

THOMSON REUTERS STREETEVENTS

# EDITED TRANSCRIPT

ANTM - Q1 2019 Anthem Inc Earnings Call

EVENT DATE/TIME: APRIL 24, 2019 / 12:30PM GMT

## OVERVIEW:

Co. reported 1Q19 operating revenue of \$24.4b, GAAP EPS of \$5.91 and adjusted EPS of \$6.03. Expects full-year 2019 adjusted EPS to be at least \$19.20.



APRIL 24, 2019 / 12:30PM, ANTM - Q1 2019 Anthem Inc Earnings Call

## CORPORATE PARTICIPANTS

**Chris Rigg** *Anthem, Inc. - VP, IR*

**Felicia Farr Norwood** *Anthem, Inc. - Executive VP & President of Government Business Division*

**Gail Koziara Boudreaux** *Anthem, Inc. - President & CEO*

**John Edward Gallina** *Anthem, Inc. - Executive VP & CFO*

**Peter David Haytaian** *Anthem, Inc. - Executive VP and President of Commercial & Specialty Business Division*

## CONFERENCE CALL PARTICIPANTS

**Albert J. William Rice** *Crédit Suisse AG, Research Division - Research Analyst*

**Anagha A. Gupte** *SVB Leerink LLC, Research Division - MD of Healthcare Services & Senior Research Analyst*

**Charles Rhyee** *Cowen and Company, LLC, Research Division - MD and Senior Research Analyst*

**David Howard Windley** *Jefferies LLC, Research Division - Equity Analyst*

**Frank George Morgan** *RBC Capital Markets, LLC, Research Division - MD of Healthcare Services Equity Research*

**Gary Paul Taylor** *JP Morgan Chase & Co, Research Division - Analyst*

**Joshua Richard Raskin** *Nephron Research LLC - Research Analyst*

**Justin Lake** *Wolfe Research, LLC - MD & Senior Healthcare Services Analyst*

**Kevin Mark Fischbeck** *BofA Merrill Lynch, Research Division - MD in Equity Research*

**Lance Arthur Wilkes** *Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst*

**Matthew Richard Borsch** *BMO Capital Markets Equity Research - Research Analyst*

**Peter Heinz Costa** *Wells Fargo Securities, LLC, Research Division - MD and Senior Analyst*

**Ralph Giacobbe** *Citigroup Inc, Research Division - Director*

**Sarah Elizabeth James** *Piper Jaffray Companies, Research Division - Senior Research Analyst*

**Scott J. Fidel** *Stephens Inc., Research Division - MD & Analyst*

**Stephen Vartan Tanal** *Goldman Sachs Group Inc., Research Division - Equity Analyst*

**Steven James Valiquette** *Barclays Bank PLC, Research Division - Research Analyst*

**Zachary William Sopcak** *Morgan Stanley, Research Division - VP on the Healthcare Services and Distribution Team*

## PRESENTATION

### Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Anthem First Quarter Results Conference Call. (Operator Instructions) As a reminder, this conference is being recorded.

I'd now like to turn the conference over to the company's management.



## APRIL 24, 2019 / 12:30PM, ANTM - Q1 2019 Anthem Inc Earnings Call

**Chris Rigg** - Anthem, Inc. - VP, IR

Good morning, and welcome to Anthem's First Quarter 2019 Earnings Call. This is Chris Rigg, Vice President of Investor Relations. And with us this morning are Gail Boudreaux, President and CEO; John Gallina, our CFO; Pete Haytaian, President of our Commercial & Specialty Business Division; and Felicia Norwood, President of our Government Business Division.

Gail will begin the call by giving an overview of our first quarter financial results, followed by comments on our key business initiatives and enterprise-wide growth priorities. John will then discuss our key financial metrics in greater detail and go over our updated 2019 outlook. We will then be available for Q&A.

During the call, we will reference certain non-GAAP measures. Reconciliations of these non-GAAP measures to the most directly comparable GAAP measures are available on our website at [antheminc.com](http://antheminc.com).

We will also be making some forward-looking statements on this call. Listeners are cautioned that these statements are subject to certain risks and uncertainties, many of which are difficult to predict and generally beyond the control of Anthem. These risks and uncertainties can cause actual results to differ materially from our current expectations. We advise listeners to carefully review the risk factors discussed in today's press release and in our quarterly filings with the SEC.

I will now turn the call over to Gail.

---

**Gail Koziara Boudreaux** - Anthem, Inc. - President & CEO

Good morning, and thank you for joining us for Anthem's first quarter earnings call. Today, we reported a strong start to 2019 with first quarter GAAP earnings per share of \$5.91 and adjusted earnings per share of \$6.03, driven by our strongest risk-based membership growth in nearly a decade.

With confidence and growing momentum, we are increasing our full year adjusted earnings per share guidance to greater than \$19.20 per share. During the first quarter, we grew total medical membership by 905,000 consumers across all business lines, with more than 75% of that growth coming from risk-based membership.

At Investor Day, we committed to growing our Commercial Business, in part by developing a broad suite of new consumer products and making it easier for our customers and brokers to do business with us. We've redesigned our business processes, streamlined our service offerings and enhanced our online employer shopping portal and digital broker tools.

During the quarter, our Commercial Business added nearly 400,000 members. Of note, risk-based group membership increased in the quarter reflecting a substantial improvement over the mid-single-digit decline in the first quarter of 2018. Administrative fees and other revenue increased by more than 7% over the prior year quarter, outpacing fee-based membership growth, demonstrating that our sales of our Specialty products and clinical wellness solutions are gaining traction in the market.

Our Medicare Advantage enrollment grew by nearly 14% in the first quarter, above the market and driven by our unique supplemental benefits. As part of our Medicare offering, we launched a Social Determinants of Health Benefits Package, in which members can expand coverage for benefits such as healthy meals, transportation, adult daycare and in-home personal care. Our focus on caring for the whole person is designed to deliver better care and outcome, reduce costs and ultimately accelerate growth. We are on track to deliver on our full year Medicare Advantage growth target of greater than 20%, and we continue to expect year-end group Medicare Advantage enrollment of nearly 200,000 members.

As a result of our strong product and service offerings for dual special needs members, we've historically seen approximately 60% of our individual Medicare Advantage growth coming from outside of the annual enrollment period. Currently, over 20% of our individual Medicare Advantage members are enrolled in dual special needs plans. Over the last 12 months, we've added nearly 600,000 members in Medicaid, including approximately 330,000 members through the successful launch of our alliance with Blue Cross Blue Shield of Minnesota in January. We expect our partnership

APRIL 24, 2019 / 12:30PM, ANTM - Q1 2019 Anthem Inc Earnings Call

model will continue to accelerate growth over the near term with Blue Cross Blue Shield of North Carolina and through a recently expanded agreement with Blue Cross Blue Shield of Louisiana for the dual eligible population.

As we look ahead, chronic care and value-based solutions like CareMore and Aspire are clear differentiators as states move medically complex populations into managed care. These offerings not only position us for long-term growth in our own states, but allow us to be the partner of choice for our Blue peers.

Beyond the capabilities of CareMore and Aspire, we are also developing unique public/private partnerships, such as our Blue Triangle program. The program seeks to improve the quality of life and foster independence for Indiana's Medicaid members. Launched in 2017, Blue Triangle targets homeless individuals with a variety of unmet physical and mental health needs and provides them with additional health care, housing and social support. Since inception, the program has reduced inpatient behavioral health cost by 55% and emergency room spending by 32%. While at the same time, moving 59% of program participants into permanent housing. We are pleased with the results of our Blue Triangle program and recognize the impact our partnership can bring to our members and our communities.

Medical cost performance in the first quarter was in line with expectations and reflected a relentless focus on managing the overall cost of care. The relationships we have built with care providers is driven by our unmatched local market presence. We continue to strengthen those relationships through programs like enhanced personal health care, enabling Anthem to lead the industry and value-based payment penetration.

The growth of our value-based care model has been substantial. By the end of 2019, we expect to have 58% of medical spend tied to value-based care, up from 49% in 2017. Further, in 2019, we expect 30% of value-based care will be tied to shared savings program, up from 24% in 2018. And we are well positioned to achieve our 2023 target of 50%. All in, we expect enhanced personal health care to generate nearly \$600 million of savings for our customers and consumers during 2019.

Our efforts in value-based care are supported through our artificial intelligence programs, like Predictive Service, which allow us to determine when members or care providers may call us. And rather than waiting for them to call, we reach out to them proactively via phone, text or e-mail. AI enables this program by understanding patterns and reasons that trigger calls. Based on these patterns, we can link AI to events that happen on a regular basis, such as claims adjustments, referrals and prior authorization requests, improving both the care provider and consumer experience as well as the cost of care.

Turning to our pharmacy business. Earlier this month, IngenioRx hosted its Second Annual Client Conference. Attendance more than doubled this year and was well attended by consultants, brokers and current and prospected employer and Blue plan clients. In its role as a true thought leader, IngenioRx leaders discussed topics ranging from how we approach pharmacy networks to planning for the specialty pipeline. Interest in IngenioRx is continuing to build as our value proposition becomes increasingly evident to the market.

IngenioRx is built to drive the lowest absolute cost for our consumers. In 2020, we will move to providing point-of-sale rebates in our Commercial risk-based business, and we are prepared to do the same in our Medicare business. In our fee-based business, our benefit designs provide flexibility as we believe employers should have a say as part of the broader discussion on value-based care and total health. And therefore, we're prepared to support their desired approach regarding their health benefit strategy.

Looking ahead, we are in the final stages of preparing for the launch of IngenioRx, and we will begin migrating some of our members on May 1. We have 2,500 individuals solely focused on this transition. We've conducted endless testing and are focused on creating a positive experience for our members. We are confident in our ability to execute this transition for our clients and members, who will begin to realize the benefits of IngenioRx as they are migrated. We are ready and we are on track to meet our financial commitment.

At Investor Day, we noted that this is a new era at Anthem. Our business results shared today and our strategic plans moving forward are driven by a strong and intentional focus on our culture. Our vision, mission and values are our foundation. They are clear, purposeful and bold, and they guide our more than 60,000 associates in this time of growth at Anthem.

Our focus on culture is enabling our team to expect more of themselves and create real change for those we are fortunate to serve.

## APRIL 24, 2019 / 12:30PM, ANTM - Q1 2019 Anthem Inc Earnings Call

And now, I will turn the call over to John to discuss the first quarter financial results and our revised 2019 outlook.

### **John Edward Gallina** - Anthem, Inc. - Executive VP & CFO

Thank you, Gail, and good morning. Once again, we reported a strong start to the year with first quarter GAAP earnings per share of \$5.91 and adjusted earnings per share of \$6.03, growth of more than 11% over the prior year quarter. Our first quarter performance was driven by solid membership growth across all lines of business. Medical membership grew by more than [1.1 million] (corrected by company after the call) lives year-over-year, driven by significant growth in our risk-based businesses.

During the quarter, Government membership increased by 511,000 members, followed by our Commercial Business, which added 394,000 members and is reflective of our focus on execution.

First quarter operating revenue was up 9% over the prior year quarter to \$24.4 billion. Absent the impact of the health insurer fee on 2018 revenue, core operating revenue in the first quarter of 2019 grew in excess of 11% year-over-year, driven by higher enrollment in all lines of business and premium increases to cover overall cost trends.

The medical loss ratio was 84.4% in the first quarter, an increase of 290 basis points over the prior year period. The increase was largely driven by the 1-year waiver of the health insurer fee and significant lower out-of-period revenue in the Medicaid business.

Operating margins in both our Medicare and Medicaid businesses are within our long-term target range even with the dilution from our growth in group Medicare and entering a new Medicaid state. Additionally, in the first quarter of last year, we disclosed several out-of-period retroactive rate adjustments in our Medicaid business. The non-recurrence of these retro rate adjustments was contemplated in our guidance and is a significant factor in the quarter-over-quarter profitability comparisons within our Government Business division. There are routinely out-of-period adjustments within a Medicaid portfolio as large and diverse as ours. We expect more normalized year-over-year growth in the Government segment over the latter 3 quarters of the year.

The SG&A ratio was 13%, an improvement of 230 basis points relative to the first quarter of 2018. The improvement reflects the absence of the health insurer fee, growth in operating revenue and expense management. We do expect the SG&A ratio to increase the rest of 2019 due to additional investment spending, including additional cost to support the launch of IngenioRx.

Turning to the balance sheet. We ended the quarter with a debt-to-capital ratio of 40%, consistent with our targeted range. During the quarter, we repurchased approximately 1.1 million shares of common stock at a weighted average price of \$275.23 per share, totaling \$294 million. Operating cash flow was \$1.6 billion or 1.1x net income and in line with expectations. While this is a very strong result, the metric declined since we received an extra payment from CMS in the first quarter of 2018.

As expected, days in claims payable increased by 2.3 days sequentially to 38.5 days. Overall, we were pleased with our first quarter performance, and we are increasing our full year 2019 adjusted earnings per share guidance to at least \$19.20. Our updated earnings guidance reflects our solid first quarter results and slightly better than previously anticipated revenue growth. Further, we now expect the percentage of full year 2019 earnings in the first half of the year to approach the mid-50% range, slightly higher than we expected when we reported fourth quarter results.

And with that, I'll turn the call over to the operator for Q&A.

## QUESTIONS AND ANSWERS

### **Operator**

(Operator Instructions) And our first question is from the line of Steven Valiquette with Barclays.



APRIL 24, 2019 / 12:30PM, ANTM - Q1 2019 Anthem Inc Earnings Call

**Steven James Valiquette** - *Barclays Bank PLC, Research Division - Research Analyst*

Congrats on these results. I guess, for us, the question is going to be just around the Medicaid cost trends. You had that blurb in the press release that in certain states may be still a little bit elevated. And thought you'd want to talk about which state and maybe just give a little more color on what you're doing as far as some of the initiatives to improve some of that Medicaid cost trend?

**John Edward Gallina** - *Anthem, Inc. - Executive VP & CFO*

Thanks, Steve. This is

(technical difficulty)

some of the conversations she's having with the state partners. In terms of the Government Business Division in total, just to provide clarity, even with the elevated cost structure that the business is operating well within target of margin range. And we're very comfortable with that. And as you do look at the Government Business because we don't spike out Medicaid separately in the press release or in our script, the Government Business has declined slightly year-over-year with the Group Retiree growth that we had is slightly dilutive, which has obviously position us very well for the future. And then as you noted, we have a few select states where we're not performing in target margins. And we're working with the states on a daily basis to ensure the rates that we receive are actuarially sound and accurately reflect the acuity of the membership. Felicia, maybe if you would like to talk a little bit about medical management initiatives or some of the other conversations you're having with the state partners?

**Felicia Farr Norwood** - *Anthem, Inc. - Executive VP & President of Government Business Division*

Thank you, John, and thank you, Steve. As John said, our Medicaid business is a portfolio of businesses. And when you take a look at a portfolio as large and diverse as ours, you will always see performance variability across our state. As you said, we are not going to get into the detail specifically on a state-by-state basis, but our team works every day with our state partners to make sure that we are securing actuarially sound rates that really represent the acuity of the population and profile that we're serving. We have in place in our business, solid foundational ways of managing members, particularly members that are complex and have high cost trends. The addition of our Aspire and CareMore capabilities give us very strong capabilities around managing members who are medically complex. So we feel very good about our medical management capabilities, and we certainly feel very good about our ability to work collaboratively with our state partners around securing actuarially soundly.

**Gail Koziara Boudreaux** - *Anthem, Inc. - President & CEO*

Great. Well, thank you. Thanks for the question, Steve. And I'll just sort of wrap up, I think, our perspective. We see the Government Business, both Medicare and Medicaid, as a very strong growth platform for us and feel good about the overall portfolio. And certainly, the Medicare group business is an area that we've targeted for significant growth. And as John said, we fully expected to see that to be somewhat dilutive in the beginning of a contract.

Next question, please. Thank you.

**Operator**

Now to the line of Gary Taylor with JP Morgan.

**Gary Paul Taylor** - *JP Morgan Chase & Co, Research Division - Analyst*

Can you hear me?



APRIL 24, 2019 / 12:30PM, ANTM - Q1 2019 Anthem Inc Earnings Call

**Gail Koziara Boudreaux** - *Anthem, Inc. - President & CEO*

Yes.

**Gary Paul Taylor** - *JP Morgan Chase & Co, Research Division - Analyst*

I just want to check on, when we look at the Government margin performance, it looks like if we exclude the retroactive adjustments from a year ago that would explain up to 75% of the deterioration [of op gain] (corrected by company after the call) in the Government Business and I wanted to make sure I was roughly in the ballpark on that. And then related to that, when we look at the prior year development in the first quarter of '18, which was pretty evenly split between Commercial and Government. I presume when the [10-K] (corrected by company after the call) comes out without those retroactive adjustments, the Government PYD would be one of the places where the overall prior year development is lower. Just wanted to make sure we're directionally on track with that thinking.

**John Edward Gallina** - *Anthem, Inc. - Executive VP & CFO*

Gary, thanks for the questions. In terms of the year-over-year [comparability] (corrected by company after the call), I hate these same answers over and over again. And clearly the out-of-period is an issue, as you pointed out, the dilution associated with the Group Retiree is an issue. We did just launch a new state in terms of Minnesota, our partnership with Minnesota Blue Cross and Blue Shield of Medicaid, that's obviously impacting our -- some of our metrics on a year-over-year basis. So there is a whole list of things, but yes, directionally, I think you're in the right ballpark.

And associated with the prior year development, I guess, the only comment that I would make is without disclosing the specificity of line of business is that 12/31/18 or '17, we had the individual business 1.6 million individual members and had the reserves associated with that. So then the roll forward footnote a year ago had the runout associated with individual in it, and we only have about 30% of that number of members today. And so the runout in here in the current period is obviously based on a much smaller base that would be a reconciling item on top of the commentary that you made.

**Gail Koziara Boudreaux** - *Anthem, Inc. - President & CEO*

Thank you. Next question please.

**Operator**

Now to the line of Ana Gupte with SVB Leerink.

**Anagha A. Gupte** - *SVB Leerink LLC, Research Division - MD of Healthcare Services & Senior Research Analyst*

So congrats on your Commercial fully insured growth. I was asking about the pricing, I think, you said, you've been going to market and total cost of care bundled. Wanted to get a sense for how much of a discount that represents relative to others that are either doing this integrated strategy or not? And is the share gain coming from other fully insured players or from self-insured stop loss or new growth?

**Gail Koziara Boudreaux** - *Anthem, Inc. - President & CEO*

Well, thank you for the question, Ana. There's a couple of pieces in there. Let me try to address them and then I'll ask Pete to comment on what's been sort of our strategies in the Commercial Business. First and foremost, thank you for recognizing. We feel very good about our Commercial growth this quarter, and quite frankly, our projections for the full year. We had made a commitment to grow our risk-based business, and we did deliver and are on track on our full year numbers. I think more than anything, it's a combination. Pricing, it's a competitive market. We had stayed

7



APRIL 24, 2019 / 12:30PM, ANTM - Q1 2019 Anthem Inc Earnings Call

very disciplined in our pricing. So it's less driven just by pricing than a full portfolio of products. We've also invested in tools, as I mentioned in my opening comments, around our brokers and trying to simplify our business processes and also make sure that all of our 14 Commercial states are really operating under a single local operating sales infrastructure, sales discipline and sales execution. So overall, yes, we are doing a couple of things around product. We are moving heavily to value-based reimbursements. I think that's also been a positive in terms of the alignment of our clinical programs with our value-based reimbursement network structure and then our products. Those have combined. And then maybe I'll ask Pete to comment a little broadly because it's not just our risk base, you saw our revenue grew in the quarter, which is also very specific strategy about our bundling. So Pete, you want to add some comments?

---

**Peter David Haytaian** - Anthem, Inc. - Executive VP and President of Commercial & Specialty Business Division

Yes. Thanks, Gail, and thanks, Ana. And yes, I would say that it's a competitive marketplace pricing. So it's not necessarily that only, but it continues to be a competitive and rational marketplace. We've talked over the last several quarters about our talent, about our segment structure, about our centers of excellence, and we do see all those things playing through. And as Gail noted, we're bringing much better products to the market and options, we're meeting customers where they are, we're providing greater services to our distributors and engaging with providers in a differentiated way, creating choice in the marketplace. So overall, we're very pleased with respect to our growth. As Gail said, we focus on a couple of major things, growing our fully insured business. We saw that play through. In our group fully insured business, we've had 7 consecutive [months] (corrected by company after the call) of sequential growth. And number two, we talked about, and Gail referenced this, our margin expansion in our ASO business. And that continues to improve month-over-month and quarter-over-quarter. There are many things that are contained therein. Obviously, we look forward to the onset of IngenioRx and the value that would create in our ASO margin profile. But importantly, as it relates to the other things that we talked about, selling specialty products. You see it's a very strong proof point. Our specialty product growth growing over 550,000 members sequentially in the quarter is a strong proof point. We're selling more stop loss into our accounts. We continue to bundle our clinical packages effectively, and we're on a path to this from 5 to 1 to 3 to 1. So all along we feel very good about that. I feel very good about the team and the execution. We think the momentum will continue. As you know, we'll probably see things lighten up in the second quarter, but the momentum of growth will continue in the third and fourth quarters. Thanks, Ana.

---

**Gail Koziara Boudreaux** - Anthem, Inc. - President & CEO

Great. Thank you very much for the question. Next question please.

---

**Operator**

Now to the line of Ralph Giacobbe with Citi.

---

**Ralph Giacobbe** - Citigroup Inc, Research Division - Director

Wanted to go to Iowa specifically, and if you can maybe just give us a sense of what's embedded in guidance? And maybe how the lives are also sort of divvied up as initially, I'm assuming, you expect to maybe to cede some share to Centene initially, and now that United is out, is that still the case? Or will you essentially keep your existing book and just take on the incremental UNH lives? Just trying to get a sense of the churn to that membership base and what's assumed in your guidance?

---

**John Edward Gallina** - Anthem, Inc. - Executive VP & CFO

Sure. Thanks, Ralph. And in terms of the guidance, I'll provide a little clarity on what's included, and then ask Felicia to talk a little bit about the conversations with the state and the fact that a lot of this is still not yet completely finalized. But our guidance is that we have a little bit more than 30%, about 1/3 of the members within the state right now. And our guidance assumes at least for purposes of what we've just provided that we would retain that level of membership. Our guidance also assumes that we'll get actuarially justified rates beginning July 1, 2019. So I'll turn it over to Felicia to talk a little bit about the dynamics and what's going on based on that.



APRIL 24, 2019 / 12:30PM, ANTM - Q1 2019 Anthem Inc Earnings Call

**Felicia Farr Norwood** - Anthem, Inc. - Executive VP & President of Government Business Division

Yes, good morning, and thank you, Ralph. As you can imagine, we're working very closely with our state partner in Iowa right now. And those conversations include a range of discussions, including what happens with respect to membership allocation as well as what happens with respect to rates. Certainly, out of respect for the conversations that are going on right now, it wouldn't be appropriate to comment on the specifics of those conversations. And as John indicated, to the extent things change, we will certainly update any guidance. I will say that our goal and our focus is making sure that we have actuarially sound rate that will allow a sustainable program in Iowa and allow us to continue to serve the Medicaid beneficiaries there and [providing] (corrected by company after the call) solutions for our state partner.

**Gail Koziara Boudreaux** - Anthem, Inc. - President & CEO

All right. Thank you very much. Next question.

**Operator**

Now to the line of Sarah James with Piper Jaffray.

**Sarah Elizabeth James** - Piper Jaffray Companies, Research Division - Senior Research Analyst

Can you give us some context for the \$14 billion DBG and IngenioRx build out by sizing the adjustable market for Anthem? And can you update us on your progress on discussions you're having for selling technology or PBM externally? And if there's a difference in the response you're getting from Blue versus non-Blue?

**John Edward Gallina** - Anthem, Inc. - Executive VP & CFO

Sure. Thank you for the questions. And the numbers that you just itemized are 2023 targets. So clearly, it will take several years to get to that point. We had disclosed that we expect the combination of both Diversified Business Group and IngenioRx to achieve about 8% to 10% of the total revenue for the company on a consolidated basis, which is where that \$14 billion came from in 2023. And then the -- in about 10% to 11% margins, Diversified Business Group being a bit higher than that and IngenioRx being in the single-digit margin range. Quite honestly, we're working very closely with many, many folks. But we don't expect to see a significant ramp in a lot of these sales processes, specifically in IngenioRx until 2021. We're wholly focused on giving the transition completed here in 2019 and delivering the full run rate value that we promised in 2020 and have a lot of proof points than associated with the sales activity. And then on the Diversified Business Group, we continue to be opportunistic in terms of building out the portfolio. We've had several very positive conversations with other Blue Cross and Blue Shield plans in terms of being able to provide the services. We actually have several Blues for our customers today. We want to continue and expand those relationships. So we feel very good about the 2023 expectations that have been provided, but it will take a few years to ramp up to that point.

**Gail Koziara Boudreaux** - Anthem, Inc. - President & CEO

And Sarah, just a few additional comments I think to John's very thorough response. I think, as John said, our primary focus in 2019 going into 2020 is the successful migration of our existing book of business, but we are seeing some early traction. As I mentioned in my comments, we did have our second client conference and had very strong attendance. Our integrated guarantees where we're focused on whole person health are resonating, plus we are looking to pull-through pharmacy certainly in the partnerships that we're doing with other Blues and that's the case certainly in our new North Carolina bid. And I think we have an opportunity to continue to do that across the partnerships that we're forming. So I think it's a fairly broad based strategy, but again intense focus on the migration of IngenioRx in '19, and we're beginning obviously the selling season, you will see more of that into 2020 and 2021 in DBG as well. But we see as a real opportunity to package our products in a very integrated way and look at overall total cost of care.



APRIL 24, 2019 / 12:30PM, ANTM - Q1 2019 Anthem Inc Earnings Call

Thank you very much. Next question please.

---

**Operator**

Now to the Josh Raskin with Nephron Research.

---

**Joshua Richard Raskin** - *Nephron Research LLC - Research Analyst*

I guess, question more sort of just on the Blue strategy longer term. Gail, as you think about Anthem 3 to 5 years from now, what does success look like? What would you be pleased with in terms of products and JVs and other connections to the other Blues?

---

**Gail Koziara Boudreaux** - *Anthem, Inc. - President & CEO*

Thank you for the question, Josh. It's a great question. I mean, I think we outlined much of that at our Investor Day. Each of our Blue partners is unique and each of them has unique set of circumstances. I think success for us obviously is to consider -- is to continue to be able to package our IngenioRx solution, to continue to do partnerships in Medicaid. We're really pleased with the partnership we just announced expanding our Louisiana venture into the dual eligible market, we think that's another great opportunity. So we're going to be very opportunistic. And we have an opportunity I think through our DBG assets, CareMore is expanding with several of our Blue partners as is Aspire. AIM has been a long-standing partner to the Blues. I think as we mature in this space, we look at an opportunity to really package a series of our solutions versus single one-offs, and we are going to risk arrangements as well with them, particularly in our CareMore organization. So I think that's the majority of our business. Once we complete our own conversion of IngenioRx, I think, that's another opportunity for us to offer, I think, a very strong integrated platform in a very different way, because again we're partners, not competitors with our fellow Blue plan.

Thank you very much to the question. Next one, please.

---

**Operator**

Now to the line of Charles Rhyee with Cowen.

---

**Charles Rhyee** - *Cowen and Company, LLC, Research Division - MD and Senior Research Analyst*

John, obviously, we raised the guidance here for the full year '19. If I recall at the Analyst Day, you guys had pointed out expectations for about 20% EPS growth this year and also for next year. When we think about next year, should we think about the 20% on top of the revised guidance or in some ways can we think of this sort of not quite a pull forward, but we shouldn't build on top of this revised number. I think as related to that as we think about the SG&A improvement this year, is there anything in that we should think about one time in nature? Or is this a good run rate as we think about our model going forward and may be factoring how Ingenio cost went into that as well?

---

**John Edward Gallina** - *Anthem, Inc. - Executive VP & CFO*

Yes, thank you, Charles. And in terms of the guidance, we're very bullish about of how we started the year and we really did raise the guidance because of our strong revenue growth. We grew membership across all lines of business. Risk membership had some of the best growth we've seen in quite some time within the company and very, very bullish. Most of the metrics, we didn't have to change the guidance on, but a very strong top line growth. So I would say from that perspective, while we are not yet providing 2020 guidance, there is nothing this guidance raise that does that impacts our long-term growth strategy and the percentages that we laid out at Investor Day at this point in time. And then associated with the SG&A ratio, it's very, very good here in the first quarter. We do expect the SG&A ratio to go back up in the latter half of this year as we finalize the accelerated rollout and implementation of IngenioRx and migrate all of our members from now to January 1, 2020 onto the new CVS



APRIL 24, 2019 / 12:30PM, ANTM - Q1 2019 Anthem Inc Earnings Call

platform. So the SG&A ratios and guidance that we provided, we're going to maintain because we expect our SG&A ratio to be a little higher the last part of the year than it is here in the first quarter.

**Gail Koziara Boudreaux** - *Anthem, Inc. - President & CEO*

Thank you. Next question please.

**Operator**

Now to the line of A.J. Rice with Crédit Suisse.

**Albert J. William Rice** - *Crédit Suisse AG, Research Division - Research Analyst*

So maybe I'd ask you about capital deployment, obviously, in the last 3 or 4 months is sort of a shifting landscape of opportunities on the one hand with the Washington backdrop, stock has come in. So there's an opportunity perhaps on the buyback side. And on the flip side in M&A, I know, traditionally you've looked at Medicare Advantage and care management capabilities, but there's also potential opportunities around Medicaid and pharmacy benefit. Just seeing whether you comment on whether you have any interest in those areas? I know you've got a lot on your plate bringing Ingenio in, but would be there capabilities should we interested in picking up on the PBM side and perhaps?

**John Edward Gallina** - *Anthem, Inc. - Executive VP & CFO*

Yes. So thanks, A.J. And I think just based on the way you phrase the question, I think our answer very appropriately is to say that we're going to maintain a balanced approach to capital deployment. At Investor Day, I laid out that we expect to utilize 50% of our free cash flow for either reinvesting in the business or M&A, about 30% over the long term on share buyback and 20% for dividends. However that 50% and 30% could actually shift at any point in time based on current market conditions and opportunities that are out there. And in terms of M&A opportunities, absolutely, we're very focused on the M&A tuck-ins that either provide us a footprint or solidify a footprint in a market that we don't have, enhancing capabilities, specifically associated with our Diversified Business Group and various other things, but we're not taking anything off the table at this point in time, but we do want to be opportunistic. We want to make sure it provides the best long-term shareholder value, and we'll react to market conditions accordingly.

**Gail Koziara Boudreaux** - *Anthem, Inc. - President & CEO*

Thank you, A.J. Next question please.

**Operator**

Now to the line of Justin Lake with Wolfe Research.

**Justin Lake** - *Wolfe Research, LLC - MD & Senior Healthcare Services Analyst*

My question is on your earnings seasonality. First off, appreciate the update, John. By my math, using 55% of EPS in the first half implies 2Q would be about \$4.53, which is up about 6%, 7% year-over-year. So just curious whether you could lay us out some of the puts and takes to consider in Q2 from an earnings perspective? And may be touch on the PBM specifically if you can in terms of whether any of that PBM earnings power that you've talked about will benefit 2Q or perhaps it's actually a drag in Q2 due to start-up cost?



APRIL 24, 2019 / 12:30PM, ANTM - Q1 2019 Anthem Inc Earnings Call

**John Edward Gallina** - *Anthem, Inc. - Executive VP & CFO*

Yes. Thank you, Justin. Great question. And as always, I'm always very impressed with your modeling capabilities. But in terms of 2Q, there isn't a lot of things impacting the 2Q seasonality as much as there are things impacting the seasonality of the other quarters. So you specifically called out our IngenioRx, we're going to start the IngenioRx implementation on May 1, but the vast, vast majority of the membership that does transition in 2019 is in the second half of the year. And just FYI that does not even include all of our Medicare business or our individual ACA business that's slated to migrate on January 1, 2020, which still gives us a full year of 2020 benefit, but 0 in 2019. So virtually the entirety of the benefit of IngenioRx was described at Investor Day, the \$0.70 to \$0.90 increase in our guidance is all in the third and fourth quarter. And then here in the first quarter, we had the year-over-year issues associated with the Medicaid out of period from 12 months ago. So the second quarter is normalized, as I think, it could be. It's the other quarters that are impacting. The only other thing I will say is that the second quarter could be a slight drag from Ingenio, given the investment that we're going to make in terms of ensuring that the transition is done very, very well. But at 55%, yes, your math is certainly very credible.

**Gail Koziara Boudreaux** - *Anthem, Inc. - President & CEO*

Next question please?

**Operator**

Now to the line of Matt Borsch with BMO Capital Markets.

**Matthew Richard Borsch** - *BMO Capital Markets Equity Research - Research Analyst*

I was hoping you could just talk about 2020 in terms of the Medicare Advantage product, now that you have the final rates and as you consider the impact of the health insurer fee coming back in the competition so forth, understanding you can't reveal your strategy per se, but can you touch on some of the factors that you're thinking about?

**Gail Koziara Boudreaux** - *Anthem, Inc. - President & CEO*

Thanks for the question, Matt. I'll ask Felicia to provide some more commentary. As you know and I think you said in your question, we're still in the bid process now. So we will, from competitive reasons, not going into too much detail, but may be, Felicia, if she can give you a little bit of color on how we're thinking about 2020.

**Felicia Farr Norwood** - *Anthem, Inc. - Executive VP & President of Government Business Division*

Yes, thank you for the question. And when we think about 2020, obviously, we always take a balanced approach. As we think about our bid process, this past year, as you know, we (technical difficulty) we believe that they help to drive growth for us from an overall business perspective and we appreciate the flexibility that CMS has provided in terms of expanding those benefits as we head into 2020. So when we take a look at where we are, we've obviously been pleased with the growth that we've seen this year and look forward to continuing to accelerate our growth above the industry average as we move into 2020.

**Gail Koziara Boudreaux** - *Anthem, Inc. - President & CEO*

Thank you. Next question please.



APRIL 24, 2019 / 12:30PM, ANTM - Q1 2019 Anthem Inc Earnings Call

**Operator**

Now to Peter Costa with Wells Fargo Securities.

**Peter Heinz Costa** - *Wells Fargo Securities, LLC, Research Division - MD and Senior Analyst*

Want to ask you about the JVs you're doing with the other Blue Cross Blue Shield plans and how that's impacted by the ongoing MDL litigation against the Blue Cross Blue Shield Association? A couple, if you look at the Cigna litigation, it seems like you guys thought that the MDL litigation might actually settle within a couple of years and that seems to have not happened. So what's your thought process on that? And is that going to actually help to get more JVs done? Or does it hurt you if it gets resolved in some way?

**Gail Koziara Boudreaux** - *Anthem, Inc. - President & CEO*

Thanks for the question, Peter. And we won't comment on ongoing litigation. But in terms of the joint ventures, I mean, those are really born opportunity for us to take just like we would quite frankly (technical difficulty) other partners in the marketplace. So we're doing joint venture

(technical difficulty)

and really as we shared before these joint ventures are all very unique, and they're all very much driven by the market conditions in that state and the really strong platform that we have as part of our Medicaid business. And we see that as a really strong opportunity for us to expand that platform. So I think it's really is that part of our strategy has been very clear that we wanted to work more collaboratively with our Blue partners because we do think many of them have not had the depth of expertise in government programs. And we think that's a huge opportunity for our growth. We've included that in our outlook. And again each of these partnerships is very unique and very different, but I would also tell you that we have many of these, for example, the main health, ACO and our joint venture in Colorado on behavioral health. So there are very broad footprints, broader than just Blues. But again, we do see some significant opportunity with Blue partner, again leveraging the strengths that we bring to the market, and we think we'll have opportunities in pharmacy and across DBG as well.

Thank you. Next question please.

**Operator**

Now to Zack Sopcak with Morgan Stanley.

**Zachary William Sopcak** - *Morgan Stanley, Research Division - VP on the Healthcare Services and Distribution Team*

In the opening comments, Gail, you talked about point-of-sale rebates for the Commercial risk plot for 1/1/20. I just wanted to clarify is that for the entire risk book and then for the fee-based book? Appreciate your comments on flexibility. Going forward as point-of-sale rebates become mandated by the government through legislation, how would you expect your employers to react to that? Do you think they would tighten formularies or take other actions?

**Gail Koziara Boudreaux** - *Anthem, Inc. - President & CEO*

Thanks for the question. I think, first and foremost, what's really important in this discussion around pharmacy rebates and pricing et cetera is getting to the absolute lowest cost. And that, as I shared at Investor Day, is really what we're building IngenioRx on. We start in a very unique position because we're building a PBM, a new generation PBM. And as you might recall, our PBM rates were not competitive. And so our ability to offer extremely competitive rates and the numbers that we've shared with you really stem from that. From a point of service on the Commercial Business, once we get through our conversion, we (technical difficulty) for our consumers across our book of business. And we think that certainly



APRIL 24, 2019 / 12:30PM, ANTM - Q1 2019 Anthem Inc Earnings Call

make sense for the marketplace. And again in a self-funded business, our view there is to manage what our customers want. We're fully prepared to offer point-of-sale rebates, but again we want to be aligned to what customers want. Your specific question about if rebates were to go away, rebates are an effective tool in terms of negotiations. So I think that's important to remember in this, but again understanding that we want to be very transparent. On the side of rebates, as you think about this certainly in the government program, HHS has said it will create an alternative discounting arrangement. We need to understand the details of that and work with that. We believe there are other ways to create value through, for example, our integrated guarantee and looking at whole -- our whole health strategy, which is gaining some traction in the market. And there are also other opportunities around product expansion fees, admin fees, et cetera. So it doesn't all rely on those. And again, I know a lot of focus is spent on rebates less than 10% of the drugs and all drugs -- most of the drugs, I would say, all of the drugs that are rebatable have competition. So our view on that is that we think it's a very prudent strategy, and we feel very good about being able to launch PBM that starts in a very different place than trying to retool an existing model.

Thanks to the question. Next please.

---

### Operator

Now to Kevin Fischbeck with Bank of America.

---

### Kevin Mark Fischbeck - BofA Merrill Lynch, Research Division - MD in Equity Research

Just want to go into the guidance a little bit more. You mentioned, I guess, revenue coming in a little bit better as one of the drivers, but as you mentioned, it didn't really change any of the components behind the guidance. So just wondering where within those ranges may be you guys feel at the higher end more likely is it membership, is it specialty flow through MLR G&A? I guess, may be a little bit more color where on those ranges you're looking at?

---

### John Edward Gallina - Anthem, Inc. - Executive VP & CFO

Yes. Thanks, Kevin. Great question. One of the areas that really wasn't part of the specific guidance and we're just very, very pleased with the results are in the administrative fee revenue for the quarter and which is the greater up selling of value-added services as well as the specialty membership. And both of those have outpaced our core of medical membership quite nicely and really helped contribute to the top line and help contribute to the bottom line. So we did raise our earnings per share by \$0.20 this quarter without changing in the core metric. So we're still within the balance of our guidance range and are comfortable with our revised guidance. Our growth has been in all lines of business, but we did not provide specific guidance on administrative fee revenue and specialty membership and those did exceptionally well. So thank you.

---

### Gail Koziara Boudreaux - Anthem, Inc. - President & CEO

Next question please.

---

### Operator

Now to Dave Windley with Jefferies.

---

### David Howard Windley - Jefferies LLC, Research Division - Equity Analyst

I wanted to come back follow-up on Justin's question. As he pointed out, your 2Q implied guidance here would be kind of mid-single-digit year-over-year growth compared to if I look at ex PBM growth is in the mid-teen. So it does appear that there is some seasonal cadence and differences year-over-year and something, MLR SG&A, and I guess, I wanted to understand a little bit better what that might be? I presume that



## APRIL 24, 2019 / 12:30PM, ANTM - Q1 2019 Anthem Inc Earnings Call

it's not just the spending on IngenioRx because my assumption there is that you're spending a lot of money in the first quarter as well, but may be correct me where I'm wrong?

---

**John Edward Gallina** - *Anthem, Inc. - Executive VP & CFO*

Dave, we obviously are spending a lot of money in the first quarter as well as second quarter with very minimal benefit from IngenioRx in the second quarter offsetting a bit of it with the IngenioRx benefits really being backloaded to the second half of the year. But we have a lot of things going on like, for instance, the dilution of our Group Retiree business. I mean that obviously extends throughout the entirety of the majority of 2019. It's going to take us a good year to get the Blue Cross and Blue Shield of Minnesota. So that in 2020, we're going to be more profitable and then even later in 2020 till we hit target margins on that. All those things are going in the consideration in terms of the year-over-year comparability. So it's -- actually it's a lot of positive things that are having a short-term negative impact associated with the quarter-over-quarter reviews.

---

**Gail Koziara Boudreaux** - *Anthem, Inc. - President & CEO*

Thank you. Next question please.

---

**Operator**

Now to the line of Steve Tanal with Goldman Sachs.

---

**Stephen Vartan Tanal** - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Just wanted to dig in a little bit more on the benefits ratio and just get some more color there if we can. So I guess, up to 90 basis points year-on-year, the HIF I think was guided to about 200 bps for the year and then the retroactive revenue adjustments in Medicaid, you said \$0.20 last year, I think, that's about 35 bps. So just sort of a balance of uptake about 55 basis points. And clearly PYD was down year-on-year, but I think you noted in the release that that development was better than you expected. So any comments on kind of the quarter itself as well as may be just following up on some of the seasonality discussion kind of pursuant to this point. Is it sort of fair to say that may be some of the value of the forthcoming PBM savings are sort of shared with some of the customers upfront? Or any sort of thought process on that just thinking about the seasonality of MLR Q1 versus the full year, obviously much a tighter range now this year than in years past? That's it.

---

**John Edward Gallina** - *Anthem, Inc. - Executive VP & CFO*

Thanks, Steve. And then I'll just say just to take it off the table, the IngenioRx and whatever structure savings benefit, that does not impact the first quarter of 2019 in the MLR at all. But I will say, first, I'd like to reaffirm our medical loss ratio guidance of 86.2% plus or minus 30 basis points. As I said, we've held that constant. The HIF, as you mentioned, is obviously a big driver basically a 2% of the change. And -- but we also have the Group Retiree business, which is again, it's dilutive, which means that it's increasing the MLR on a temporary basis. The mix of business we have now versus a year ago is a little bit more skewed to the higher MLR business, especially with the significant growth we've had in our Medicaid lines of business over the past 12 months. And the out-of-period adjustments you mentioned, yes, it's clearly a driver. So our cost trends are consistent at 6% plus or minus 50 basis points, we feel very comfortable with our guidance and the quality of earnings.

---

**Gail Koziara Boudreaux** - *Anthem, Inc. - President & CEO*

Thank you. Next question.



APRIL 24, 2019 / 12:30PM, ANTM - Q1 2019 Anthem Inc Earnings Call

**Operator**

Now to Scott Fidel with Stephens.

**Scott J. Fidel** - *Stephens Inc., Research Division - MD & Analyst*

I just want to ask a modeling question just to make sure that I've got this right because it's a new line for all of us. Just in terms of cost of products sold and you're guiding for the \$1.6 billion to \$1.8 billion. I guess, John, can you sort of maybe walk us through just the cadence of how we should be thinking about that with the IngenioRx rollout in terms of 2Q and then sort of relative to 3Q, 4Q on that?

**John Edward Gallina** - *Anthem, Inc. - Executive VP & CFO*

Sure. The cost of products, as you mentioned, is going to be a new line item and that is going to relate from an accounting perspective when we provide PBM services to our ASO clients or independent third-party clients, we would recognize our cost of products expense associated with the fulfillment of the pharmacy benefit. And then the revenue that would be associated with that would obviously be the reimbursement we will get associated with those cost of products plus all the value-added services that Ingenio is making and providing and the profit margin associated with that. As I've said that will be relatively small again in the second quarter and then ramp up into the third quarter and obviously be a little bit more in the fourth quarter associated with the \$1.6 billion to \$1.8 billion of cost. Ingenio, the revenue, I would say or the benefit should reconcile back to that \$0.70 to \$0.90 improvement in guidance that we provided associated with Ingenio, which would be the revenue aspect of the cost of product, which is the expense number.

**Gail Koziara Boudreaux** - *Anthem, Inc. - President & CEO*

Thank you. Next question please.

**Operator**

Now to Frank Morgan with RBC Capital Markets.

**Frank George Morgan** - *RBC Capital Markets, LLC, Research Division - MD of Healthcare Services Equity Research*

Gail, in your prepared remarks, I think you mentioned when you were discussing Social Determinants of Health, I think you mentioned a personal care services benefit that you had added to some of your plans. So I'm just curious about the extent that benefit is offered today. How many states it's in? Any plans to expand that? And have you really identified that yet as an opportunity for helping control the overall cost?

**Gail Koziara Boudreaux** - *Anthem, Inc. - President & CEO*

Well, thank you very much for the question, Frank. As I noted in my opening comments, we have a bundle of Social Determinants in addition to some over-the-counter items that we also added to our Medicare Advantage beneficiaries across our states. And really which benefit gets selected is really based on (technical difficulty) that we have probably the most comprehensive offering and we're really pleased with that, and we're very pleased with CMS, it's also expanded the level of opportunity that can be offered going into this next year's Medicare Advantage selling season. What we do know about those. The reason we used to

(technical difficulty)

that they allow for us to help manage the whole person care again going back to our original strategy and that. While it's still early, (technical difficulty) on our Medicaid population that these benefits will ultimately help us manage overall total cost of care and outcomes for our members

APRIL 24, 2019 / 12:30PM, ANTM - Q1 2019 Anthem Inc Earnings Call

and also improve our star ratings, our quality outcomes are better. I shared with you just the demonstration program that we did here in the Indiana market around Blue Triangle. And that's a great example of embedding things beyond just the physical cross benefits but also social issues that impact the people's ability to get care. So we did include that bundle broadly and again which of those specific benefits are taking advantage really depends on (technical difficulty)

Thank you very much for the question. Next question please.

---

**Operator**

Now to the last question from Lance Wilkes with Sanford Bernstein.

---

**Lance Arthur Wilkes** - *Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst*

Just a quick clean up question or two. The first one would be just related to medical cost trend. If you could talk a little bit about where you're seeing may be pressure versus opportunities, obviously very early in the year? And the other aspect for just in Medicaid, you've obviously had some wins. There is some Medicaid expansion going forward. Can you just kind of give us a little more color on what you see coming in the year that you already know about as far as certain state expansions, wins and expected implementation dates?

---

**Gail Koziara Boudreaux** - *Anthem, Inc. - President & CEO*

We'll have John first to address your question on medical cost and then Felicia to share some perspective on Medicaid.

---

**John Edward Gallina** - *Anthem, Inc. - Executive VP & CFO*

Sure. Yes, thanks, good morning, Lance. In terms of medical cost trend, as I think I stated in a previous question, we're reaffirming our 6% medical cost trend guidance plus or minus 50 basis points. It really is aligning quite nicely with our expectations. I will take this opportunity to clarify that the 6% plus or minus 50 basis points does not include any aspect of the implementation of IngenioRx in the second half of the year. That's a -- that will obviously benefit our drug cost later in the year and provide benefits associated with a lower pharmacy cost structure. However, in order to provide what we think is better clarity, better information and make it easier to understand and model our business, we are going to provide cost trend guidance in 2019 without the IngenioRx implementation because it's partial year for just some clients and we'd provide a result that really isn't all that meaningful. And then in 2020, we will -- when we provide our cost trend guidance for 2020, we'll have a full year of IngenioRx baked in. So it will actually be, I believe, far more transparent and meaningful the way that we're doing it. But in terms of other issues or trends or areas of concern back to the first quarter medical cost trend, it's very consistent with expectations.

---

**Gail Koziara Boudreaux** - *Anthem, Inc. - President & CEO*

Felicia?

---

**Felicia Farr Norwood** - *Anthem, Inc. - Executive VP & President of Government Business Division*

Yes. Thank you, Lance, for the question. As you know, the Medicaid pipeline continues to be very robust. We have rebids that are before us in Louisiana as well as Minnesota that will be submitted over the next couple of months. But most recently, we're certainly pleased with our win in Washington, D.C., which was a rebid for us. But having the ability to continue to serve Medicaid beneficiaries in that state, it's very, very positive for us. So we look forward to continuing a strong track record, which is over 83% of our wins when we go out to bid and look forward to continuing to working with our state partners to serve Medicaid beneficiaries.



APRIL 24, 2019 / 12:30PM, ANTM - Q1 2019 Anthem Inc Earnings Call

**Gail Koziara Boudreaux** - *Anthem, Inc. - President & CEO*

Great. Thanks very much.

**Operator**

I'd now like to turn the conference back to company management for closing comments.

**Gail Koziara Boudreaux** - *Anthem, Inc. - President & CEO*

Thank you for -- all for joining us today. We very much appreciate your questions for our team. As you can see, we started off this year in a position (technical difficulty) the growing pipeline of opportunity ahead of us. Our first quarter performance confirms our confidence in our ability to deliver sustainable, real growth on behalf of our members and shareholders. Our success is made possible by the dedication of our 60,000 associates, who are committed to living Anthem's mission, vision and values each and every day. Thank you for your interest, and I look forward to speaking with you again soon.

**Operator**

Ladies and gentlemen, this conference will be made available for replay after 11:00 a.m. today through May 8. You may access the replay at any time by dialing 1 (800) 475-6701 and entering 432043. International participants may dial (320) 365-3844.

Ladies and gentlemen -- excuse me, that does conclude your conference for today. You may now disconnect.

#### DISCLAIMER

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2019, Thomson Reuters. All Rights Reserved.