Express Scripts notes receive investment grades

The Associated Press

Pharmacy benefits manager Express Scripts Inc. received investment-grade ratings from three firms on up to $10 billion in senior notes it plans to issue to help pay for its $29.1 billion acquisition of Medco Health Solutions Inc.

Express Scripts, based in St. Louis, agreed in July to buy the pharmacy benefits manager Medco of Franklin Lakes, N.J., in a cash and stock deal. The companies hope to complete the deal in the first half of 2012, although regulators are still reviewing it.

Express Scripts said Monday it has started a private offering of senior notes, and it will put proceeds from that toward the cash consideration in the Medco deal.

Fitch Ratings assigned a "BBB" rating to the notes, while Standard & Poor's Ratings rated them "BBB+," and Moody's Investor Service assigned a "Baa3" rating. All the ratings are low-level investment grades, above "junk" status.

Fitch called the deal "strategically sound" and said in a note it fits within Express Scripts' core competencies. But the ratings service also said the regulatory approval process will be challenging and lengthy, which may add to financing costs and affect the combined company's ability to realize targeted savings from the deal.

Standard & Poor's said in a separate release the deal will more than double the size of Express Scripts and introduce "substantial integration risk," which the ratings service reflects in a negative outlook for the company.

Moody's said in its announcement that its "Baa3" rating reflects its belief that Express Scripts will remain committed to deleveraging and will re-establish investment grade metrics relatively quickly.

Express Scripts shares fell 98 cents, or 2.1 percent, to $46.70 in afternoon trading, while broader indexes dropped less than 1 percent.

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