.0%	+61.2%	+52.0%	+59.4%	+39.5%	+35.7%	+35.3%	+40.9%	+35.0%	+33.9%	+25.0%	+27.2%	+29.8%
COGS	+33.8%	+44.2%	+56.9%	+59.3%	+49.6%	+57.0%	+40.6%	+36.0%	+35.6%	+40.9%	+35.4%	+34.0%	+24.7%	+27.2%	+29.9%
Gross Profit	+39.4%	+135.6%	+88.9%	+87.5%	+87.9%	+92.6%	+27.8%	+32.1%	+32.4%	+40.5%	+30.7%	+32.2%	+28.2%	+27.2%	+29.4%
SG&A	+42.9%	+86.6%	+42.6%	+49.3%	+54.7%	+62.6%	+25.6%	+55.2%	+38.2%	+43.5%	+32.1%	+31.5%	+22.8%	+29.6%	+28.7%
Operating Profit	+26.6%	+638.1%	+285.7%	+313.0%	+261.5%	+217.1%	+33.5%	(4.2%)	+20.1%	+33.8%	+27.6%	+33.9%	+42.0%	+21.5%	+31.2%
Adjusted EPS	+65.8%	NM	+83.1%	+167.0%	+116.0%	+169.3%	+36.4%	(13.4%)	+15.9%	+27.7%	+15.5%	+31.7%	+43.1%	+21.5%	+27.9%
Expense Analysis															
Cost of Good sold	93.4%	91.4%	92.0%	92.2%	92.3%	92.0%	92.1%	92.2%	92.4%	92.2%	92.3%	92.2%	92.0%	92.4%	92.2%
SG&A	5.3%	6.2%	4.9%	5.3%	5.4%	5.4%	5.6%	5.6%	5.4%	5.5%	5.3%	5.5%	5.5%	5.5%	5.5%
Tax Rate	42.2%	43.0%	38.4%	40.6%	41.0%	36.0%	41.0%	41.0%	41.0%	39.7%	41.0%	41.0%	41.0%	41.0%	41.0%
Margin Analysis															
Gross Margin	6.6%	8.6%	8.0%	7.8%	7.8%	8.0%	7.9%	7.8%	7.6%	7.8%	7.7%	7.8%	8.0%	7.6%	7.8%
Adjusted Operating Income	1.3%	2.4%	3.1%	2.5%	2.4%	2.5%	2.3%	2.2%	2.2%	2.3%	2.4%	2.3%	2.5%	2.1%	2.3%
Pretax Margin	1.2%	2.2%	3.0%	2.3%	2.3%	2.4%	2.2%	2.0%	2.1%	2.2%	2.3%	2.2%	2.4%	2.0%	2.2%
Net Income	0.7%	1.3%	1.8%	1.4%	1.4%	1.6%	1.3%	1.2%	1.2%	1.3%	1.4%	1.3%	1.4%	1.2%	1.3%
MSUSA Adjusted EBITDA															
Adjusted Operating Income	\$8.0	\$19.4	\$29.5	\$24.5	\$81.4	\$25.3	\$25.9	\$28.3	\$29.4	\$108.9	\$32.3	\$34.7	\$40.1	\$35.7	\$142.8
D&A ex amortization of intangible asset	1.1	\$1.2	\$1.2	\$1.2	\$4.6	1.7	\$1.8	\$1.9	\$2.0	\$7.4	2.0	\$2.1	\$2.2	\$2.3	\$8.6
Other adjustments, net	0.3	0.5	0.1	0.5	1.4	0.4	0.6	0.2	0.6	1.8	0.4	0.6	0.2	0.6	1.9
Adjusted EBITDA	\$9.4	\$21.1	\$30.8	\$26.1	\$87.4	\$27.4	\$28.4	\$30.4	\$31.9	\$118.1	\$34.7	\$37.4	\$42.6	\$38.6	\$153.3
Adjusted EBITDA Margin	1.50%	2.61%	3.25%	2.65%	2.60%	2.75%	2.52%	2.36%	2.39%	2.49%	2.58%	2.48%	2.65%	2.27%	2.49%
% change y/y	+23.5%	+345.8%	+223.5%	+276.3%	+203.6%	+192.3%	+34.3%	(1.5%)	+22.2%	+35.0%	+26.6%	NM	+40.2%	+20.7%	+29.8%

Source: Company reports and Mizuho Securities USA estimates. Adjusted EPS excludes acquisition-related goodwill amortization and one-time costs.

Exhibit 18: ESRX Income Statement, 2015-2017E (\$mm)

	2015					2016E					2017E				
	Q1	Q2	Q3	Q4	Year	Q1A	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Total Revenues**	\$24,923.4	\$25,478.0	\$25,246.4	\$26,199.1	\$101,846.9	\$24,826.1	\$25,208.8	\$25,600.5	\$26,540.5	\$102,175.9	\$25,741.1	\$26,174.4	\$26,580.5	\$27,551.3	\$106,047.3
Cost of Goods Sold	\$22,964.2	\$23,252.5	\$22,978.7	\$23,798.3	\$92,993.7	\$22,915.9	\$23,028.3	\$23,263.2	\$24,045.7	\$93,253.0	\$23,751.3	\$23,912.9	\$24,188.2	\$25,044.1	\$96,896.6
Gross Profit	\$1,959.2	\$2,225.5	\$2,267.7	\$2,400.8	\$8,853.2	\$1,910.2	\$2,180.6	\$2,337.3	\$2,494.8	\$8,922.9	\$1,989.8	\$2,261.5	\$2,392.2	\$2,507.2	\$9,150.7
SG&A	\$420.3	\$375.8	\$405.3	\$376.6	\$1,578.0	\$444.1	\$378.1	\$435.2	\$398.1	\$1,655.5	\$465.9	\$392.6	\$451.9	\$387.1	\$1,697.5
EBITDA	\$1,538.9	\$1,849.7	\$1,862.4	\$2,024.2	\$7,275.2	\$1,466.1	\$1,802.4	\$1,902.1	\$2,096.7	\$7,267.3	\$1,523.9	\$1,868.8	\$1,940.4	\$2,120.1	\$7,453.2
D&A	\$556.7	\$588.2	\$582.8	\$631.4	\$2,359.1	\$525.3	\$530.3	\$535.3	\$540.3	\$2,131.2	\$550.3	\$555.3	\$560.3	\$565.3	\$2,231.2
Equity Income from JV	5.3	6.0	7.8	5.7	24.8	8.8	6.9	8.4	6.2	30.3	9.5	7.5	9.1	6.6	32.7
Interest & Other	(116.4)	(123.1)	(128.4)	(123.2)	(491.1)	(128.9)	(127.4)	(124.3)	(124.3)	(504.9)	(121.0)	(114.4)	(112.8)	(112.8)	(461.1)
Pretax Income	\$871.1	\$1,144.4	\$1,159.0	\$1,275.3	\$4,449.8	\$820.7	\$1,151.7	\$1,250.9	\$1,438.2	\$4,661.5	\$862.1	\$1,206.6	\$1,276.3	\$1,448.6	\$4,793.6
Income Taxes	<u>326.8</u>	<u>428.9</u>	<u>433.5</u>	<u>476.8</u>	<u>1,666.0</u>	<u>302.1</u>	<u>429.5</u>	<u>466.8</u>	<u>537.2</u>	<u>1,735.6</u>	<u>320.9</u>	<u>449.9</u>	<u>476.2</u>	<u>540.9</u>	<u>1,788.0</u>
Net Income	\$544.3	\$715.5	\$725.5	\$798.5	\$2,783.8	\$518.6	\$722.2	\$784.1	\$901.1	\$2,925.9	\$541.2	\$756.7	\$800.1	\$907.6	\$3,005.6
Non-controlling interest	<u>6.0</u>	<u>6.0</u>	<u>5.7</u>	<u>5.4</u>	<u>23.1</u>	<u>6.1</u>	<u>6.4</u>	<u>6.0</u>	<u>5.7</u>	<u>24.2</u>	<u>6.5</u>	<u>6.7</u>	<u>6.4</u>	<u>6.1</u>	<u>25.7</u>
Net Income continuing operations	\$538.3	\$709.5	\$719.8	\$793.1	\$2,760.7	\$512.5	\$715.8	\$778.1	\$895.3	\$2,901.7	\$534.8	\$749.9	\$793.7	\$901.6	\$2,979.9
Diluted EPS Continuing Operations	\$0.73	\$1.04	\$1.06	\$1.16	\$3.99	\$0.79	\$1.13	\$1.22	\$1.41	\$4.55	\$0.87	\$1.23	\$1.31	\$1.56	\$4.97
Acquisition-related amortization	0.35	0.37	0.37	0.37	1.47	0.40	0.41	0.42	0.43	1.64	0.45	0.46	0.47	0.48	1.84
Anthem-related amortization	0.02	0.02	0.02	0.02	0.09	0.03	0.03	0.03	0.03	0.13	0.03	0.03	0.03	0.03	0.13
MSUSA Adjusted EPS	\$1.10	\$1.44	\$1.45	\$1.56	\$5.55	\$1.22	\$1.57	\$1.67	\$1.87	\$6.33	\$1.35	\$1.72	\$1.81	\$2.07	\$6.95
Other items not adjusted by MSUSA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ESRX Adjusted EPS	\$1.10	\$1.44	\$1.45	\$1.56	\$5.55	\$1.22	\$1.57	\$1.67	\$1.87	\$6.33	\$1.35	\$1.72	\$1.81	\$2.07	\$6.95
GAAP EPS	\$0.60	\$0.88	\$0.97	\$1.13	\$3.58	\$0.81	\$1.13	\$1.22	\$1.41	\$4.57	\$0.87	\$1.23	\$1.31	\$1.56	\$4.97
Shares	735.4	681.4	682.2	682.7	695.4	649.7	634.4	635.4	636.4	639.0	616.6	611.2	605.9	576.3	602.5
Growth Analysis (Y/Y)															
Total Revenues	+5%	+1%	(2%)	(1%)	+1%	(0%)	(1%)	+1%	+1%	+0%	+4%	+4%	+4%	+4%	+4%
COGS	+5%	+1%	(3%)	(1%)	+1%	(0%)	(1%)	+1%	+1%	+0%	+4%	+4%	+4%	+4%	+4%
Gross Profit	+2%	+2%	+3%	+3%	+3%	(3%)	(2%)	+3%	+4%	+1%	+4%	+4%	+2%	+0%	+3%
SG&A	(0%)	(9%)	(9%)	(12%)	(8%)	+6%	+1%	+7%	+6%	+5%	+5%	+4%	+4%	(3%)	+3%
EBITDA	+3%	+5%	+6%	+6%	+5%	(5%)	(3%)	+2%	+4%	(0%)	+4%	+4%	+2%	+1%	+3%
Diluted EPS Continuing Operations	+13%	+20%	+15%	+14%	+16%	+8%	+8%	+16%	+21%	+14%	+10%	+9%	+7%	+11%	+9%
MSUSA Adjusted EPS	+11%	+17%	+12%	+12%	+13%	+10%	+9%	+15%	+20%	+14%	+11%	+9%	+8%	+11%	+10%
ESRX Adjusted EPS	+11%	+17%	+12%	+12%	+13%	+10%	+9%	+15%	+20%	+14%	+11%	+9%	+8%	+11%	+10%
Expense Analysis															
Cost of Goods Sold	92.1%	91.3%	91.0%	90.8%	91.3%	92.3%	91.4%	90.9%	90.6%	91.3%	92.3%	91.4%	91.0%	90.9%	91.4%
SG&A	1.7%	1.5%	1.6%	1.4%	1.6%	1.8%	1.5%	1.7%	1.5%	1.6%	1.8%	1.5%	1.7%	1.4%	1.6%
Tax Rate	37.5%	37.5%	37.4%	37.4%	37.4%	36.8%	37.5%	37.5%	37.5%	37.3%	37.5%	37.5%	37.5%	37.5%	37.5%
Margin Analysis (Continuing Operations)															
Gross Margin	7.9%	8.7%	9.0%	9.2%	8.7%	7.7%	8.7%	9.1%	9.4%	8.7%	7.7%	8.6%	9.0%	9.1%	8.6%
EBITDA Margin	6.2%	7.3%	7.4%	7.7%	7.1%	5.9%	7.2%	7.4%	7.9%	7.1%	5.9%	7.1%	7.3%	7.7%	7.0%
Pretax Income -	3.5%	4.5%	4.6%	4.9%	4.4%	3.3%	4.6%	4.9%	5.4%	4.5%	3.3%	4.6%	4.8%	5.3%	4.5%
Net Income	2.2%	2.8%	2.9%	3.0%	2.7%	2.1%	2.9%	3.1%	3.4%	2.9%	2.1%	2.9%	3.0%	3.3%	2.8%

Source: Company reports and Mizuho Securities USA estimates. Adjusted EPS excludes one-time charges associated with NextRx and MHS acquisitions and amortization of goodwill intangibles. Please note our estimates do not currently include the potential downside risk to 2016E and 2017E adjusted EPS from the ANTM contract price check.

Exhibit 19: EVHC Income Statement, 2015-2017E (\$mm)

	2015					2016E					2017E				
	Q1	Q2	Q3	Q4	Year	Q1A	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Net Revenue	\$1,244.5	\$1,354.3	\$1,367.4	\$1,481.8	\$5,447.9	\$1,597.5	\$1,654.6	\$1,686.9	\$1,698.7	\$6,637.7	\$1,760.8	\$1,778.9	\$1,812.1	\$1,832.0	\$7,183.7
Compensation and benefits	\$907.7	\$969.5	\$997.2	\$1,047.9	\$3,922.3	\$1,123.9	\$1,158.2	\$1,184.2	\$1,187.4	\$4,653.7	\$1,241.3	\$1,254.1	\$1,283.0	\$1,293.4	\$5,071.8
Operating	151.7	156.1	165.1	208.4	681.3	253.2	249.8	237.9	237.8	978.7	267.6	248.0	257.3	254.6	1,027.6
Insurance	35.5	38.2	41.1	31.0	145.8	37.4	36.4	40.7	34.0	148.4	37.0	37.4	38.1	38.5	150.9
SG&A	21.4	28.3	21.9	23.8	95.4	30.5	30.6	27.0	25.5	113.6	29.9	28.5	29.0	29.3	116.7
EBITDA	\$128.2	\$162.2	\$142.1	\$170.6	\$603.1	\$152.6	\$179.5	\$197.2	\$214.0	\$743.3	\$184.9	\$211.0	\$204.8	\$216.2	\$816.8
D&A	\$39.9	\$44.9	\$44.5	\$53.5	\$182.9	\$57.4	\$58.0	\$58.6	\$59.2	\$233.3	\$60.0	\$60.6	\$61.2	\$61.8	\$243.7
Interest income	(0.1)	(0.2)	(0.1)	(0.2)	(0.7)	(0.4)	(0.2)	(0.1)	(0.2)	(0.9)	(0.4)	(0.2)	(0.1)	(0.2)	(0.9)
Interest expense	26.7	28.1	27.6	34.8	117.2	38.9	38.9	38.9	38.9	155.5	38.9	38.9	38.9	38.9	155.5
Investment gains/losses	0.0	0.0	0.0	(0.1)	(0.0)	(0.0)	0.0	0.0	(0.1)	(0.0)	(0.0)	0.0	0.0	(0.1)	(0.0)
Other	0.3	0.0	0.2	0.4	1.0	(0.7)	0.0	0.2	0.4	(0.1)	(0.7)	0.0	0.2	0.4	(0.1)
Pretax income	\$61.5	\$89.3	\$69.9	\$82.1	\$302.7	\$57.3	\$82.7	\$99.6	\$115.8	\$355.5	\$87.1	\$111.6	\$104.6	\$115.3	\$418.5
Taxes	24.8	34.1	28.0	32.0	118.9	22.3	31.5	39.8	45.2	138.8	34.8	42.5	41.8	45.0	164.1
Equity income	(0.1)	(0.1)	(0.1)	(0.2)	(0.4)	(0.1)	(0.1)	(0.1)	(0.2)	(0.4)	(0.1)	(0.1)	(0.1)	(0.2)	(0.4)
Non-controlling interest	0.6	1.3	1.3	2.7	5.9	3.6	3.6	3.6	3.6	14.5	3.6	3.6	3.6	3.6	14.5
Net Income	\$36.2	\$54.0	\$40.6	\$47.5	\$178.3	\$31.6	\$47.6	\$56.2	\$67.2	\$202.6	\$48.8	\$65.5	\$59.2	\$66.9	\$240.3
Diluted EPS Continuing Operations	\$0.19	\$0.28	\$0.21	\$0.25	\$0.93	\$0.16	\$0.25	\$0.29	\$0.35	\$1.05	\$0.25	\$0.34	\$0.31	\$0.34	\$1.24
Amortization Expense	0.07	0.08	0.09	0.10	0.32	0.10	0.10	0.10	0.10	0.41	0.11	0.11	0.11	0.11	0.43
MSUSA Adjusted EPS	\$0.25	\$0.36	\$0.30	\$0.35	\$1.26	\$0.27	\$0.35	\$0.40	\$0.45	\$1.47	\$0.36	\$0.45	\$0.41	\$0.45	\$1.67
Stock Based Comp	\$0.00	\$0.00	\$0.01	\$0.00	\$0.02	\$0.01	\$0.01	\$0.01	\$0.01	\$0.03	\$0.01	\$0.01	\$0.01	\$0.01	\$0.03
Other items not adjusted by MSUSA	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
EVHC Adjusted EPS	\$0.26	\$0.37	\$0.30	\$0.35	\$1.28	\$0.28	\$0.36	\$0.40	\$0.46	\$1.50	\$0.37	\$0.45	\$0.42	\$0.46	\$1.70
Diluted shares outstanding	191.2	191.5	191.8	192.0	191.6	191.9	192.2	192.5	192.8	192.4	193.1	193.4	193.7	194.0	193.6
Year-over-Year Change															
Revenue	+22.7%	+25.9%	+18.9%	+28.0%	+23.9%	+28.4%	+22.2%	+23.4%	+14.6%	+21.8%	+10.2%	+7.5%	+7.4%	+7.8%	+8.2%
Compensation and benefits	+22.1%	+26.4%	+21.7%	+26.8%	+24.3%	+23.8%	+19.5%	+18.8%	+13.3%	+18.6%	+10.5%	+8.3%	+8.3%	+8.9%	+9.0%
Operating	+32.4%	+29.3%	+27.5%	+69.5%	+39.7%	+66.9%	+60.0%	+44.1%	+14.1%	+43.6%	+5.7%	(0.7)%	+8.2%	+7.1%	+5.0%
Insurance	+14.7%	+20.8%	+49.3%	+0.5%	+20.5%	+5.3%	(4.6)%	(1.1)%	+9.4%	+1.8%	(1.2)%	+2.6%	(6.4)%	+13.2%	+1.6%
SG&A	+17.2%	+28.9%	+2.3%	+3.3%	+12.7%	+42.7%	+8.3%	+23.2%	+6.9%	+19.1%	(1.8)%	(7.0)%	+7.4%	+15.0%	+2.8%
EBITDA	+20.2%	+21.0%	(6.8)%	+10.5%	+10.1%	+19.0%	+10.7%	+38.8%	+25.5%	+23.3%	+21.2%	+17.5%	+3.8%	+1.0%	+9.9%
Adjusted EPS	+38.3%	+28.4%	(25.2)%	(10.6)%	+6.8%	(13.2)%	(12.2)%	+38.1%	+40.8%	+16.5%	+53.5%	+36.6%	+4.7%	(1.0)%	+14.0%
Expense Analysis/Net Revenue															
Compensation and benefits	72.9%	71.6%	72.9%	70.7%	72.0%	70.3%	70.0%	70.2%	69.9%	70.1%	70.5%	70.5%	70.8%	70.6%	70.6%
Operating	12.2%	11.5%	12.1%	14.1%	12.5%	15.9%	15.1%	14.1%	14.0%	14.8%	15.2%	13.9%	14.2%	13.9%	14.3%
Insurance	2.9%	2.8%	3.0%	2.1%	2.7%	2.3%	2.2%	2.4%	2.0%	2.2%	2.1%	2.1%	2.1%	2.1%	2.1%
SG&A	1.7%	2.1%	1.6%	1.6%	1.8%	1.9%	1.9%	1.6%	1.5%	1.7%	1.7%	1.6%	1.6%	1.6%	1.6%
Tax Rate	40.3%	38.1%	40.1%	39.0%	39.4%	38.9%	38.1%	40.0%	39.0%	39.0%	40.0%	38.1%	40.0%	39.0%	39.3%
Margin Analysis															
EBITDA Margin	10.3%	12.0%	10.4%	11.5%	11.0%	9.5%	10.9%	11.7%	12.6%	11.2%	10.5%	11.9%	11.3%	11.8%	11.4%
Pretax Margin	4.9%	6.6%	5.1%	5.5%	5.5%	3.6%	5.0%	5.9%	6.8%	5.3%	4.9%	6.3%	5.8%	6.3%	5.8%
Net Margin	2.9%	4.0%	3.0%	3.2%	3.3%	2.0%	2.9%	3.3%	4.0%	3.0%	2.8%	3.7%	3.3%	3.7%	3.3%
EVHC Adjusted EBITDA															
Stock-based compensation	\$1.4	\$1.7	\$1.8	\$1.1	\$5.9	\$2.3	\$2.4	\$2.5	\$2.6	\$9.7	\$2.6	\$2.7	\$2.8	\$2.9	\$10.9
Other, Net	(0.5)	(1.2)	(1.3)	(2.5)	(5.5)	(3.5)	(3.5)	(3.6)	(3.5)	(14.1)	(3.5)	(3.5)	(3.6)	(3.5)	(14.1)
EVHC Adjusted EBITDA	\$129.1	\$162.7	\$142.5	\$169.1	\$603.5	\$151.4	\$178.4	\$196.1	\$213.2	\$739.0	\$184.0	\$210.1	\$204.0	\$215.6	\$813.7
EVHC adjusted EBITDA margin	10.4%	12.0%	10.4%	11.4%	11.1%	9.5%	10.8%	11.6%	12.5%	11.1%	10.4%	11.8%	11.3%	11.8%	11.3%
% change year-over-year	+17.2%	+21.2%	(6.3)%	+8.3%	+9.2%	+17.2%	+9.6%	+37.6%	+26.0%	+22.5%	+21.6%	+17.8%	+4.0%	+1.1%	+10.1%

Source: Company reports and Mizuho Securities USA estimates. MSUSA Adjusted EPS excludes amortization of acquisition-related goodwill and one-time transaction costs.

Exhibit 20: IMS Income Statement, 2015-2017E (\$M)

	2015					2016E					2017E				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Information Services	\$354.0	\$374.0	\$362.0	\$382.0	\$1,472.0	\$376.0	\$379.6	\$379.0	\$386.6	\$1,521.2	\$371.2	\$386.8	\$386.5	\$393.9	\$1,538.5
Technology Services	278.0	368.0	373.0	430.0	1,449.0	398.0	398.2	392.4	464.4	1,653.0	422.6	435.6	430.1	506.2	1,794.5
Total Revenue	\$632.0	\$742.0	\$735.0	\$816.0	\$2,921.0	\$774.0	\$777.8	\$771.4	\$851.0	\$3,174.1	\$793.8	\$822.4	\$816.6	\$900.1	\$3,333.0
Cost of sales	\$293.0	\$363.0	\$360.0	\$395.0	\$1,411.0	\$380.0	\$382.7	\$375.7	\$410.2	\$1,548.5	\$381.5	\$399.3	\$396.5	\$432.1	\$1,609.3
Gross profit	\$339.0	\$379.0	\$375.0	\$421.0	\$1,514.0	\$394.0	\$395.1	\$395.7	\$440.8	\$1,625.6	\$412.3	\$423.1	\$420.2	\$468.1	\$1,723.6
SG&A	\$123.0	\$159.0	\$157.0	\$189.0	\$628.0	\$156.0	\$164.1	\$162.8	\$194.9	\$677.7	\$159.9	\$172.3	\$171.1	\$204.8	\$708.1
Adjusted EBITDA	\$216.0	\$220.0	\$218.0	\$232.0	\$886.0	\$238.0	\$231.0	\$233.0	\$245.9	\$947.9	\$252.3	\$250.8	\$249.1	\$263.3	\$1,015.5
Depreciation and amortization	\$34.0	\$35.0	\$34.0	\$33.0	\$136.0	\$34.0	\$34.1	\$34.2	\$34.3	\$136.6	\$34.5	\$34.6	\$34.7	\$34.8	\$138.6
Interest expense	37.0	42.0	44.0	43.0	166.0	46.0	46.0	46.0	46.0	184.0	46.0	46.0	46.0	46.0	184.0
Pretax income	\$145.0	\$143.0	\$140.0	\$156.0	\$584.0	\$158.0	\$150.9	\$152.8	\$165.6	\$627.3	\$171.8	\$170.2	\$168.4	\$182.5	\$692.9
Cash Income taxes	16.0	24.0	18.0	34.0	92.0	19.0	25.7	26.0	28.2	98.8	29.2	28.9	28.6	31.0	117.8
FX	(7.0)	(6.0)	(7.0)	(3.0)	(23.0)	(2.0)	0.0	0.0	0.0	(2.0)	0.0	0.0	0.0	0.0	0.0
Adjusted Cash Net Income	\$136.0	\$125.0	\$129.0	\$125.0	\$492.0	\$141.0	\$125.2	\$126.8	\$137.5	\$528.5	\$142.6	\$141.3	\$139.7	\$151.5	\$575.1
IMS Adjusted EPS	\$0.39	\$0.37	\$0.38	\$0.37	\$1.52	\$0.42	\$0.37	\$0.38	\$0.41	\$1.58	\$0.43	\$0.42	\$0.42	\$0.45	\$1.72
Stock Based Comp	0.01	0.02	0.01	0.01	0.06	0.01	0.01	0.01	0.01	0.04	0.01	0.01	0.01	0.01	0.04
Other items not adjusted by MSUSA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Acquisition-related Amortization	0.12	0.09	0.11	0.09	0.41	0.11	0.11	0.11	0.11	0.43	0.11	0.11	0.11	0.11	0.43
MSUSA Adjusted EPS	\$0.38	\$0.35	\$0.37	\$0.36	\$1.46	\$0.41	\$0.36	\$0.37	\$0.40	\$1.54	\$0.42	\$0.41	\$0.41	\$0.44	\$1.68
Weighted average shares outstanding	345.3	340.0	336.1	336.1	339.4	335.9	335.7	335.5	335.7	335.7	335.5	335.3	335.1	335.3	335.3
Year-over-Year Growth Analysis															
Revenue	(2.0%)	+12.1%	+12.0%	+20.4%	+10.6%	+22.5%	+4.8%	+4.9%	+4.3%	+8.7%	+2.6%	+5.7%	+5.9%	+5.8%	+5.0%
Revenue - Constant Currency	+7.0%	+24.6%	+23.0%	+28.3%	+20.7%	+23.0%	+6.0%	+6.1%	+5.5%	+10.2%	+3.8%	+6.9%	+7.1%	+7.0%	+6.2%
COGS	+0.7%	+16.3%	+15.8%	+26.6%	+15.1%	+29.7%	+5.4%	+4.4%	+3.8%	+9.7%	+0.4%	+4.3%	+5.5%	+5.3%	+3.9%
Gross profit	(4.2%)	+8.3%	+8.7%	+15.0%	+7.0%	+16.2%	+4.3%	+5.5%	+4.7%	+7.4%	+4.6%	+7.1%	+6.2%	+6.2%	+6.0%
SG&A	(10.2%)	+28.2%	+26.6%	+24.3%	+16.9%	+26.8%	+3.2%	+3.7%	+3.1%	+7.9%	+2.5%	+5.0%	+5.1%	+5.1%	+4.5%
Adjusted EBITDA	(0.5%)	(2.7%)	(1.4%)	+8.4%	+1.0%	+10.2%	+5.0%	+6.9%	+6.0%	+7.0%	+6.0%	+8.6%	+6.9%	+7.1%	+7.1%
Adjusted EBITDA - Constant Currency	+9.8%	+9.5%	+8.6%	+16.8%	+11.2%	+8.0%	+6.2%	+8.1%	+7.2%	+7.4%	+7.2%	+9.8%	+8.1%	+8.3%	+8.3%
Adjusted operating net income	+94.3%	(6.7%)	+3.2%	+0.0%	+9.6%	+3.7%	+0.2%	(1.7%)	+10.0%	+7.4%	+1.2%	+12.8%	+10.2%	+10.2%	+8.8%
Adjusted operating EPS	+62.1%	(6.9%)	+5.1%	+2.5%	+11.1%	+6.6%	+1.5%	(1.5%)	+10.1%	+4.2%	+1.3%	+12.9%	+10.4%	+10.3%	+8.5%
Expense Analysis/Revenue															
COGS	46.4%	48.9%	49.0%	48.4%	48.3%	49.1%	49.2%	48.7%	48.2%	48.8%	48.1%	48.6%	48.6%	48.0%	48.3%
SG&A	19.5%	21.4%	21.4%	23.2%	21.5%	20.2%	21.1%	21.1%	22.9%	21.4%	20.2%	21.0%	21.0%	22.8%	21.2%
Adjusted cash Tax Rate	11.0%	16.8%	12.9%	21.8%	15.6%	12.0%	17.0%	17.0%	17.0%	15.8%	17.0%	17.0%	17.0%	17.0%	17.0%
Margin analysis:															
Gross margin	53.6%	51.1%	51.0%	51.6%	51.8%	50.9%	50.8%	51.3%	51.8%	51.2%	51.9%	51.5%	51.5%	52.0%	51.7%
Adjusted EBITDA margin	34.2%	29.6%	29.7%	28.4%	30.3%	30.7%	29.7%	30.2%	28.9%	29.9%	31.8%	30.5%	30.5%	29.3%	30.5%
Pretax margin	22.9%	19.3%	19.0%	19.1%	20.0%	20.4%	19.4%	19.8%	19.5%	19.8%	21.6%	20.7%	20.6%	20.3%	20.8%
Adjusted Net margin	21.5%	16.8%	17.6%	15.3%	16.8%	18.2%	16.1%	16.4%	16.2%	16.7%	18.0%	17.2%	17.1%	16.8%	17.3%
Adjusted EBITDA - Equity Compensation															
Equity compensation	\$6.0	\$6.0	\$7.0	\$7.0	\$26.0	\$6.1	\$6.1	\$7.1	\$7.1	\$26.4	\$6.2	\$6.2	\$7.2	\$7.2	\$26.8
EBITDA	\$210.0	\$214.0	\$211.0	\$225.0	\$860.0	\$231.9	\$224.9	\$225.9	\$238.8	\$921.5	\$246.1	\$244.6	\$241.9	\$256.1	\$988.7
EBITDA Margin	33.2%	28.8%	28.7%	27.6%	29.4%	30.0%	28.9%	29.3%	28.1%	29.0%	31.0%	29.7%	29.6%	28.5%	29.7%
Year-over-year growth	+13%	(3%)	(2%)	+8%	+4%	+10%	+5%	+7%	+6%	+7%	+6%	+9%	+7%	+7%	+7%

Source: Company Reports and Mizuho Securities USA estimates. Adjusted EPS and EBITDA and income excludes deferred revenue, equity compensation, non-operating income, acquisition and merger related charges and other non-recurring charges. Consolidated revenue adjusted for deferred revenue and reported revenue will not match revenue model.

Exhibit 21: LH Income Statement, 2015-2017E (\$M)

	2015					2016E					2017E				
	Q1	Q2	Q3	Q4	Year	Q1A	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Revenue	\$1,772.3	\$2,218.7	\$2,269.9	\$2,244.8	\$8,505.7	\$2,295.2	\$2,348.2	\$2,377.0	\$2,350.5	\$9,370.9	\$2,409.4	\$2,483.7	\$2,516.1	\$2,491.4	\$9,900.5
Reimbursable out-of-pocket expenses	20.9	50.4	47.4	55.7	174.4	72.8	70.4	71.3	70.5	285.1	72.3	74.5	75.5	37.4	259.6
Total Net Sales	\$1,793.2	\$2,269.1	\$2,317.3	\$2,300.5	\$8,680.1	\$2,368.0	\$2,418.7	\$2,448.3	\$2,421.0	\$9,656.0	\$2,481.6	\$2,558.2	\$2,591.6	\$2,528.8	\$10,160.1
Cost of Services	\$1,143.5	\$1,444.1	\$1,507.0	\$1,504.1	\$5,598.7	\$1,517.9	\$1,526.4	\$1,566.4	\$1,539.6	\$6,150.3	\$1,566.1	\$1,611.9	\$1,653.1	\$1,634.4	\$6,465.4
Reimbursable out-of-pocket expenses	20.9	50.4	47.4	55.7	174.4	72.8	70.4	71.3	70.5	285.1	72.3	74.5	75.5	37.4	259.6
Gross Profit	\$628.8	\$774.6	\$762.9	\$740.7	\$2,907.0	\$777.3	\$821.9	\$810.5	\$810.9	\$3,220.6	\$843.3	\$871.8	\$863.0	\$857.0	\$3,435.1
SG&A	\$328.5	\$383.6	\$377.4	\$372.5	\$1,462.0	\$401.8	\$399.1	\$394.2	\$404.3	\$1,599.4	\$429.3	\$414.4	\$414.6	\$417.2	\$1,675.6
Operating Income (ex amortization)	\$300.3	\$391.0	\$385.5	\$368.2	\$1,445.0	\$375.5	\$422.8	\$416.4	\$406.6	\$1,621.3	\$414.0	\$457.3	\$448.4	\$439.8	\$1,759.5
Interest expense	\$51.7	\$57.9	\$55.8	\$56.8	\$222.2	\$54.5	\$54.5	\$52.0	\$52.0	\$212.9	\$52.0	\$52.0	\$52.0	\$49.2	\$205.1
Equity Income	2.7	2.9	2.1	2.4	10.1	1.4	3.0	2.2	2.5	9.2	1.5	3.2	2.3	2.6	9.6
Investment Income	0.6	0.3	0.4	0.6	1.9	0.5	0.3	0.4	0.6	1.8	0.5	0.3	0.4	0.6	1.8
Other expense (income)	(1.1)	2.3	0.9	3.5	5.6	(6.7)	2.3	0.9	3.5	0.1	1.0	2.3	0.9	3.6	7.8
Amortization Intangible Assets	31.4	46.6	47.1	38.3	163.4	44.3	44.3	44.3	44.3	177.2	44.4	44.4	44.4	44.4	177.6
Pretax Income	\$221.6	\$287.4	\$284.2	\$272.6	\$1,065.8	\$285.3	\$325.0	\$321.8	\$309.9	\$1,242.1	\$318.5	\$362.1	\$353.8	\$345.9	\$1,380.3
Income Taxes	78.8	104.6	103.4	94.9	381.7	105.8	117.7	116.5	112.2	452.1	115.3	131.1	128.1	125.2	499.7
Net Income Conting Ops	142.8	182.8	180.8	177.7	684.1	179.5	207.4	205.3	197.7	789.9	203.2	231.0	225.7	220.7	880.7
Noncontrolling Interest	0.3	0.3	0.3	0.3	1.2	0.3	0.3	0.3	0.3	1.2	0.3	0.3	0.3	0.3	1.2
Adjusted Operating Income	142.5	182.5	180.5	177.4	682.9	179.2	207.1	205.0	197.4	788.7	202.9	230.7	225.4	220.3	879.4
Adjusted Operating EPS	\$1.52	\$1.78	\$1.76	\$1.72	\$6.78	\$1.73	\$1.99	\$1.97	\$1.89	\$7.59	\$1.95	\$2.21	\$2.15	\$2.10	\$8.42
Amortization Expense	\$0.21	\$0.31	\$0.31	\$0.26	1.09	\$0.29	\$0.29	\$0.29	\$0.29	1.16	\$0.29	\$0.29	\$0.29	\$0.29	1.16
LH Adjusted EPS	\$1.73	\$2.09	\$2.07	\$1.98	\$7.87	\$2.02	\$2.29	\$2.26	\$2.18	\$8.75	\$2.24	\$2.50	\$2.44	\$2.39	\$9.57
Other items not adjusted by MSUSA	\$6.0	\$8.8	\$5.1	\$9.8	\$29.7	\$11.2	\$0.0	\$0.0	\$0.0	\$11.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
EPS impact (est.)	\$0.04	\$0.05	\$0.03	\$0.06	\$0.19	\$0.07	\$0.00	\$0.00	\$0.00	\$0.07	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
MSUSA Adjusted EPS	\$1.69	\$2.04	\$2.04	\$1.92	\$7.68	\$1.95	\$2.29	\$2.26	\$2.18	\$8.68	\$2.24	\$2.50	\$2.44	\$2.39	\$9.57
GAAP EPS	\$0.01	\$1.64	\$1.49	\$1.11	\$4.25	\$1.55	\$1.99	\$1.97	\$1.89	\$7.41	\$1.95	\$2.21	\$2.15	\$2.10	\$8.42
Diluted shares (MM)	93.8	102.5	102.7	103.2	100.6	103.6	103.8	104.0	104.2	103.9	104.2	104.4	104.6	104.8	104.5
Growth Analysis (Y/Y)															
Total Revenues	+25%	+50%	+49%	+52%	+44%	+32%	+7%	+6%	+5%	+11%	+5%	+6%	+6%	+4%	+5%
Cost of Goods Sold	+25%	+52%	+54%	+56%	+47%	+33%	+6%	+4%	+2%	+10%	+3%	+6%	+6%	+6%	+5%
Gross Profit	+22%	+36%	+34%	+36%	+32%	+24%	+6%	+6%	+9%	+11%	+8%	+6%	+6%	+6%	+7%
SG&A	+15%	+31%	+26%	+26%	+24%	+22%	+4%	+4%	+9%	+9%	+7%	+4%	+5%	+3%	+5%
Adjusted Operating Income	+29%	+42%	+42%	+47%	+41%	+25%	+8%	+8%	+10%	+12%	+10%	+8%	+8%	+8%	+9%
LH Adjusted EPS	+14%	+14%	+15%	+20%	+16%	+17%	+9%	+9%	+10%	+11%	+11%	+9%	+8%	+9%	+9%
MSUSA Adjusted EPS	+12%	+13%	+16%	+24%	+16%	+16%	+12%	+11%	+14%	+13%	+11%	+9%	+8%	+9%	+9%
Expense Analysis															
Cost of Goods Sold	64.5%	65.1%	66.4%	64.8%	65.2%	66.1%	65.0%	65.9%	65.5%	65.6%	65.0%	64.9%	65.7%	65.6%	65.3%
SG&A	18.5%	17.3%	16.6%	16.9%	17.3%	17.5%	16.5%	16.1%	16.7%	16.7%	17.3%	16.2%	16.0%	16.5%	16.5%
Tax Rate	35.6%	36.4%	36.4%	36.4%	36.2%	37.1%	36.2%	36.2%	36.2%	36.4%	36.2%	36.2%	36.2%	36.2%	36.2%
Margin Analysis															
Gross Margin	35.1%	34.1%	32.9%	32.2%	33.5%	32.8%	34.0%	33.1%	33.5%	33.4%	34.0%	34.1%	33.3%	33.9%	33.8%
Operating	16.7%	17.2%	16.6%	16.0%	16.6%	15.9%	17.5%	17.0%	16.8%	16.8%	16.7%	17.9%	17.3%	17.4%	17.3%
Pretax Income	12.4%	12.7%	12.3%	11.8%	12.3%	12.0%	13.4%	13.1%	12.8%	12.9%	12.8%	14.2%	13.7%	13.7%	13.6%
Net Income	7.9%	8.0%	7.7%	7.6%	7.8%	7.6%	8.5%	8.3%	8.0%	8.1%	8.2%	9.0%	8.6%	8.6%	8.6%

Source: Company reports and Mizuho Securities USA estimates. Adjusted EPS excludes acquisition-related goodwill amortization and one-time charges.

Exhibit 22: MCK Income Statement, FY15-FY18E (\$mm)

	FY16					FY17E					FY18E				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Distribution Solutions Revenue	\$46,810	\$48,040	\$47,205	\$45,944	\$187,999	\$49,182	\$50,477	\$51,532	\$50,245	\$201,436	\$49,055	\$50,435	\$51,557	\$50,195	\$201,241
Technology Solutions Revenue	736	721	694	734	2,885	732	717	691	730	2,871	729	714	687	727	2,856
Total Revenue	\$47,546	\$48,761	\$47,899	\$46,678	\$190,884	\$49,914	\$51,194	\$52,223	\$50,975	\$204,306	\$49,783	\$51,149	\$52,244	\$50,921	\$204,098
Cost of Sales	\$44,757	\$45,917	\$45,044	\$43,800	\$179,518	\$47,004	\$48,239	\$49,239	\$47,941	\$192,423	\$46,857	\$48,182	\$49,255	\$47,882	\$192,177
Gross Profit	\$2,789	\$2,844	\$2,855	\$2,878	\$11,366	\$2,910	\$2,955	\$2,984	\$3,034	\$11,884	\$2,926	\$2,966	\$2,989	\$3,040	\$11,921
SG&A	\$1,968	\$1,941	\$1,952	\$1,909	\$7,770	\$1,921	\$1,934	\$1,960	\$1,987	\$7,803	\$1,898	\$1,907	\$1,926	\$1,955	\$7,687
Operating Income (EBIT)	\$821	\$903	\$903	\$969	\$3,596	\$989	\$1,021	\$1,024	\$1,047	\$4,081	\$1,028	\$1,059	\$1,063	\$1,084	\$4,234
Other income (expense)	\$13	\$17	\$13	\$15	\$58	\$15	\$17	\$11	\$17	\$60	\$15	\$17	\$11	\$17	\$60
Interest Expense	89	91	87	86	353	86	86	82	82	336	82	82	82	82	328
Pretax Income	\$745	\$829	\$829	\$898	\$3,301	\$918	\$952	\$953	\$982	\$3,805	\$961	\$994	\$992	\$1,019	\$3,966
Income Taxes	223	251	218	265	957	284	295	295	304	1,178	297	308	307	315	1,227
Income From Continuing Ops	522	578	611	633	2,344	634	657	658	677	2,627	663	686	685	704	2,738
Non-Controlling Interest	13	13	13	13	52	11	11	11	11	44	11	11	11	11	44
Net Income continuing operations	\$509	\$565	\$598	\$619	\$2,292	\$623	\$646	\$647	\$666	\$2,583	\$652	\$675	\$674	\$693	\$2,694
Diluted EPS Continuing Operations	\$2.17	\$2.40	\$2.58	\$2.70	\$9.85	\$2.71	\$2.83	\$2.84	\$2.94	\$11.31	\$2.93	\$3.05	\$3.07	\$3.16	\$12.20
Acquisition-related amortization	0.33	0.31	0.32	0.30	1.27	0.35	0.34	0.34	0.32	1.35	0.37	0.36	0.36	0.34	1.44
MSUSA Adjusted EPS	\$2.49	\$2.72	\$2.90	\$3.01	\$11.12	\$3.05	\$3.17	\$3.18	\$3.26	\$12.66	\$3.29	\$3.41	\$3.43	\$3.50	\$13.64
LIFO adjustment	0.23	0.24	0.09	0.08	0.64	0.12	0.12	0.13	0.11	0.48	0.15	0.15	0.16	0.14	0.60
Acquisition-related expenses (ongoing)	0.08	0.10	0.06	0.09	0.34	0.08	0.08	0.08	0.08	0.31	0.00	0.00	0.00	0.00	0.00
Other one-items adjusted by MSUSA	0.33	0.25	0.13	(0.73)	(0.02)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MCK Adjusted EPS	\$3.14	\$3.31	\$3.18	\$2.44	\$12.07	\$3.25	\$3.37	\$3.38	\$3.45	\$13.45	\$3.45	\$3.57	\$3.59	\$3.64	\$14.24
GAAP EPS	\$2.50	\$2.65	\$2.71	\$1.97	9.83	\$3.21	\$3.33	\$3.34	\$3.41	\$13.29	\$3.45	\$3.57	\$3.59	\$3.64	\$14.24
Diluted Shares	235	235	232	229	233	230	229	228	227	228	223	222	220	219	221
Growth Analysis															
Revenue	+8%	+9%	+2%	+4%	+6%	+5%	+5%	+9%	+9%	+7%	(0%)	(0%)	+0%	(0%)	(0%)
COGS (continuing operations)	+9%	+10%	+2%	+4%	+6%	+5%	+5%	+9%	+9%	+7%	(0%)	(0%)	+0%	(0%)	(0%)
Gross profit (continuing operations)	(1%)	(3%)	(3%)	(1%)	(2%)	+4%	+4%	+5%	+5%	+5%	+1%	+0%	+0%	+0%	+0%
SG&A (continuing operations)	(5%)	(7%)	(9%)	(7%)	(7%)	(2%)	(0%)	+0%	+4%	+0%	(1%)	(1%)	(2%)	(2%)	(1%)
Operating Income (continuing operations)	+8%	+9%	+13%	+12%	+11%	+20%	+13%	+13%	+8%	+13%	+4%	+4%	+4%	+4%	+4%
Diluted EPS Continuing Operations	+9%	+11%	+25%	+14%	+15%	+25%	+18%	+10%	+9%	+15%	+8%	+8%	+8%	+7%	+8%
MSUSA Adjusted EPS	+7%	+9%	+15%	+12%	+11%	+22%	+16%	+10%	+9%	+14%	+8%	+8%	+8%	+7%	+8%
MCK Adjusted EPS	+25%	+18%	+10%	(17%)	+9%	+4%	+2%	+6%	+41%	+13%	+6%	+6%	+6%	+6%	+6%
Expense Analysis															
COGS	94.1%	94.2%	94.0%	93.8%	94.0%	94.2%	94.2%	94.3%	94.0%	94.2%	94.1%	94.2%	94.3%	94.0%	94.2%
SG&A	4.1%	4.0%	4.1%	4.1%	4.1%	3.8%	3.8%	3.8%	3.9%	3.8%	3.8%	3.7%	3.7%	3.8%	3.8%
Tax Rate	29.9%	30.3%	26.2%	29.5%	29.0%	31.0%	31.0%	31.0%	31.0%	31.0%	31.0%	31.0%	31.0%	31.0%	31.0%
Margin Analysis Continuing Operations															
Gross margin	5.87%	5.83%	5.96%	6.17%	5.74%	5.83%	5.77%	5.71%	5.95%	5.84%	5.88%	5.80%	5.72%	5.97%	5.93%
Operating margin	1.73%	1.85%	1.89%	2.08%	1.88%	1.98%	1.99%	1.96%	2.05%	2.00%	2.06%	2.07%	2.03%	2.13%	2.07%
Pretax margin	1.57%	1.70%	1.73%	1.92%	1.84%	1.84%	1.86%	1.83%	1.93%	1.86%	1.93%	1.94%	1.90%	2.00%	1.88%
Net margin	1.07%	1.16%	1.25%	1.33%	1.20%	1.25%	1.26%	1.24%	1.31%	1.26%	1.31%	1.32%	1.29%	1.36%	1.32%

Source: Company reports and Mizuho Securities USA estimates. MCK Adjusted EPS excludes amortization of acquisition-related intangibles, acquisition expenses, litigation costs and LIFO adjustments. FY ends March 31st. MSUSA Adjusted EPS excludes amortization of acquisition-related intangibles, acquisition expenses within one year of closing, litigation costs, LIFO adjustments and one-time gains and other non-recurring one-time items.

Exhibit 23: MD Income Statement, 2015-2017E (\$M)

	2015E					2016E					2017E				
	Q1	Q2	Q3	Q4	Year	Q1A	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Net revenue	\$639.4	\$676.6	\$722.3	\$741.7	\$2,780.0	\$752.6	\$759.7	\$826.0	\$835.7	\$3,174.0	\$845.4	\$849.4	\$867.5	\$877.4	\$3,439.8
Practice SG&A	\$419.6	\$422.8	\$450.0	\$461.1	\$1,753.5	\$491.8	\$474.8	\$514.6	\$519.8	\$2,001.0	\$552.1	\$528.7	\$537.8	\$543.6	\$2,162.2
Practice supplies & other operating	23.4	24.9	24.0	26.2	98.5	27.0	26.6	27.6	28.8	110.1	30.0	29.7	28.2	28.5	116.5
G&A	67.9	72.4	80.2	85.4	305.9	90.0	87.4	94.2	95.3	366.8	98.1	97.7	96.3	97.4	389.4
EBITDA	\$128.4	\$156.5	\$168.0	\$169.1	\$622.1	\$143.8	\$170.9	\$189.6	\$191.8	\$696.2	\$165.3	\$193.2	\$205.2	\$208.0	\$771.6
Depreciation and amortization	\$13.6	\$15.5	\$16.9	\$18.1	\$64.2	\$19.6	\$20.0	\$21.6	\$23.0	\$84.1	\$23.4	\$23.8	\$24.2	\$24.6	\$95.9
Investment income	0.1	0.4	0.6	0.8	1.8	0.6	0.4	0.6	0.8	2.3	0.6	0.4	0.6	0.8	2.3
Interest expense	3.3	5.1	6.2	8.5	23.1	14.5	14.5	17.0	17.0	62.9	17.0	17.0	17.0	17.0	67.9
Equity income	0.8	0.7	0.8	0.8	3.1	0.8	0.8	0.8	0.8	3.2	0.8	0.8	0.9	0.9	3.4
Pretax Income	\$112.5	\$136.9	\$146.3	\$144.0	\$539.7	\$111.182	\$137.7	\$152.5	\$153.4	\$554.8	\$126.4	\$153.7	\$165.5	\$168.0	\$613.6
Taxes	43.9	52.9	55.6	51.6	204.0	43.4	53.2	57.2	56.8	210.5	49.3	59.4	62.0	62.2	232.9
Net income	68.6	84.0	90.6	92.4	335.7	67.8	84.5	95.3	96.7	344.2	77.1	94.3	103.4	105.8	380.7
Noncontrolling interests	0.1	0.1	0.1	0.3	0.6	0.1	0.1	0.1	0.1	0.4	0.1	0.1	0.1	0.1	0.4
Net Income	68.7	84.1	90.8	92.7	336.3	67.9	84.6	95.4	96.7	344.6	77.2	94.4	103.5	105.9	381.1
Diluted EPS Continuing Operations	\$0.72	\$0.90	\$0.97	\$0.99	\$3.58	\$0.73	\$0.91	\$1.02	\$1.03	\$3.68	\$0.82	\$1.00	\$1.10	\$1.12	\$4.04
Amortization Expense	0.06	0.07	0.07	0.08	0.28	0.09	0.09	0.11	0.11	0.38	0.12	0.12	0.12	0.12	0.46
MSUSA Adjusted EPS	\$0.78	\$0.97	\$1.04	\$1.07	\$3.86	\$0.82	\$0.99	\$1.12	\$1.14	\$4.07	\$0.94	\$1.12	\$1.21	\$1.24	\$4.51
Stock-based Compensation Expense	0.05	0.05	0.06	0.06	0.22	0.06	0.06	0.06	0.06	0.24	0.06	0.06	0.06	0.06	0.24
MD Adjusted EPS	\$0.83	\$1.02	\$1.10	\$1.13	\$4.08	\$0.87	\$1.05	\$1.18	\$1.20	\$4.30	\$1.00	\$1.18	\$1.27	\$1.30	\$4.75
Shares outstanding	95.3	93.5	93.6	93.5	94.0	93.1	93.4	93.7	94.0	93.5	94.1	94.2	94.3	94.4	94.2
Year-over-Year Change															
Revenue	+13%	+14%	+15%	+14%	+14%	+18%	+12%	+14%	+13%	+14%	+12%	+12%	+5%	+5%	+8%
Practice SG&A	+13%	+14%	+14%	+14%	+14%	+17%	+12%	+14%	+13%	+14%	+12%	+11%	+5%	+5%	+8%
Practice supplies & other operating	+9%	+11%	+11%	+11%	+11%	+15%	+7%	+15%	+10%	+12%	+11%	+12%	+2%	(1%)	+6%
G&A	+16%	+19%	+32%	+26%	+24%	+32%	+21%	+17%	+12%	+20%	+9%	+12%	+2%	+2%	+6%
EBITDA	+12%	+12%	+12%	+9%	+11%	+12%	+9%	+13%	+13%	+12%	+15%	+13%	+8%	+8%	+11%
Diluted EPS Continuing Operations	+14%	+14%	+13%	+11%	+13%	+1%	+1%	+5%	+4%	+3%	+13%	+11%	+8%	+9%	+10%
Adjusted EPS	+16%	+16%	+15%	+12%	+15%	+4%	+2%	+8%	+6%	+5%	+15%	+13%	+8%	+9%	+11%
Expense Analysis/Revenue															
Salaries & Benefits	65.6%	62.5%	62.3%	62.2%	63.1%	65.3%	62.5%	62.3%	62.2%	63.1%	65.3%	62.3%	62.0%	62.0%	62.9%
Supplies & Other operating	3.7%	3.7%	3.3%	3.5%	3.5%	3.6%	3.5%	3.3%	3.5%	3.5%	3.6%	3.5%	3.3%	3.3%	3.4%
General & Administrative	10.6%	10.7%	11.1%	11.5%	11.0%	12.0%	11.5%	11.4%	11.4%	11.6%	11.6%	11.5%	11.1%	11.1%	11.3%
Tax Rate	39.0%	38.6%	38.0%	35.8%	37.9%	39.0%	38.6%	37.5%	37.0%	38.0%	39.0%	38.6%	37.5%	37.0%	38.0%
Margin Analysis															
EBITDA Margin	20.1%	23.1%	23.3%	22.8%	22.4%	19.1%	22.5%	23.0%	23.0%	21.9%	19.6%	22.8%	23.7%	23.7%	22.4%
Pretax Margin	17.6%	20.2%	20.3%	19.4%	19.4%	14.8%	18.1%	18.5%	18.4%	17.5%	14.9%	18.1%	19.1%	19.1%	17.8%
Net Margin	10.7%	12.4%	12.6%	12.5%	12.1%	9.0%	11.1%	11.5%	11.6%	10.9%	9.1%	11.1%	11.9%	12.1%	11.1%

Source: Company reports and Mizuho Securities USA estimates. MSUSA Adjusted EPS excludes amortization of acquisition-related goodwill. MD adjusted EPS excludes amortization of acquisition-related goodwill and stock-based comp expense.

Exhibit 24: TMH Income Statement, 2015-2017E (\$mm)

	2015					2016E					2017E				
	Q1	Q2	Q3	Q4	Year	Q1A	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Net Revenue before bad debt	\$1,398.3	\$1,467.0	\$1,525.4	\$1,608.8	\$5,999.5	\$1,839.5	\$1,924.3	\$1,990.3	\$2,079.9	\$7,834.0	\$1,978.3	\$2,066.5	\$2,138.4	\$2,236.2	\$8,419.4
Bad Debt	(557.8)	(589.0)	(626.2)	(629.1)	(2,402.2)	(703.9)	(765.7)	(814.1)	(817.9)	(3,101.6)	(760.2)	(827.0)	(879.2)	(883.3)	(3,349.7)
Cash Net Revenue	\$840.5	\$878.0	\$899.2	\$979.6	\$3,597.2	\$1,135.6	\$1,158.6	\$1,176.2	\$1,262.0	\$4,732.4	\$1,218.1	\$1,239.5	\$1,259.2	\$1,352.8	\$5,069.6
Professional services	\$663.5	\$687.5	\$707.9	\$777.6	\$2,836.5	\$902.6	\$909.5	\$912.7	\$990.7	\$3,715.5	\$959.86	\$970.53	\$973.37	\$1,060.76	\$3,964.5
Professional liability costs	26.6	27.3	27.5	26.1	107.5	32.7	32.4	32.9	35.3	133.4	34.7	34.7	34.9	37.9	142.2
G&A	73.0	77.9	63.7	91.0	305.6	104.1	105.4	107.0	117.4	433.9	110.7	111.6	113.3	124.5	460.1
EBITDA	\$77.4	\$85.3	\$100.1	\$84.9	\$347.6	\$96.3	\$111.2	\$123.5	\$118.6	\$449.7	\$112.8	\$122.7	\$137.6	\$129.7	\$502.9
Depreciation	\$5.6	\$5.6	\$6.3	\$7.2	\$24.6	\$8.0	\$8.3	\$8.6	\$8.7	\$33.7	\$8.8	\$8.9	\$9.0	\$9.1	\$35.9
Amortization	20.3	21.2	20.6	21.5	83.6	23.5	23.6	23.7	23.8	94.6	24.3	24.7	25.1	25.5	99.6
Interest expense	4.0	4.6	5.6	16.9	31.0	31.3	31.3	31.3	31.3	125.2	31.2	31.2	31.2	31.2	124.8
Other (income)	(3.3)	1.0	2.1	(1.8)	(1.9)	(0.7)	1.0	2.1	(1.8)	0.6	(0.7)	1.0	2.1	(1.8)	0.6
Pretax Income	\$50.8	\$53.0	\$65.5	\$41.1	\$210.4	\$34.2	\$47.0	\$57.7	\$56.5	\$195.5	\$49.2	\$56.9	\$70.2	\$65.6	\$241.9
Taxes	21.9	22.4	25.7	16.6	86.6	12.9	18.1	22.2	21.8	75.0	18.7	21.6	26.7	24.9	91.9
Net income	\$28.9	\$30.6	\$39.8	\$24.5	\$123.8	\$21.3	\$28.9	\$35.5	\$34.8	\$120.5	\$30.5	\$35.3	\$43.5	\$40.7	\$150.0
Noncontrolling interests	(0.0)	(0.1)	(0.0)	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.3	0.3	0.3	0.3	1.0
Net Income	\$28.9	\$30.7	\$39.8	\$24.4	\$123.8	\$21.2	\$28.9	\$35.4	\$34.7	\$120.2	\$30.2	\$35.0	\$43.2	\$40.5	\$149.0
Diluted EPS Continuing Operations	\$0.39	\$0.41	\$0.54	\$0.34	\$1.67	\$0.28	\$0.38	\$0.47	\$0.46	\$1.59	\$0.40	\$0.46	\$0.57	\$0.53	\$1.97
Amortization Expense	0.20	0.21	0.20	0.21	0.83	0.23	0.23	0.23	0.23	0.90	0.23	0.23	0.24	0.24	0.95
MSUSA Adjusted EPS	\$0.59	\$0.62	\$0.74	\$0.55	\$2.50	\$0.51	\$0.61	\$0.69	\$0.68	\$2.49	\$0.63	\$0.70	\$0.81	\$0.77	\$2.91
Contingent purchase & other acquisition comp	0.09	0.09	(0.04)	0.06	0.21	0.12	0.06	0.06	0.06	0.29	0.09	0.09	0.09	0.09	0.34
TMH Adjusted EPS	\$0.68	\$0.70	\$0.68	\$0.61	\$2.68	\$0.62	\$0.67	\$0.75	\$0.74	\$2.78	\$0.72	\$0.78	\$0.89	\$0.86	\$3.25
Shares outstanding	72.9	73.6	73.7	72.6	73.2	74.9	75.6	75.7	76.0	75.5	75.6	75.7	75.8	75.9	75.8
Year-over-Year Change															
Revenue	+31%	+30%	+26%	+24%	+28%	+35%	+32%	+31%	+29%	+32%	+7%	+7%	+7%	+7%	+7%
Professional services	+32%	+35%	+30%	+25%	+30%	+36%	+32%	+29%	+27%	+31%	+6%	+7%	+7%	+7%	+7%
Professional liability costs	+31%	+15%	+22%	+8%	+19%	+23%	+19%	+20%	+35%	+24%	+6%	+7%	+6%	+7%	+7%
G&A	+18%	+9%	+4%	+16%	+12%	+42%	+35%	+68%	+29%	+42%	+6%	+6%	+6%	+6%	+6%
EBITDA	+33%	+22%	+22%	+28%	+26%	+24%	+30%	+23%	+40%	+29%	+17%	+10%	+11%	+9%	+12%
Adjusted EPS	+26%	+16%	+12%	+9%	+15%	(9%)	(5%)	+11%	+20%	+4%	+15%	+18%	+19%	+16%	+17%
Expense Analysis/Net Revenue															
Professional services	78.9%	78.3%	78.7%	79.4%	78.9%	79.5%	78.5%	77.6%	78.5%	78.5%	78.8%	78.3%	77.3%	78.4%	78.2%
Professional liability costs	3.2%	3.1%	3.1%	2.7%	3.0%	2.9%	2.8%	2.8%	2.8%	2.8%	2.9%	2.8%	2.8%	2.8%	2.8%
G&A	8.7%	8.9%	7.1%	9.3%	8.5%	9.2%	9.1%	9.1%	9.3%	9.2%	9.1%	9.0%	9.0%	9.2%	9.1%
Bad Debt (gross)	39.9%	40.2%	41.1%	39.1%	40.0%	38.3%	39.8%	40.9%	39.3%	39.6%	38.4%	40.0%	41.1%	39.5%	39.8%
Tax Rate	43.2%	42.2%	39.2%	40.4%	41.2%	37.7%	38.5%	38.5%	38.5%	38.3%	38.0%	38.0%	38.0%	38.0%	38.0%
Margin Analysis															
EBITDA Margin	9.2%	9.7%	11.1%	8.7%	9.7%	8.5%	9.6%	10.5%	9.4%	9.5%	9.3%	9.9%	10.9%	9.6%	9.9%
Pretax Margin	6.0%	6.0%	7.3%	4.2%	5.9%	3.0%	4.1%	4.9%	4.5%	4.1%	4.0%	4.6%	5.6%	4.9%	4.8%
Net Margin	3.4%	3.5%	4.4%	2.5%	3.5%	1.9%	2.5%	3.0%	2.8%	2.5%	2.5%	2.8%	3.4%	3.0%	2.9%
Adjusted EBITDA															
EBITDA	\$77.4	\$85.3	\$100.1	\$84.9	\$347.6	\$96.3	\$111.2	\$123.5	\$118.6	\$449.7	\$112.8	\$122.7	\$137.6	\$129.7	\$502.9
Contingent purchase & other acquisition comp	7.9	7.9	(3.5)	5.1	17.3	9.1	7.5	4.0	5.1	25.7	10.0	8.3	4.4	5.6	28.2
Equity-based comp	3.5	5.7	4.0	4.3	17.5	7.6	5.9	4.1	4.5	22.1	7.9	6.1	4.3	4.7	23.0
Other	0.5	0.5	0.5	1.4	3.0	0.9	0.5	0.5	1.4	3.3	0.9	0.5	0.5	1.4	3.3
TMH Adjusted EBITDA	\$89.3	\$99.3	\$101.1	\$95.7	\$385.4	\$113.8	\$125.1	\$132.2	\$129.6	\$500.8	\$131.5	\$137.6	\$146.9	\$141.4	\$557.4
TMH Adjusted EBITDA margin	10.6%	11.3%	11.2%	9.8%	10.7%	10.0%	10.8%	11.2%	10.3%	10.6%	10.8%	11.1%	11.7%	10.5%	11.0%
Add back equity based compensation	3.5	5.7	4.0	4.3	17.5	7.6	5.9	4.1	4.5	22.1	7.9	6.1	4.3	4.7	23.0
MSUSA adjusted EBITDA for valuation calculation	\$85.8	\$93.7	\$97.1	\$91.4	\$367.9	\$106.3	\$119.2	\$128.0	\$125.1	\$478.6	\$123.7	\$131.5	\$142.6	\$136.7	\$534.4
MSUSA Adjusted EBITDA margin	10.2%	10.7%	10.8%	9.3%	10.2%	9.4%	10.3%	10.9%	9.9%	10.1%	10.2%	10.6%	11.3%	10.1%	10.5%
% change year-over-year	+24.5%	+17.2%	+13.3%	+22.0%	+18.9%	+23.9%	+27.3%	+31.8%	+36.9%	+30.1%	+16.4%	+10.3%	+11.3%	+9.3%	+11.7%

Source: Company reports and Mizuho Securities Adjusted EPS excludes acquisition-related goodwill amortization, contingent purchase and other acquisition costs.

Exhibit 25: UHS Income Statement, 2015-2017E (\$mm)

	2015					2016E					2017E				
	Q1	Q2	Q3	Q4	Year	Q1A	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Revenues pre bad debt	\$2,380.1	\$2,452.7	\$2,439.1	\$2,512.9	\$9,784.7	\$2,619.6	\$2,626.7	\$2,598.6	\$2,679.0	\$10,523.9	\$2,783.2	\$2,761.0	\$2,723.4	\$2,806.1	\$11,073.7
<u>Bad Debt</u>	<u>154.7</u>	<u>177.5</u>	<u>211.4</u>	<u>197.6</u>	<u>741.3</u>	<u>169.8</u>	<u>200.1</u>	<u>239.5</u>	<u>223.7</u>	<u>833.0</u>	<u>174.9</u>	<u>206.1</u>	<u>246.6</u>	<u>230.4</u>	<u>858.0</u>
Cash Revenue	\$2,225.4	\$2,275.2	\$2,227.7	\$2,315.2	\$9,043.5	\$2,449.8	\$2,426.6	\$2,359.1	\$2,455.3	\$9,690.9	\$2,608.4	\$2,554.9	\$2,476.8	\$2,575.7	\$10,215.7
Supplies	\$238.7	\$241.0	\$242.3	\$252.1	\$974.1	\$255.3	\$252.4	\$253.6	\$264.2	\$1,025.4	\$270.0	\$265.7	\$262.5	\$274.4	\$1,072.6
Salaries & Wages	1,031.7	1,044.1	1,057.2	1,079.4	4,212.4	1,148.1	1,125.9	1,118.2	1,149.1	4,541.4	1,220.7	1,182.9	1,174.0	1,202.8	4,780.4
Other operating	506.0	535.7	529.4	548.7	2,119.8	561.6	570.3	561.5	577.0	2,270.3	592.1	597.8	589.5	602.7	2,382.1
Lease & Rental	22.9	23.2	24.5	24.3	95.0	24.5	24.1	25.5	25.3	99.4	25.4	25.1	26.5	26.3	103.4
HITECH	0.0	(1.4)	(0.4)	(14.1)	(15.8)	0.0	(1.4)	(0.4)	(14.1)	(15.8)	0.0	(0.7)	(0.2)	(7.0)	(7.9)
EBITDA	\$426.1	\$432.6	\$374.6	\$424.7	\$1,658.0	\$460.4	\$455.3	\$400.7	\$453.8	\$1,770.1	\$500.2	\$484.0	\$424.4	\$476.4	\$1,885.0
D&A	\$99.0	\$97.3	\$99.4	\$102.9	\$398.6	\$104.0	\$105.2	\$106.4	\$110.9	\$426.7	\$111.7	\$112.4	\$113.1	\$113.8	\$451.2
Interest Expense	30.0	27.7	27.1	28.6	113.5	29.6	29.6	29.6	29.6	118.4	29.3	29.0	28.7	28.4	115.4
Pretax Income	\$297.0	\$307.7	\$248.0	\$293.1	\$1,145.9	\$326.7	\$320.5	\$264.6	\$313.2	\$1,225.0	\$359.1	\$342.6	\$282.6	\$334.1	\$1,318.4
Taxes	102.7	106.3	84.4	101.8	395.2	111.0	110.6	91.3	108.1	420.9	123.9	118.2	97.5	115.3	454.8
UHS Net Income	194.3	201.4	163.7	191.3	750.7	215.7	209.9	173.3	205.2	804.1	235.2	224.4	185.1	218.9	863.5
Noncontrolling interests	20.0	19.2	13.4	17.6	70.2	25.0	20.2	14.3	18.8	78.2	27.1	21.5	15.1	19.7	83.5
Continuing OP Net Income	174.3	182.2	150.3	173.7	680.5	190.8	189.7	159.0	186.4	725.9	208.1	202.9	169.9	199.2	780.1
MSUSA Adjusted EPS	\$1.73	\$1.80	\$1.48	\$1.74	\$6.75	\$1.93	\$1.92	\$1.61	\$1.89	\$7.35	\$2.13	\$2.09	\$1.76	\$2.07	\$8.05
EHR implementation	0.05	0.04	0.05	(0.03)	0.11	0.05	0.04	0.04	0.04	0.17	0.02	0.02	0.02	0.02	0.08
Other items not adjusted by MSUSA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
UHS Adjusted EPS	\$1.78	\$1.85	\$1.53	\$1.71	\$6.86	\$1.98	\$1.96	\$1.65	\$1.93	\$7.53	\$2.15	\$2.11	\$1.78	\$2.09	\$8.13
Weighted Avg. Shares	100.6	100.9	101.2	100.0	100.7	98.9	98.8	98.6	98.6	98.7	97.6	97.0	96.4	96.3	96.8
Year-over-Year Change															
Cash Revenue	+16%	+13%	+10%	+10%	+12%	+10%	+7%	+6%	+6%	+7%	+6%	+5%	+5%	+5%	+5%
EBITDA	+20%	+13%	+7%	+6%	+11%	+8%	+5%	+7%	+7%	+7%	+9%	+6%	+6%	+5%	+6%
EPS - Operating	+32%	+19%	+12%	+9%	+18%	+11%	+6%	+9%	+9%	+9%	+11%	+9%	+9%	+9%	+10%
Expense Analysis/Revenue															
Supplies	10.7%	10.6%	10.9%	10.9%	10.8%	10.4%	10.4%	10.8%	10.8%	10.6%	10.4%	10.4%	10.6%	10.7%	10.5%
Salaries & Wages	46.4%	45.9%	47.5%	46.6%	46.6%	46.9%	46.4%	47.4%	46.8%	46.9%	46.8%	46.3%	47.4%	46.7%	46.8%
Bad Debt	6.5%	7.2%	8.7%	7.9%	7.6%	6.5%	7.6%	9.2%	8.4%	7.9%	6.3%	7.5%	9.1%	8.2%	7.8%
Other operating expenses	22.7%	23.5%	23.8%	23.7%	23.4%	22.9%	23.5%	23.8%	23.5%	23.4%	22.7%	23.4%	23.8%	23.4%	23.3%
Tax Rate	34.6%	34.5%	34.0%	34.7%	34.5%	34.0%	34.5%	34.5%	34.5%	34.4%	34.5%	34.5%	34.5%	34.5%	34.5%
Margin Analysis															
EBITDA Margin	19.1%	19.0%	16.8%	18.3%	18.3%	18.8%	18.8%	17.0%	18.5%	18.3%	19.2%	18.9%	17.1%	18.5%	18.5%
Adjusted EBITDA Margin*	18.2%	18.2%	16.2%	17.6%	17.6%	17.8%	17.9%	16.4%	17.7%	17.5%	18.1%	18.1%	16.5%	17.7%	17.6%
Pretax Margin	13.3%	13.5%	11.1%	12.7%	12.7%	13.3%	13.2%	11.2%	12.8%	12.6%	13.8%	13.4%	11.4%	13.0%	12.9%
Net Margin	7.8%	8.0%	6.7%	7.5%	7.5%	7.8%	7.8%	6.7%	7.6%	7.5%	8.0%	7.9%	6.9%	7.7%	7.6%

Source: Company Reports and Mizuho Securities USA estimates. Adjusted EBITDA = EBITDA plus equity income minus non-controlling interests.

Exhibit 26: WBA Income Statement, FY15-FY18E (\$mm)

	FY15		FY16E						FY17E						FY18E					
	Q4	Year	Q1A	Q2A	Q3A	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year			
Consolidated Revenue	\$28,522	\$103,444	\$29,033	\$30,184	\$29,498	\$29,241	\$117,956	\$29,822	\$30,983	\$30,417	\$30,165	\$121,387	\$30,832	\$32,088	\$31,472	\$31,283	\$125,675			
Cost of Sales	\$21,148	\$76,235	\$21,485	\$22,172	\$21,909	\$21,793	\$87,359	\$22,133	\$22,811	\$22,624	\$22,529	\$90,097	\$22,949	\$23,672	\$23,455	\$23,408	\$93,484			
Gross Profit	\$7,374	\$27,209	\$7,548	\$8,012	\$7,589	\$7,448	\$30,597	\$7,689	\$8,171	\$7,792	\$7,636	\$31,290	\$7,883	\$8,416	\$8,017	\$7,875	\$32,191			
SG&A	\$5,924	\$21,260	\$5,829	\$5,892	\$5,783	\$5,872	\$23,376	\$5,857	\$5,980	\$5,879	\$5,911	\$23,626	\$5,922	\$6,097	\$5,992	\$6,030	\$24,041			
Operating Profit Before Equity Income	\$1,450	\$5,949	\$1,719	\$2,120	\$1,806	\$1,576	\$7,221	\$1,832	\$2,192	\$1,914	\$1,726	\$7,664	\$1,961	\$2,320	\$2,025	\$1,845	\$8,150			
Equity Income	\$0	\$208	\$0	\$0	\$8	\$44	\$52	\$44	\$46	\$60	\$47	\$197	\$46	\$51	\$68	\$53	\$218			
Operating Income Including Equity	\$1,450	\$6,157	\$1,719	\$2,120	\$1,814	\$1,620	\$7,273	\$1,876	\$2,238	\$1,974	\$1,773	\$7,861	\$2,006	\$2,371	\$2,093	\$1,898	\$8,368			
Interest	156	471	138	140	143	143	564	143	143	143	143	572	143	143	143	143	572			
Other Income	0	0	0	0	15	0	15	0	0	0	0	0	0	0	0	0	0			
Pretax Income	\$1,294	\$6,628	\$1,581	\$1,980	\$1,686	\$1,477	\$6,724	\$1,733	\$2,095	\$1,831	\$1,630	\$7,289	\$1,863	\$2,228	\$1,950	\$1,755	\$7,796			
Taxes	328	1,563	453	561	409	390	1,813	456	553	478	427	1,915	491	588	508	459	2,046			
Post tax earnings from equity invest.	9	24	11	9	15	9	44	11	9	16	10	46	12	10	16	10	48			
Net Income	975	4,147	1,139	1,428	1,292	1,097	4,956	1,289	1,551	1,369	1,212	5,420	1,385	1,650	1,458	1,305	5,798			
Noncontrolling interest	6	59	7	2	4	10	23	7	2	4	10	24	8	2	4	11	25			
WAG Adjusted Net Income	969	4,088	1,132	1,426	1,288	1,087	4,933	1,281	1,549	1,364	1,202	5,397	1,377	1,648	1,453	1,295	5,773			
WBA Adjusted EPS*	\$0.88	\$3.88	\$1.03	\$1.31	\$1.18	\$1.00	\$4.52	\$1.18	\$1.43	\$1.27	\$1.12	\$5.00	\$1.30	\$1.57	\$1.39	\$1.24	\$5.50			
Acquisition-related amortization	0.08	0.35	0.05	0.07	0.07	0.07	0.26	0.07	0.07	0.07	0.07	0.27	0.07	0.07	0.07	0.07	0.27			
LIFO adjustment	0.05	0.17	0.03	0.05	0.07	0.05	0.19	0.03	0.05	0.07	0.05	0.19	0.03	0.05	0.07	0.05	0.19			
Cost transformation	0.20	0.31	0.06	0.02	0.05	0.05	0.18	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00			
MSUSA Adjusted EPS	\$0.63	\$3.40	\$0.94	\$1.25	\$1.07	\$0.90	\$4.15	\$1.15	\$1.39	\$1.20	\$1.07	\$4.81	\$1.27	\$1.52	\$1.32	\$1.19	\$5.31			
Diluted shares (MM)	1,102.5	1,053.9	1,098.6	1,088.4	1,088.2	1,087.4	1,090.7	1,085.8	1,081.1	1,076.3	1,071.6	1,078.7	1,057.0	1,052.3	1,047.7	1,043.1	1,050.0			
Growth Analysis (Y/Y)																				
Revenues	+49.7%	+35.4%	+48.5%	+13.6%	+2.4%	+2.5%	+14.0%	+2.7%	+2.6%	+3.1%	+3.2%	+2.9%	+3.4%	+3.6%	+3.5%	+3.7%	+3.5%			
COGS	+53.9%	+39.4%	+51.2%	+12.9%	+3.1%	+3.0%	+14.6%	+3.0%	+2.9%	+3.3%	+3.4%	+3.1%	+3.7%	+3.8%	+3.7%	+3.9%	+3.8%			
Gross Profit	+38.7%	+25.3%	+41.1%	+15.5%	+0.5%	+1.0%	+12.5%	+1.9%	+2.0%	+2.7%	+2.5%	+2.3%	+2.5%	+3.0%	+2.9%	+3.1%	+2.9%			
SG&A	+38.6%	+22.3%	+34.4%	+13.4%	(0.3%)	(0.9%)	+10.0%	+0.5%	+1.5%	+1.7%	+0.7%	+1.1%	+1.1%	+2.0%	+1.9%	+2.0%	+1.8%			
Operating Profit	+39.3%	+37.2%	+70.0%	+21.9%	+3.3%	+8.7%	+21.4%	+6.6%	+3.4%	+6.0%	+9.5%	+6.1%	+7.0%	+5.8%	+5.8%	+6.9%	+6.3%			
Operating Profit Post Equity Income	+26.9%	+26.0%	+53.8%	+15.2%	+3.7%	+11.7%	+18.1%	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM			
Adjusted EPS	+18.0%	+18.1%	+31.5%	+10.8%	+15.6%	+13.7%	+16.6%	+14.5%	+9.3%	+7.1%	+12.3%	+10.6%	+10.4%	+9.3%	+9.4%	+10.6%	+9.9%			
Expense Analysis																				
Cost of Good sold	74.1%	73.6%	74.0%	73.5%	74.3%	74.5%	74.1%	74.2%	73.6%	74.4%	74.7%	74.2%	74.4%	73.8%	74.5%	74.8%	74.4%			
SG&A	20.8%	20.7%	20.1%	19.5%	19.6%	20.1%	19.8%	19.6%	19.3%	19.3%	19.6%	19.5%	19.2%	19.0%	19.0%	19.3%	19.1%			
Tax Rate	25.3%	27.4%	28.7%	28.3%	24.3%	27.2%	27.1%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%			
Margin Analysis																				
Gross Margin	25.9%	26.3%	26.0%	26.5%	25.7%	25.5%	25.9%	25.8%	26.4%	25.6%	25.3%	25.8%	25.6%	26.2%	25.5%	25.2%	25.6%			
Operating Margin	5.1%	5.8%	5.9%	7.0%	6.1%	5.4%	6.1%	6.1%	7.1%	6.3%	5.7%	6.3%	6.4%	7.2%	6.4%	5.9%	6.5%			
EBITDA Margin	6.8%	7.4%	7.2%	8.5%	7.6%	6.9%	7.6%	7.5%	8.5%	7.8%	7.2%	7.8%	7.6%	8.7%	7.9%	7.4%	7.9%			
Pretax Margin	4.5%	6.4%	5.4%	6.6%	5.7%	5.1%	5.7%	5.8%	6.8%	6.0%	5.4%	6.0%	6.0%	6.9%	6.2%	5.6%	6.2%			
Net Income	3.4%	4.0%	3.9%	4.7%	4.4%	3.8%	4.2%	4.3%	5.0%	4.5%	4.0%	4.5%	4.5%	5.1%	4.6%	4.2%	4.6%			
EBITDA Analysis																				
D&A	\$478	\$1,742	\$382	\$442	\$447	\$447	\$1,718	\$390	\$451	\$456	\$456	\$1,752	\$397	\$460	\$465	\$465	\$1,787			
EBITDA	\$1,928	\$7,691	\$2,101	\$2,562	\$2,253	\$2,023	\$8,939	\$2,222	\$2,643	\$2,370	\$2,182	\$9,416	\$2,358	\$2,780	\$2,490	\$2,310	\$9,938			
% change y/y	+42.2%	+36.1%	+58.0%	+14.1%	+3.0%	+4.9%	+16.2%	+5.8%	+3.1%	+5.2%	+7.8%	+5.3%	+6.1%	+5.2%	+5.1%	+5.9%	+5.5%			

Source: Company reports and Mizuho Securities USA estimates. *Adjusted EPS is a non-GAAP EPS that excludes one-time charges, acquisition related amortization and adjusts for the LIFO provision.

Price Target Calculation and Key Risks

AAC Holdings, Inc.

Our price target of \$26 is based on 12x our 2016E EV/EBITDA. Although the shares deserve to trade at a premium valuation given the company's growth profile, valuation multiples appear unlikely to expand further given the ongoing legal issues in California. Risks to valuation include M&A integration, disruptions or delays to the development pipeline, the regulatory backdrop and increased competition. We intend to address the discrepancy between our rating and PT upon the conclusion of key upcoming legal proceedings.

Acadia Healthcare Company, Inc.

- Our \$71 price target is based on 14.9x our CY16E EV/EBITDA. Risks to valuation include private and government payer reimbursement pressures, increased international and currency exposure, the intense regulatory landscape, multiple contraction, and competition from acquisitions and integration risks.

Amerisource Bergen Corp.

Our valuation of \$80 is based on 14x our adjusted operating calendar 2016E EPS, plus the value of cash. Risks to valuation include pricing pressure from government and private payers, soft prescription drug utilization due to the economy, loss of major clients and a competitive pricing environment.

AmSurg Corporation

Our price target of \$95 is based on 12.0x 2016E Proforma EV/EBITDA, in-line with the company's two-year trading average. We believe M&A, cross-selling opportunities and organic growth are driving upside. Risks to our thesis include increased competition in the sector, acquisition integration risk, government reimbursement pressures, client and affiliated physician retention rates, increases in physician compensation, a change in payer mix, and M&A integration risks.

Cardinal Health, Inc.

Our valuation of \$91 is based on 16.7x our CY16E adjusted EPS plus the value of cash/share or an 8% free cash flow yield. Risks to valuation include pricing pressure from government, private payers and manufacturers, soft prescription drug utilization, loss of major clients and a competitive pricing environment.

CVS Health

Our valuation of \$108 assumes the company will trade at a free cash flow yield of 6% based on 2017E adjusted FCF, in-line with healthcare services peers. Risks include continued soft prescription volume due to the economy, market share shifts resulting from the introduction of health reform, loss of key client contracts, increased government regulation, industry pricing pressure and increased competition.

Diplomat Pharmacy, Inc.

Our \$33 price target is based on a 20.0x multiple applied to our 2016 adjusted EV/EBITDA estimate. Risks to our estimates include potential disruptions to the supply

of key drugs, reimbursement pressures, contract losses, and concentrated ownership of shares outstanding.

Envision Healthcare Holdings, Inc.

Our price target of \$27 is based on 10.7x 2016E EV/EBITDA, is in-line with the group's 10-year trading multiple. Risks to valuation include pressure from government and private payers, industry regulation, wage inflation and a shortage of qualified physicians, competition for acquisitions and a negative hospital volume and payer mix environment.

Express Scripts Inc.

Our valuation of \$77 is based on a 13.5x multiple applied to our 2016E adjusted EPS adjusted further for the potential reduction to EPS from the price check with a large client. Risk to valuation includes downside risk to EPS from its current contract negotiations with one of its largest clients, loss of key client contracts, continued soft prescription volume due to the economy, increased government regulation, and industry pricing pressure.

HCA Holdings, Inc.

Our valuation of \$102 is based on a blend of 9.3x our 2016E EV/EBITDA less NCI, a P/E of 17.1x (PEG of 1.0x) our \$6.51 2016E EPS, and our target FCF yield of 5%. The average of these methods yields our \$102 PT, which is also well below our \$150 value from DCF model using a 4.3% WACC (per Bloomberg) and a 0% terminal growth rate. We believe HCA should trade at the high-end of historical EV/EBITDA trends from 2000-2007 given its clear leadership in FCF generation and the continuing growth opportunities that FCF supports, coupled with the potential EPS accretion from the recently announced \$3B share repurchase.

Risks to valuation include pricing pressure from government and private payors, continued soft volume growth, further deterioration of bad debt, competition for acquisitions, increasing labor costs and labor market shortages, HITECH payment risk, a levered balance sheet and the implementation of all of the provisions of the ACA and other recent legislation (MACRA and IMPACT).

HealthSouth Corporation

Our 12-month price target of \$47 is based on 9.2x our 2017E EBITDA, at the lower end of post-acute facility trading ranges of 9-11x and consistent with the current multiple on 2016E EBITDA. We believe HLS deserves to trade in this range given its free cash flow generation, but see the shifting mix from organic to acquired growth as likely to keep the target multiple at the lower end of that range. Risks to valuation include cuts in reimbursement from private payors and the government, competition, government investigations and litigation, increasing costs (including but not limited to labor costs), increased government regulation and investigations, and potential bundling of payments.

IMS Health Holdings, Inc.

Our \$27 price target is based on 17.3x our adjusted 2016E adjusted EPS of \$1.60, in-line with business services peers. Risks to our estimate include consolidation of clients,

competition, pricing pressure, emerging market geopolitical risk and acquisition integration.

Kindred Healthcare, Inc.

Our one-year PT of \$11.00 for KND shares is based on an 11.3x EV/Core EBITDA less NCI. Given our post-acute sector concerns, we see these multiples as reasonably valuing KND.

Risks to our PT and rating include but are not limited to: execution risk, reimbursement risk, changes in upstream (hospital volume) and referral patterns in response to changing reimbursement methods (especially for KND's LTACHs) and incentives, changes in regulations and the potential for M&A (both as a buyer and as a target).

Laboratory Corp. of America Holdings

Our valuation of \$132 is based on 15.0x our 2016E adjusted EPS. Risk to valuation include integration issues with recent acquisitions, physician in-sourcing of lab testing, changes to pricing from government and private payors, introductions of Medicare co-payments and deductibles for laboratory services, continued weak testing volumes, competition and increased government regulation.

McKesson Corporation

Our valuation of \$174 is based on 13.5x FY17E adjusted EPS adjusted for the estimated contribution for the potential loss of the RAD contract. Risks to valuation include pricing pressure from government, private payers and manufactures, soft prescription drug utilization, loss of major clients, a competitive pricing environment and integration of acquisitions.

MEDNAX, Inc.

Our \$79 price target is based on a 12.6x multiple applied to our 2016E adjusted EV/EBITDA. Our valuation multiple is in-line with the current forward-year multiple and near the high-end of the industry average range of 11x-14x over the last two to five years. We view a premium valuation multiple as warranted given the company's earnings visibility and consolidation opportunity. Risks to our thesis include increased competition in the sector, government reimbursement pressures, client and affiliated physician retention rates, and M&A integration risks.

Quest Diagnostics Inc.

Our valuation of \$84 is based on 16.4x our 2016 adjusted EPS and represents a 6% free cash flow yield. We think shares will trade at its 10-year high given cash deployment trends. Risks to valuation include integration of recent acquisitions, physician in-sourcing of lab testing, changes to pricing from government and private payors, introductions of Medicare co-payments and deductibles for laboratory services, continued weak testing volumes, competition and increased government regulation.

Rite Aid Corporation

Our valuation of \$9 is based is on the pending deal price of WBA acquiring RAD. Risks to valuation include if the deal does not go through pending FTC approval.

Team Health Holdings Inc

Our price target of \$47 is based on 12x 2016E EV/EBITDA, is in-line with TMH's two-year. We believe risk-reward appear balanced particularly given IPCM execution risks. Risks to our thesis include increased competition in the sector, acquisition integration risk, government reimbursement pressures, client and affiliated physician retention rates, increases in physician compensation, a change in payer mix, and M&A integration risks.

UnitedHealth Group Incorporated

Price Target Methodology: Our \$160 one-year PT is based on a 50/50 blend of our DCF model using a 2.5% long-term growth rate, of \$175; and a target P/E of 16x our 2017E Adjusted EPS of \$8.98, for a PEG of 1x on our 2016E EPS of 7.89, up 18.2% from 2015 when ACA losses of \$0.38 YTD are added back to our 2016 estimate, which equates to a target of \$143.75. Blending the two equally yields our \$160 1-year price target for UNH shares.

Key Risks: Among the key risks to our rating and price target are execution risk; reimbursement and regulatory risks; competitive risks and market risk. Further, UNH is modestly exposed to exchange rate risk, with less than 5% of its revenue derived from its global businesses, principally in Brazil. Execution risk includes risks in both the benefits and services businesses. In the benefits business, estimation of cost trends and other actuarial calculations are critical activities as they influence pricing and reserves for the Company's insurance products. Any misstep there could result in a material and negative effect on the stock price. In addition, the Optum services business is highly innovative and technology driven. Missteps there could lead to the potential for material disappointments in results and multiple compression. Reimbursement and regulatory risk could not only affect pricing, but also members served. The timing and extent of such changes are usually out of the Company's control and therefore could represent exogenous events with negative earnings and stock price implications. Should tax subsidies for Federal Exchange premiums be overturned by the Supreme Court, there could be meaningful downside to multiples, earnings and the stock price.

Universal Health Services Inc.

Our valuation of \$150 is based on a sum-of-the-parts analysis for 2016E EBITDA. We believe UHS should be valued on a sum-of-the-parts analysis given the inherent growth potential driven by health reform in both businesses in the coming years. Risks to valuation include pricing pressure from government and private payers, continued soft volume growth, Las Vegas Exposure and further deterioration of bad debt.

Walgreens Boots Alliance, Inc.

Our valuation of \$90 is based on 16.9x multiple applied to our FY17E adjusted pro forma EPS including RAD of \$5.30. Risk to valuation include exclusion of pharmacy benefit manager (PBM) provider networks, sales pressures due to the economy, increased government regulation, changes to pricing benchmarks, European exposure with the Alliance Boots acquisition and the FTC approval of the pending acquisition of RAD.

Companies Mentioned (prices as of 7/25)

AAC Holdings, Inc. (AAC- Buy \$22.62)	Acadia Healthcare Company, Inc. (ACHC- Buy \$54.18)
Amedisys, Inc. (AMED- Buy \$52.52)	Amerisource Bergen Corp. (ABC- Neutral \$85.41)
AmSurg Corporation (AMSG- Buy \$77.10)	Cardinal Health, Inc. (CAH- Buy \$82.86)
Community Health Systems, Inc. (CYH- Underperform \$12.81)	CVS Health (CVS- Buy \$94.04)
Diplomat Pharmacy, Inc. (DPLQ- Neutral \$36.21)	Envision Healthcare Holdings, Inc. (EVHC- Neutral \$25.45)
Express Scripts Inc. (ESRX- Neutral \$77.39)	HCA Holdings, Inc. (HCA- Buy \$79.70)
Health Management Associates Inc. (HMA- Not Rated)	HealthSouth Corporation (HLS- Buy \$40.96)
IMS Health Holdings, Inc. (IMS- Buy \$28.74)	Kindred Healthcare, Inc. (KND- Neutral \$12.14)
Laboratory Corp. of America Holdings (LH- Neutral \$137.84)	LifePoint Health, Inc. (LPNT- Neutral \$65.78)
McKesson Corporation (MCK- Neutral \$196.01)	MEDNAX, Inc. (MD- Buy \$75.18)
Quest Diagnostics Inc. (DGX- Buy \$84.45)	Rite Aid Corporation (RAD- Buy \$6.92)
Team Health Holdings Inc (TMH- Neutral \$42.70)	Universal Health Services Inc. (UHS- Buy \$136.64)
Walgreens Boots Alliance, Inc. (WBA- Buy \$81.57)	

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Rating Distribution

(As of 7/25)	% of coverage	IB service past 12 mo
Buy (Buy)	45.41%	37.23%
Hold (Neutral)	52.66%	25.69%
Sell (Underperform)	1.93%	25.00%

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