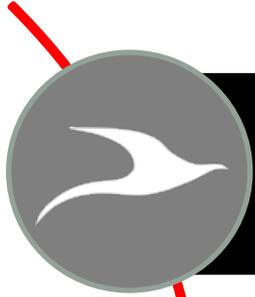




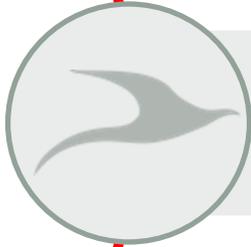
M o l i n a H e a l t h c a r e (M O H)

Presented by Steven Gorelik
Firebird Value Advisors L.P.

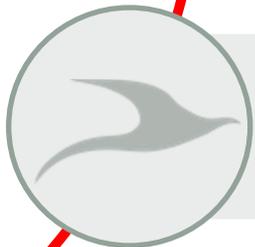




1. Firebird Value Advisors Investment Approach



2. Molina Healthcare (MOH)



3. Appendix



Firebird U.S. Value Investment Approach

Quality

We invest in companies with strong moats

- What is the source of competitive advantage?
- What is the value proposition to all stakeholders?

Value

Cash flow focus

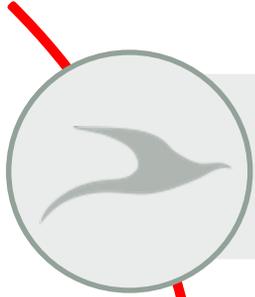
- Look at how the company generates and uses its cash
- Consider value derived from actual returns to investors (dividends + buybacks)

Growth

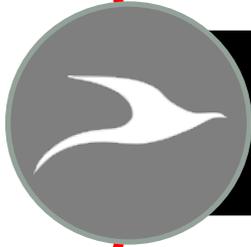
Invest in companies where the underlying demand is growing

- Helps avoid value traps

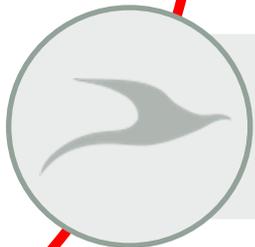




1. Firebird Value Advisors Investment Approach



2. Molina Healthcare (MOH)



3. Appendix



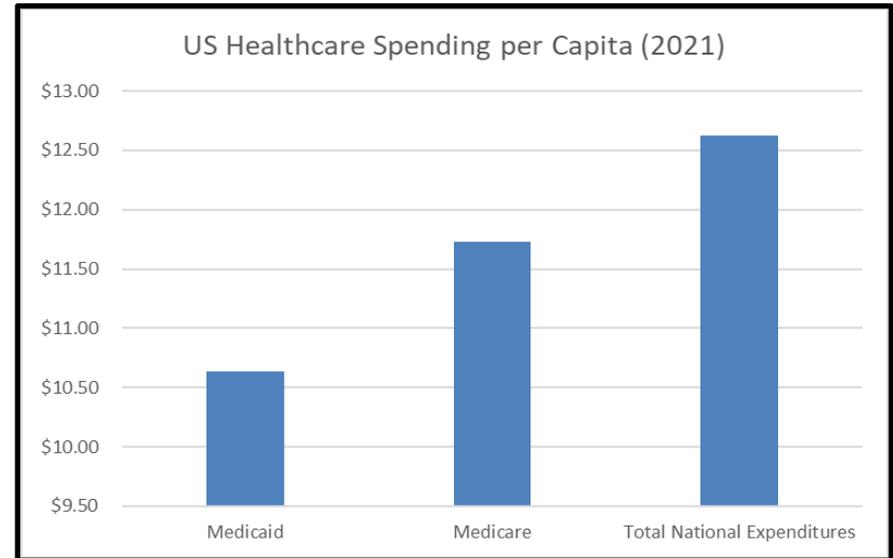
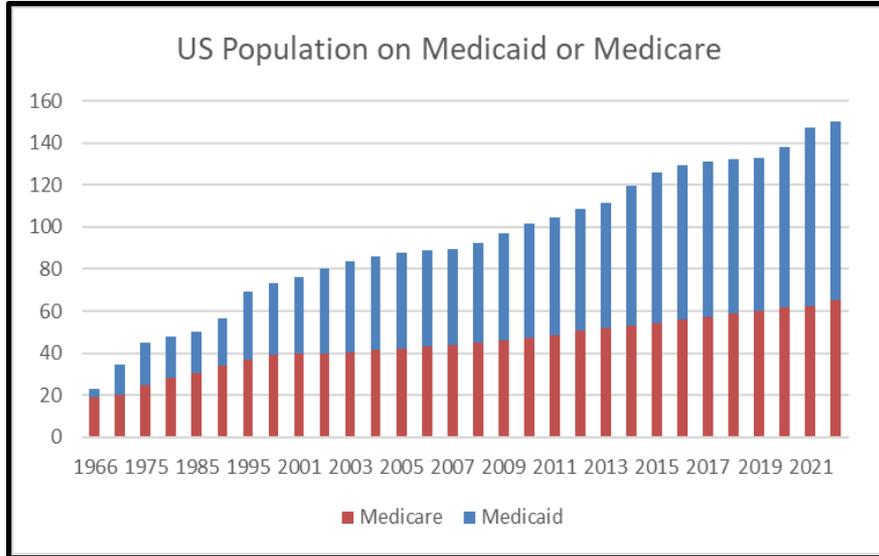
Molina Healthcare

- NYSE: MOH; \$17B Market Cap
- Founded in 1980's
- Administrator of government run healthcare coverage
- Over 5m members in managed Medicaid and Medicare programs across 22 states
- Grew revenue by 18% p.a. since 2010



Government run healthcare

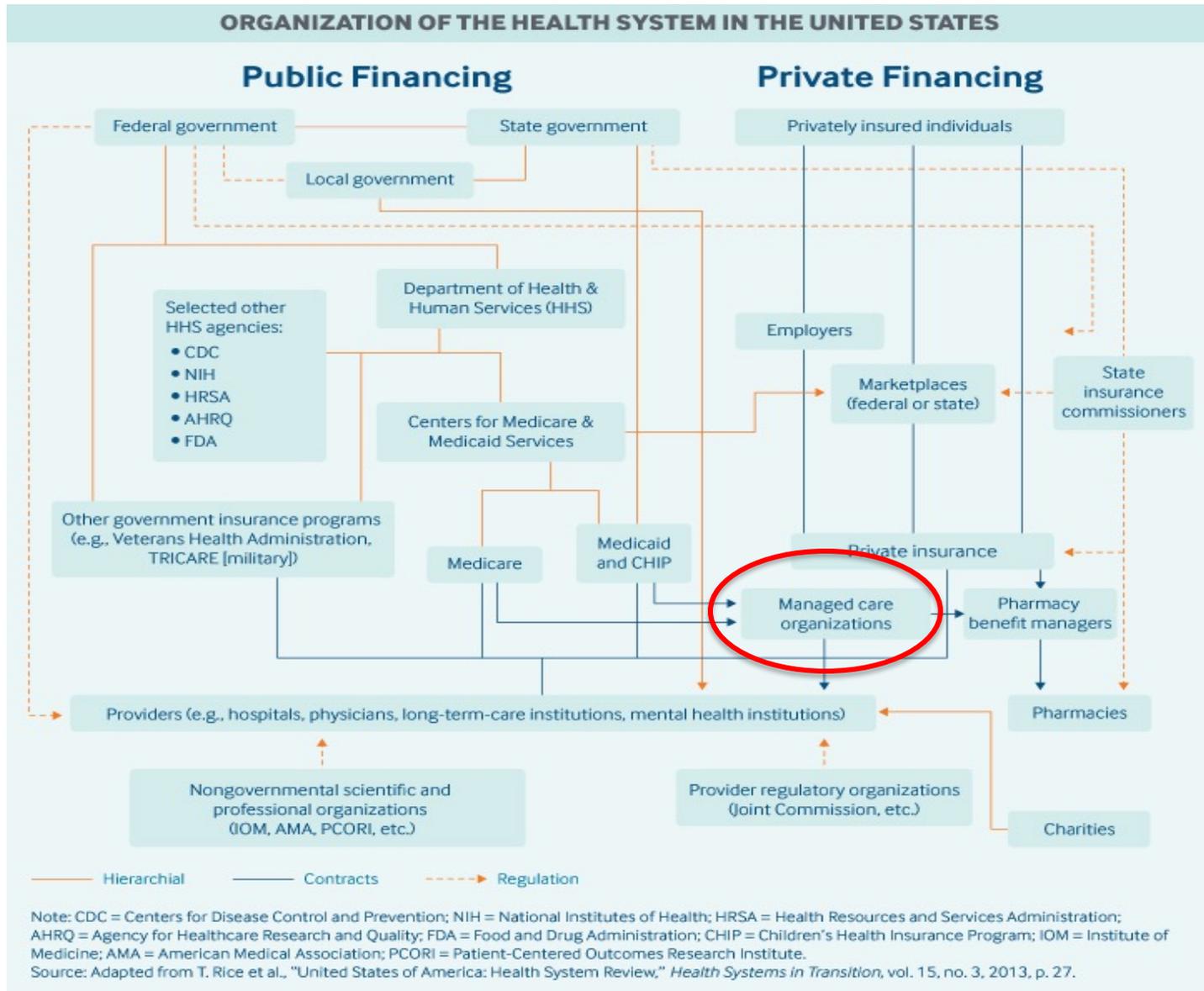
- Healthcare spending has been increasing at 7% p.a. since 1980's
- As of 2022, 44% of US population received medical coverage from government sponsored plans
 - Up from 12% in 1960's
- Government sponsored spending per capita is lower than overall spending
- Demand for government sponsored healthcare is counter-cyclical



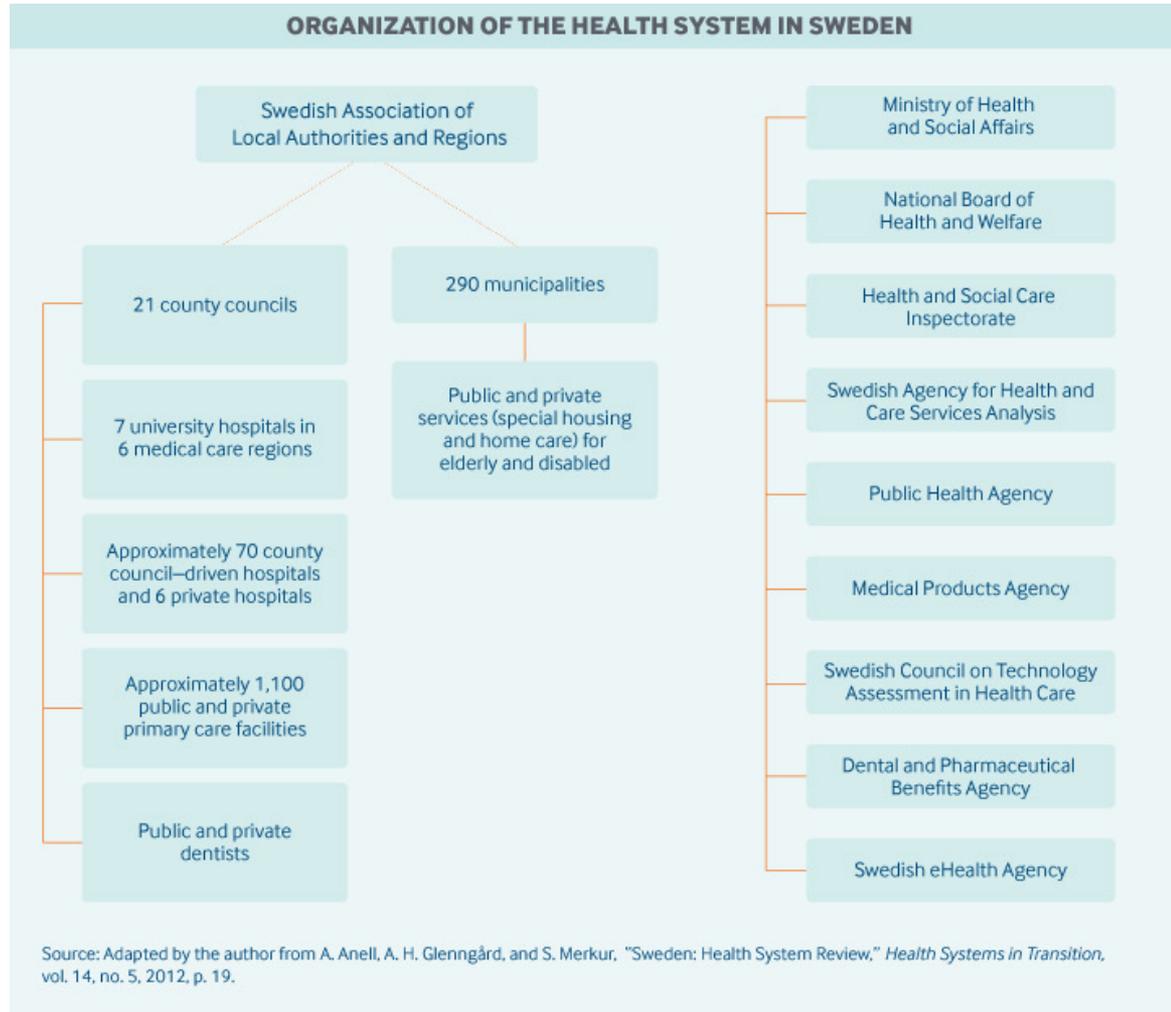
Source: www.census.gov; US Value Advisors Research



Healthcare system in US



Healthcare System in a socialist country (Sweden)

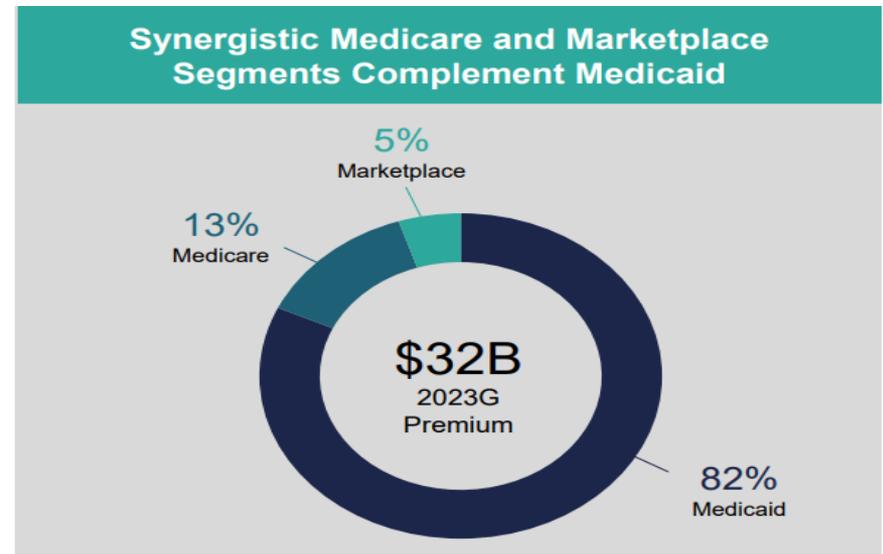
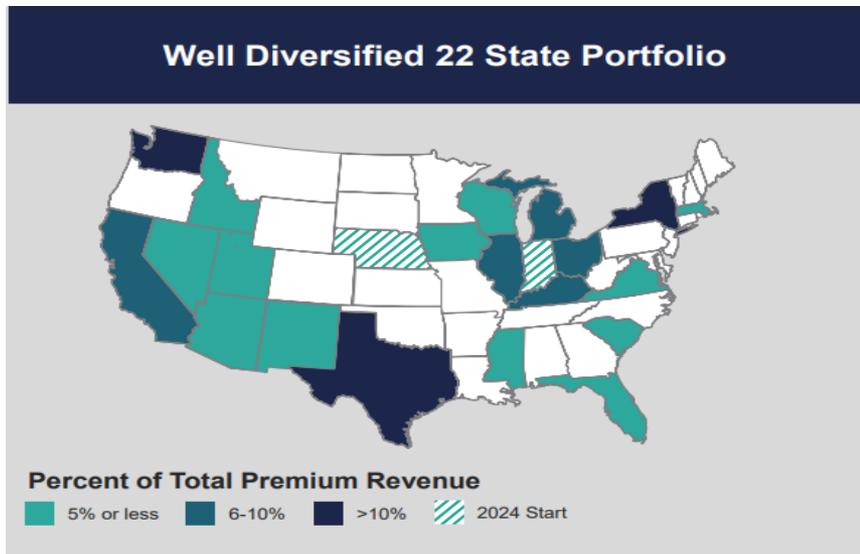


Source: Company Data



Molina Healthcare

- Exclusively focused on government sponsored plans
- 90%+ of total members are in Medicaid plans; remainder are in Medicare and Marketplace
- 4th largest administrator of Medicaid plans nationwide - single digit market share in most states of operation
- Scale economies shared business model

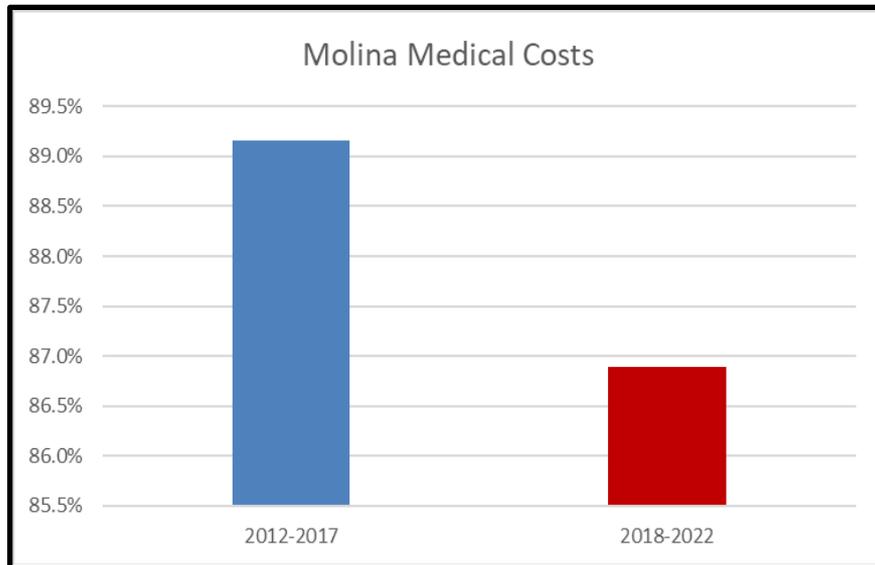


Source: Molina Healthcare

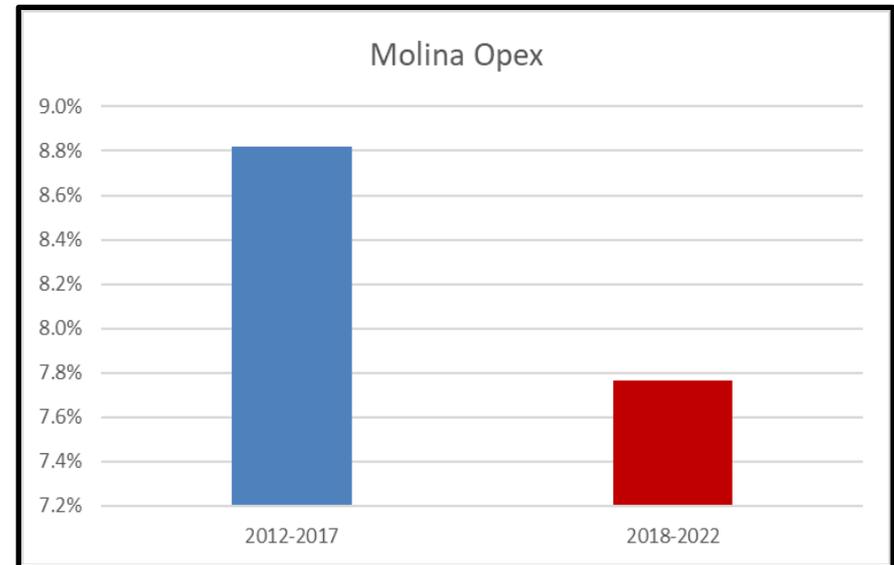


Molina Healthcare Leadership

- Prior to 2017, the company was run by Mario and John Molina – sons of the Dr C. David Molina – founder of the company
- During their leadership the company experienced significant growth, but low profitability
- In 2017, the board of directors decided to replace the leadership of the company bringing in Joseph M. Zubretsky – former CFO of Aetna
- Mr Zubretsky re-focused the company on profitability by exiting population cohorts with higher-than-average medical costs and controlling operating costs



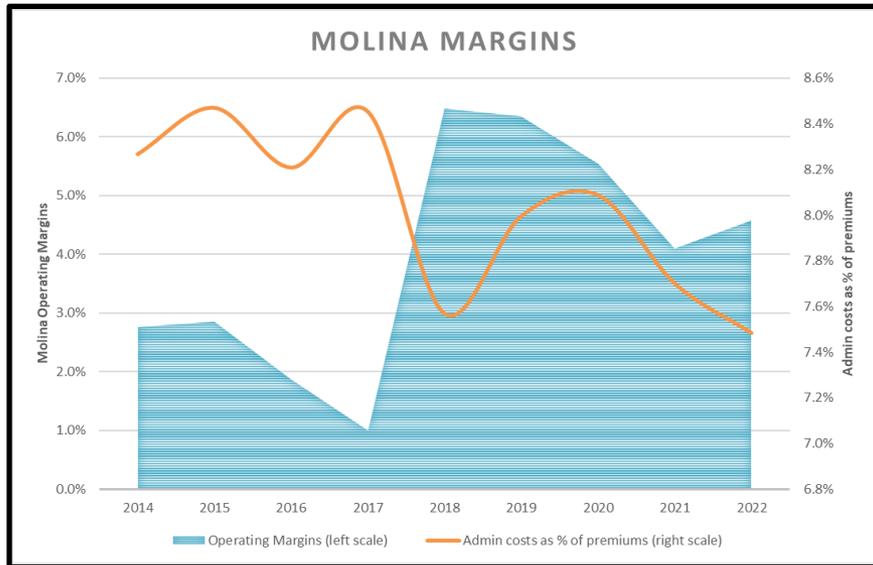
Source: Company Financials; US Value Advisors Research



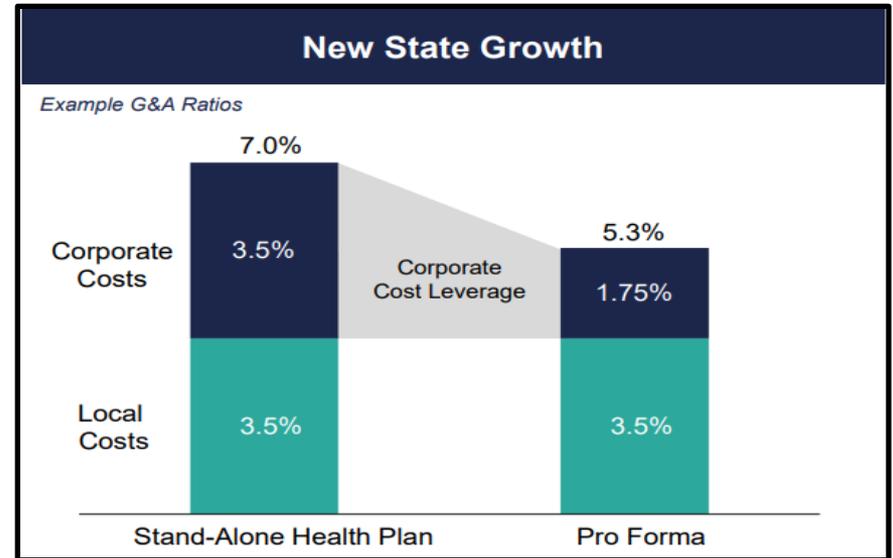
Source: Company Financials; US Value Advisors Research

Molina Healthcare Cost Structure

- Pre-determined reimbursement rates based on government procurement
- Medical Costs of roughly 86 to 90% of premiums
- Profitability is a derivative of operating efficiency
- Operating efficiency improving with scale
- Higher interest rate earned on \$8B of float add up to 20% to Molina's profitability



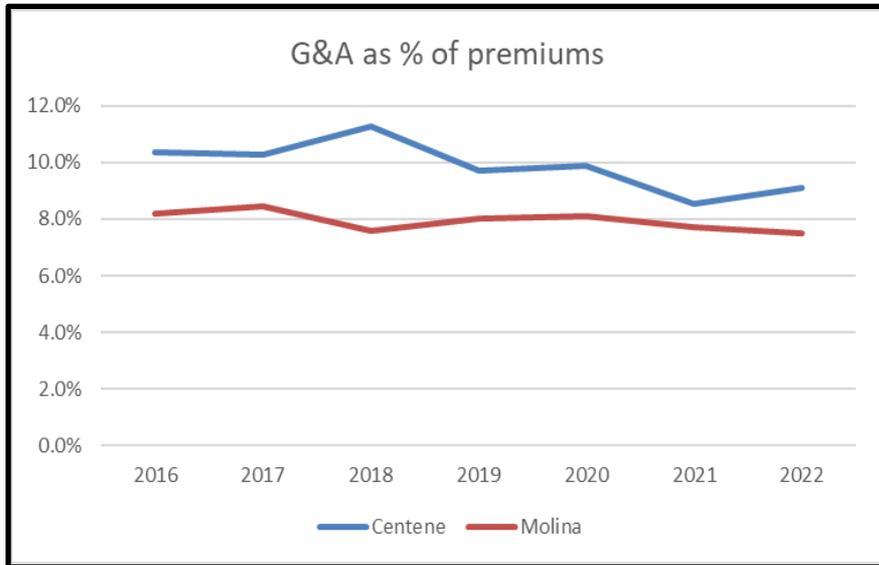
Source: Molina Healthcare; US Value Advisors Research



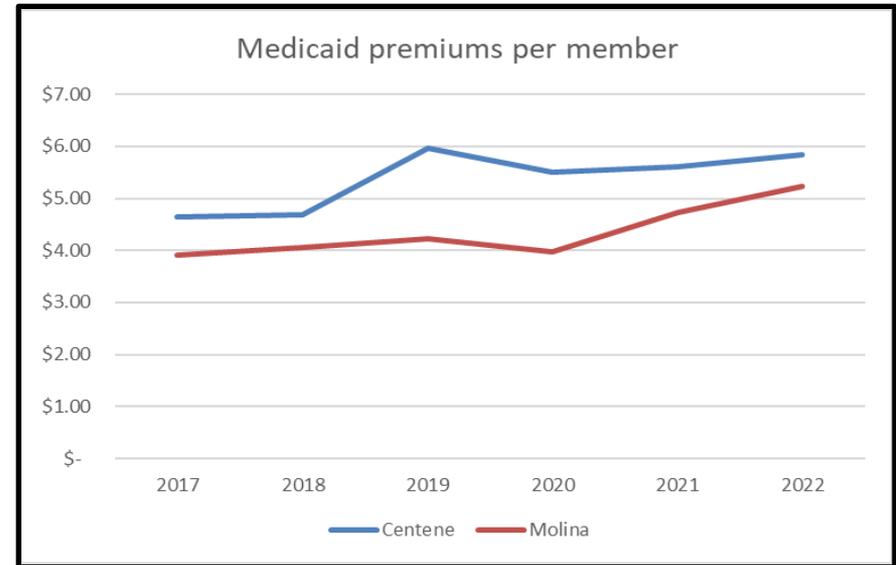
Source: Molina Healthcare; US Value Advisors Research

Molina Healthcare - Quality

- Molina Playbook introduced by CEO Joe Zubretsky in 2017 focuses on operating excellence
- Cost efficiency creates opportunity to offer better prices
- Better prices increase likelihood of Molina winning tenders
 - 92% win rate in last two years
- 30%+ ROE



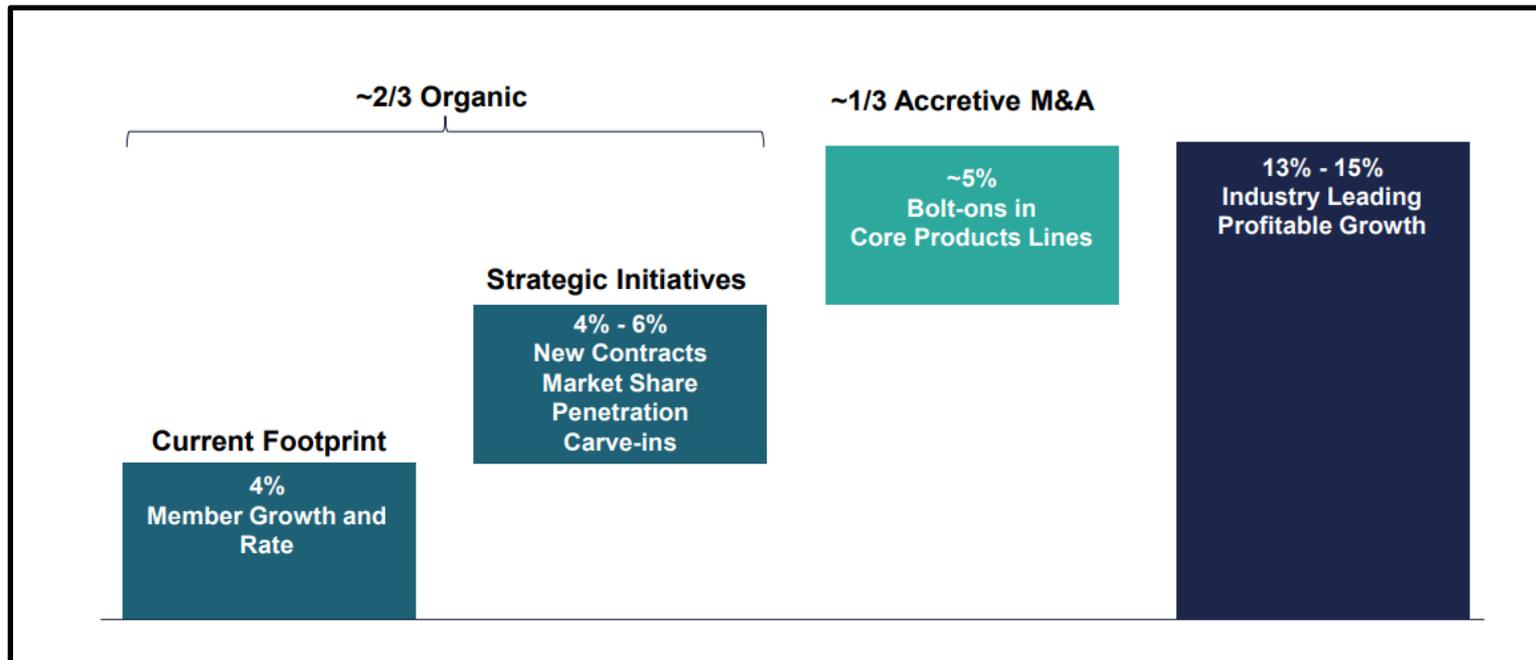
Source: Company Financials; Bloomberg; US Value Advisors Research



Source: Company Financials; Bloomberg; US Value Advisors Research

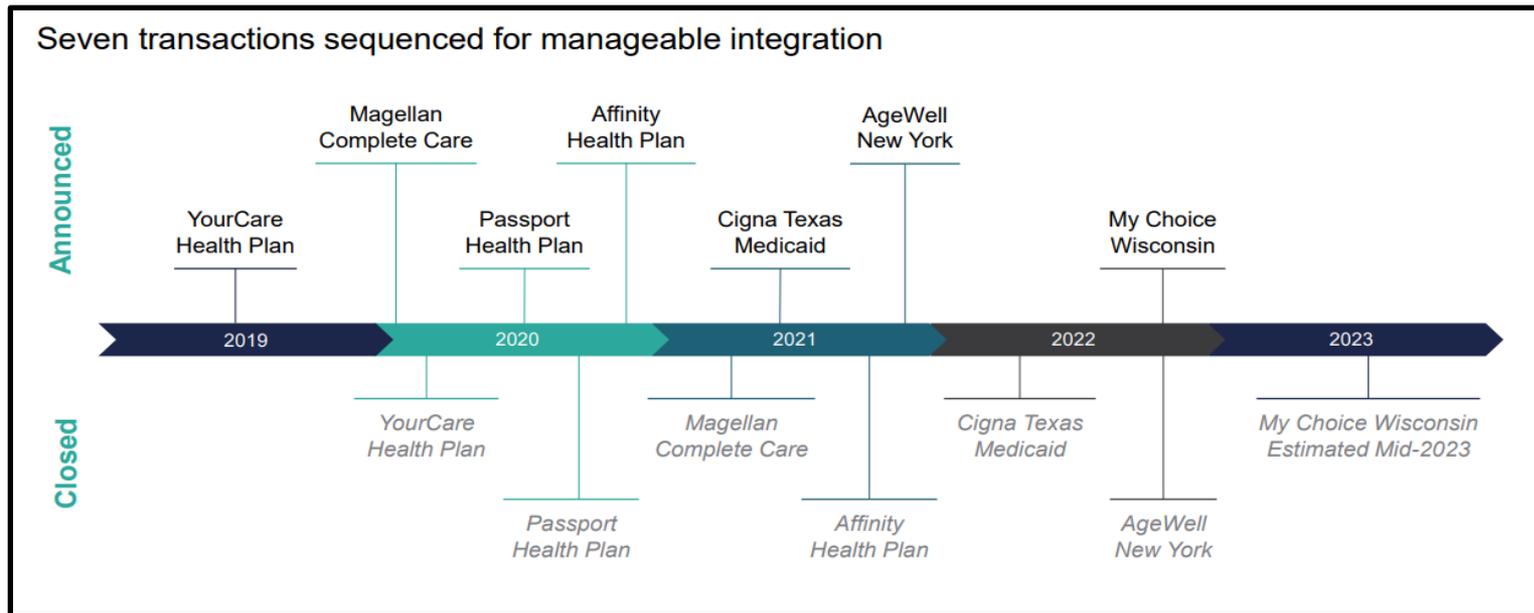
Molina Healthcare - Growth

- 20% Revenue CAGR in last three years coming from both organic sources and M&A
- 6% current market share in Medicaid Plans
- Existing RFP wins plus \$60B of tenders upcoming in next three years should add up to 20% to Molina's revenue in next five years
 - In 2024, Molina expects to add \$4B of revenue from recent RFP wins (IA, IN, NE, CA) partially offset by loss of \$1.1B of revenue through redetermination



Molina Healthcare – Capital Allocation

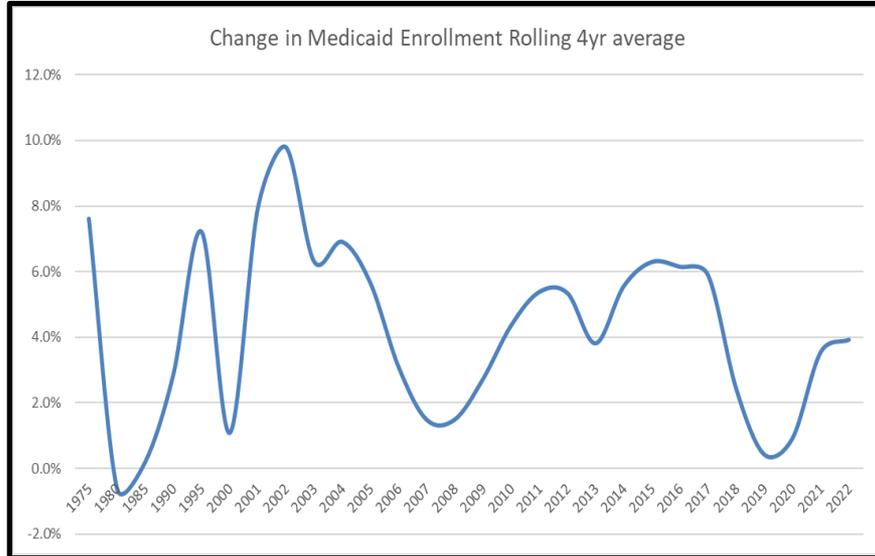
- Since 2017, Molina generated \$4.5B of free cash flow
- \$1 billion spent on M&A in order to expand company's footprint
- \$1 billion spent on share buybacks – shares outstanding are down by 6%
- Remaining amount added to the float



Source: Molina Healthcare

Why is Molina trading at attractive rates?

- Due to public health emergency, during 2020-2022, states were not allowed to take away Medicaid coverage from people who lost eligibility
- The restrictions were removed in 2023 and it is estimated that up to 15 million people could lose coverage – 16% of current members
 - Molina estimates they could lose up to 400K members (8% of total), which will be more than offset by membership gains through implementation of recent tender wins
- Medicaid gains over pandemic are in-line with historical gains



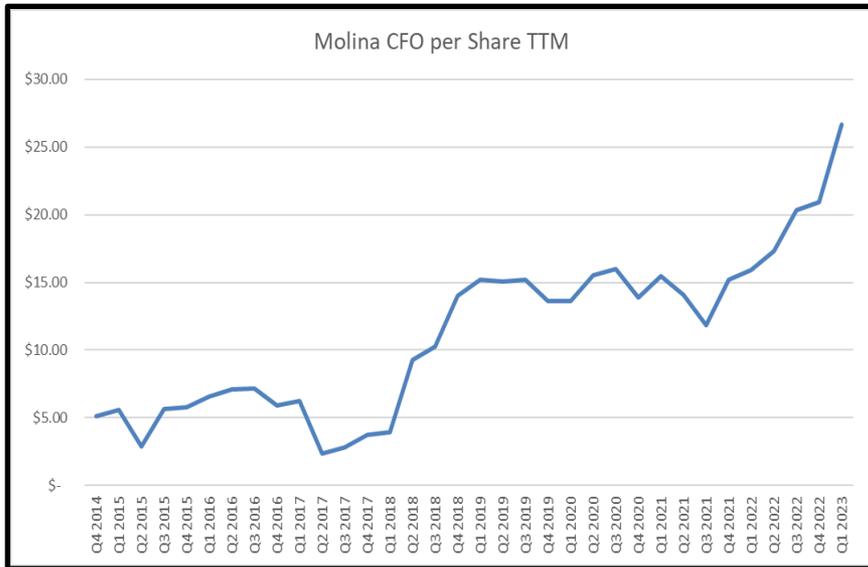
Source: Statista; US Value Advisors Research



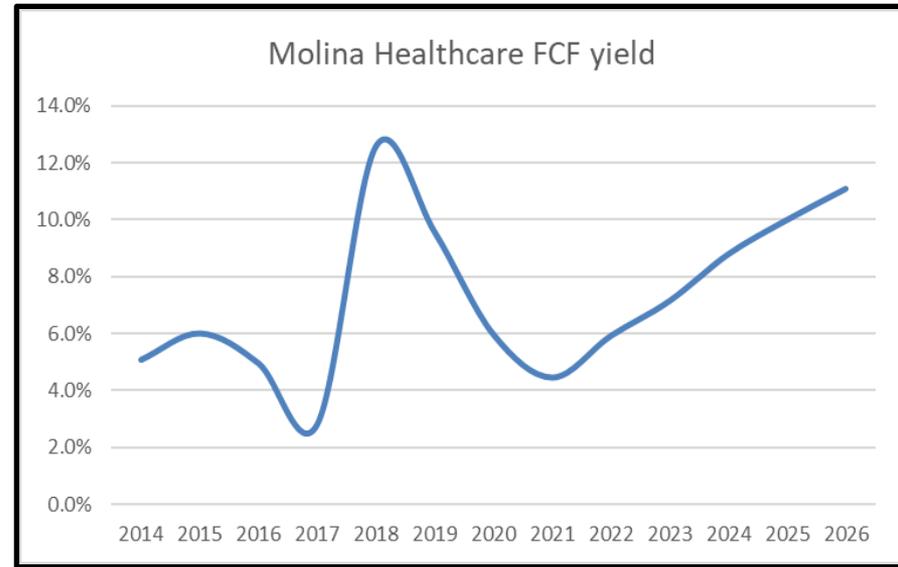
Source: Bloomberg

Molina Healthcare - Value

- Molina shares delivered 29% IRR since 2017, while CFO per share grew at 27% CAGR
 - Growth drivers remain intact
- Current free cash flow yield of 7.9%
- Long-term estimated IRR of ~15%



Source: Company Financials; Bloomberg; US Value Advisors Research



Source: Company Financials; Bloomberg; US Value Advisors Research

Summary & Contact

- Largest pure-play administrator of government sponsored health plans
- Cost efficiency provides opportunity for sharing the economies of scale
- Demand for government sponsored care is counter-cyclical and usually grows at 3-4% p.a
- Concern over redetermination impact on enrollment is likely overblown
- Delivered 29% IRR to shareholders since 2017
- Trading at 7.9% FCF yield



Steven Gorelik

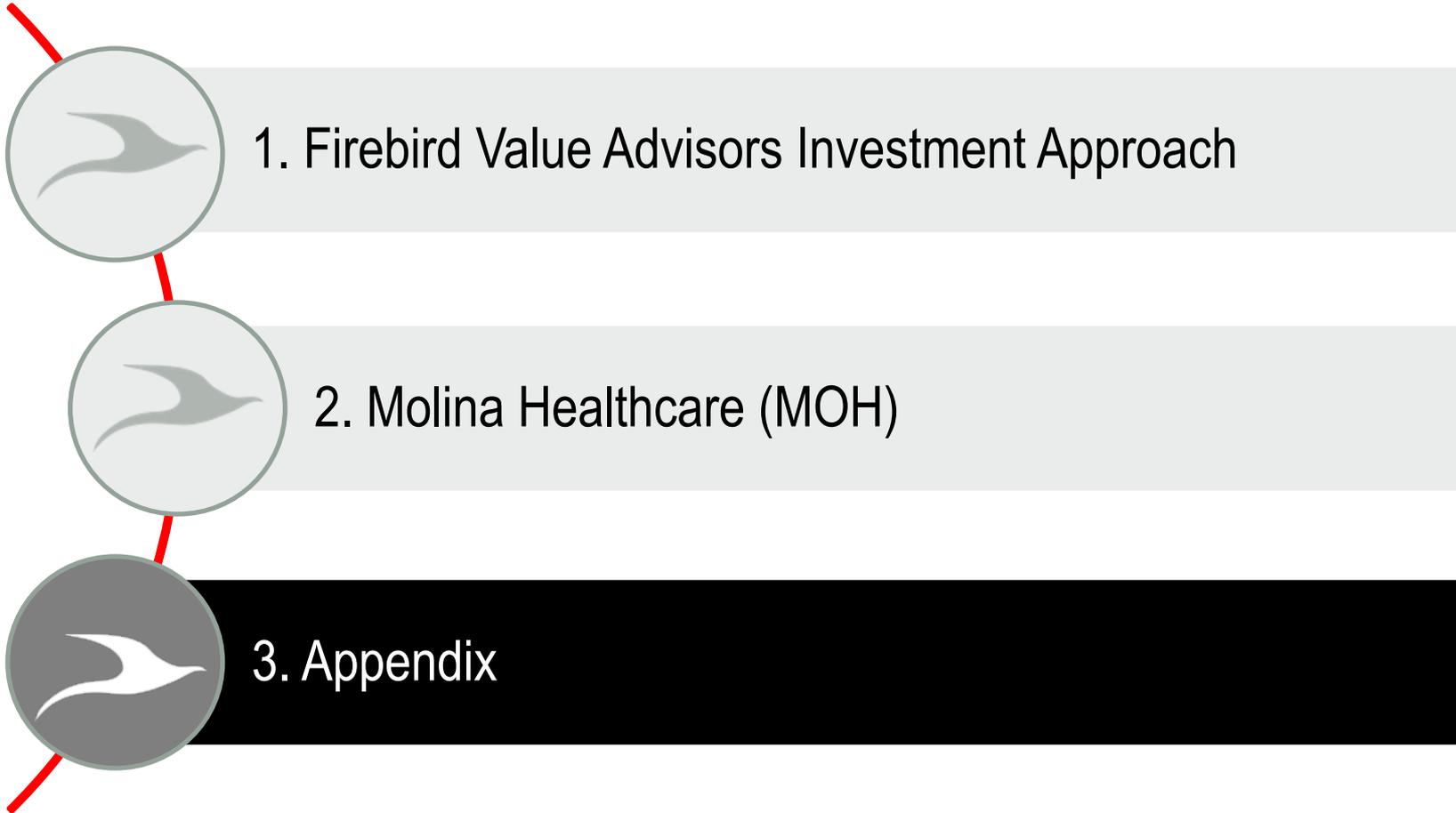
E-mail: sgorelik@fbird.com

Tel: +1 212.698.9260

Firebird Management LLC

<http://www.fbird.com>



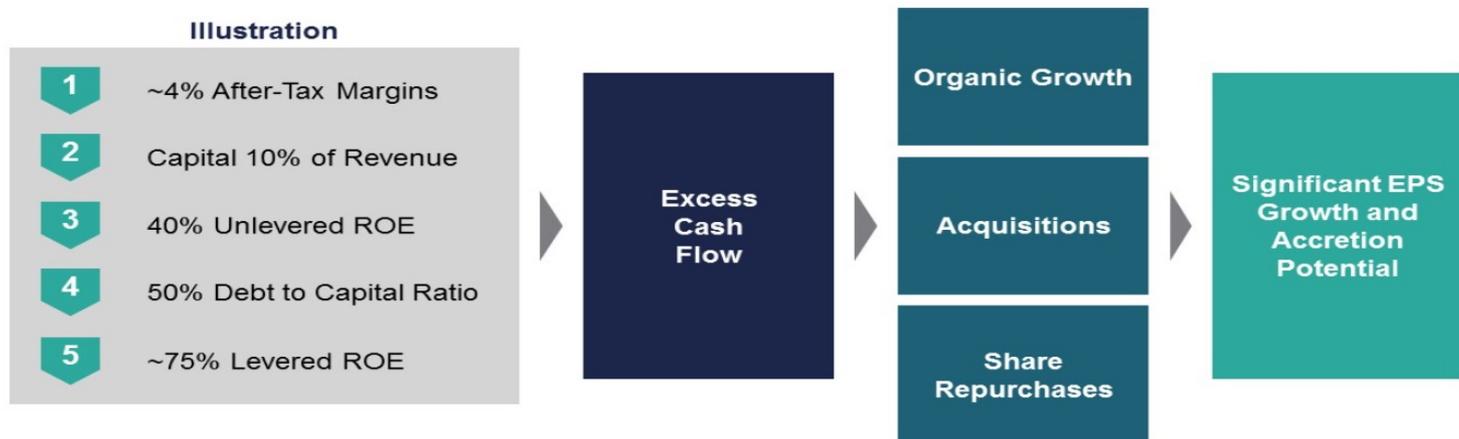


Molina Healthcare Profitability

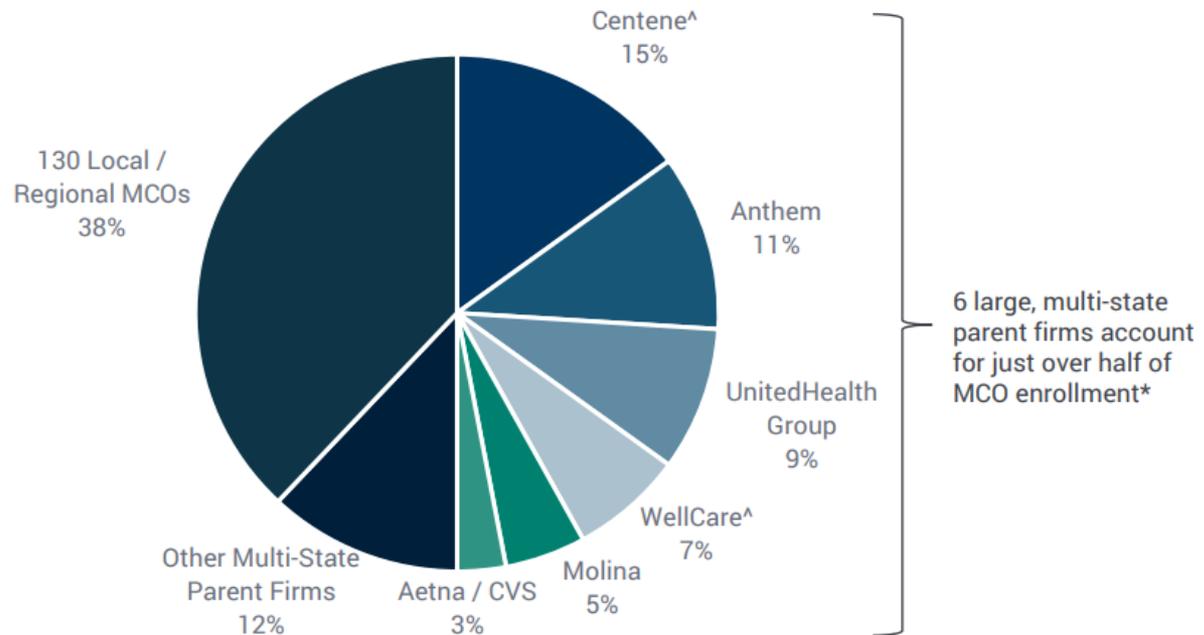
- Insurance business is generating single digit profit margins improving with scale
- ~\$8 billion float mostly in cash and investments with duration of less than five years.
 - Increased returns on investment should add up to 15% to earnings in next 2-3 years
- Levered business model leads to high ROE and excess cash available for acquisitions and buybacks

Best in Class ROE Drives EPS

Significant cash generation creates flexibility for deployment



Managed Care Enrollment is Concentrated in a Small Number of National Firms



Notes: Data as of July 1, 2019.

^ WellCare was acquired by Centene in January 2020. * Totals do not sum due to rounding.

Source: Hinton, E., Stolyar, L. 2022. 10 things to know about managed care. Washington, DC: Kaiser Family Foundation. February 23, 2022.

<https://www.kff.org/medicaid/issue-brief/10-things-to-know-about-medicare-managed-care/>.

Disclaimer

Steve Gorelik is a portfolio manager for Firebird Management LLC (“Firebird”). This report was prepared based upon information from sources that are believed to be reliable. However, neither Mr. Gorelik nor Firebird make any representation or warranty as to the accuracy or completeness of the information contained in this report. This report may include estimates and projections. No representation is made as to the accuracy of such estimates or projections or that such projections will be realized. Mr. Gorelik and Firebird have no obligation to update or keep current any information or projections contained in this report. Firebird is registered as an investment adviser with the U.S. Securities and Exchange Commission. Mr. Gorelik, Firebird and Firebird’s principals, employees and affiliates and accounts managed or advised by Firebird own interests in securities issued by Molina Healthcare.



Explore more presentations at VALUExVail.com