

THIRD  
QUARTER  
2022

# Earnings conference call

November 2, 2022

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 **CVS**Health<sup>®</sup>

# Cautionary statement concerning forward-looking statements

**This presentation includes forward-looking statements.** The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by or on behalf of CVS Health Corporation (“CVS Health”). By their nature, all forward-looking statements are not guarantees of future performance or results and are subject to risks and uncertainties that are difficult to predict and/or quantify. Actual results may also differ materially from those contemplated by the forward-looking statements due to the risks and uncertainties related to the proposed acquisition of Signify Health, Inc. and the COVID-19 pandemic, including the potential emergence of additional variants, vaccine and testing protocols, government testing initiatives, the geographies impacted by and the severity and duration of the pandemic, the pandemic’s impact on the U.S. and global economies and consumer behavior and health care utilization patterns, and the timing, scope and impact of stimulus legislation and other federal, state and local governmental responses to the pandemic, as well as the risks and uncertainties described in our Securities and Exchange Commission filings, including those set forth in the Risk Factors section and under the heading “Cautionary Statement Concerning Forward-Looking Statements” in our most recent Annual Report on Form 10-K, our recent Current Reports on Form 8-K, this morning’s earnings press release and our Form 10-Q.

This presentation includes non-GAAP financial measures that we use to describe our company’s performance. In accordance with SEC regulations, you can find the definitions of these non-GAAP measures, as well as reconciliations to the most directly comparable GAAP measures, on the Investor Relations portion of our website.

# Financial highlights

**Q3 2022 Adj. EPS of \$2.09 exceeded expectations; Raising FY 2022 guidance for Revenue, Adjusted Operating Income, Adjusted EPS and Cash Flow from Operations**

**\$2.09**

**Q3 adjusted EPS**

Exceeded expectations

**10.0%**

**Q3 revenue growth**

Reflects growth across all businesses

**\$9.1 billion**

**Q3 cash flow from operations**

Committed to disciplined capital allocation priorities



**Evidence  
our strategy and execution  
is delivering value across the  
health care system** for

our customers,  
our communities,  
our colleagues and  
our shareholders

## **FY 2022 guidance**

Total company revenue

**\$309B – \$314B**

Total company adjusted operating income

**\$17.5B – \$17.6B**

Total company adjusted EPS

**\$8.55 – \$8.65**

Total operating cash flow

**\$13.5B – \$14.5B**

**Deployed capital to generate  
shareholder  
value**

Repaid \$2.6 billion of long-term debt in Q3

Returned \$726 million to shareholders through quarterly dividend

**Unify our business  
around the consumer  
health experience  
and scale new  
sources of value**

- 1** **Advance** all-payer primary care delivery capabilities
- 2** **Optimize** retail portfolio to serve as community health destinations
- 3** **Diversify** our growth portfolio with new health services
- 4** **Drive** digital-first, technology-forward approach
- 5** **Enhance** omnichannel health experiences

## CVS Health continues to lead the nation's COVID-19 response

- ♥ **~3M tests** administered in Q3
- ♥ **>5M vaccines** administered in Q3
- ♥ **Nearly 45M** new customers through COVID-19 testing and vaccine services since inception
- ♥ **~14%** of customers new to CVS Health through COVID-19 testing services chose to fill new prescriptions or receive their vaccinations at CVS Health since inception\*

\*New COVID-19 testing patients defined as those who have had 12 months elapse since their COVID-19 test.



# **Q3 2022 Financial Review**

THIRD QUARTER 2022

# Consolidated results

Delivered strong results and exceeded expectations

<i>in millions, except per share amounts</i>	<b>Q3 2022</b>	<b>Q3 2021</b>	<b>Change %</b>
Total Revenues	\$81,159	\$73,794	10.0%
Adjusted Operating Income	\$4,233	\$4,073	3.9%
GAAP Earnings (Loss) per Share <sup>1</sup>	(\$2.60) <sup>2,3</sup>	\$1.20	NM
Adjusted Earnings per Share <sup>1</sup>	\$2.09	\$1.97	6.1%
Cash Flow from Operations	\$9,123	\$5,521	65.2%

**Strong revenue growth**  
of 10.0% vs. prior year

**Interest expense**  
of \$566 million

**Adjusted effective tax rate**  
of 25.3%

**Adjusted weighted average  
diluted share count<sup>1</sup>: 1,323  
million shares**

1. Adjusted EPS for the three months ended September 30, 2022 is calculated utilizing adjusted weighted average diluted shares outstanding, which includes 8 million potential common equivalent shares, as the impact of these shares was dilutive. The potential common equivalent shares were excluded from the calculation of GAAP loss per share for the three months ended September 30, 2022, as these shares would have had an anti-dilutive effect as a result of the GAAP net loss incurred.

2. Includes loss on assets held for sale of \$2.5 billion related to the Omnicare long-term care business.

3. Includes opioid litigation charges of \$5.2 billion. We expect a portion of these payments to be tax deductible.

NM: Not Meaningful

THIRD QUARTER 2022

# Capital and cash flow

Liquidity and capital position remain strong

## Powerful cash generation

Generated \$9.1 billion in cash flow from operations

## Deploying capital to generate shareholder value

Returned \$726 million in shareholder dividends

## Committed to investment grade ratings

Paid down \$2.6 billion of long-term debt

Repaid net \$25.2 billion of long-term debt since the close of the Aetna acquisition



THIRD QUARTER 2022

# Health Care Benefits segment

Robust revenue growth across all product lines; strong underlying performance leading to improved medical benefit ratio

<i>in millions, except MBR</i>	<b>Q3 2022</b>	<b>Q3 2021</b>	<b>Change %</b>
Total Revenues	\$22,511	\$20,479	9.9%
Adjusted Operating Income	\$1,544	\$1,106	39.6%
Total Medical Membership	24.3	23.7	2.5%
Commercial	17.0	16.8	1.5%
Government	7.3	6.9	4.8%
Medical Benefit Ratio (MBR)	83.5%	85.8%	230 bps

**Total revenue growth** reflects growth across all product lines

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**Adjusted operating income growth** driven by net favorable impact of COVID-19 compared to prior year and strong underlying performance, including higher favorable development of prior-periods' health care cost estimates. These increases were partially offset by incremental investments to support growth in the business and net realized capital losses

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**Improved MBR** reflects net favorable impact of COVID-19 compared to the prior year and strong underlying performance, including higher favorable prior-period development

THIRD QUARTER 2022

# Pharmacy Services segment

Industry-leading drug trend, Specialty management capabilities and leading customer service levels continue to drive growth

<i>in millions</i>	<b>Q3 2022</b>	<b>Q3 2021</b>	<b>Change %</b>
Total Revenues	\$43,216	\$39,046	10.7%
Adjusted Operating Income	\$1,877	\$1,773	5.9%
Total Pharmacy Claims Processed <sup>1,2</sup>	584.9	564.4	3.6%

**Total revenue growth** reflects increased pharmacy claims volume, growth in specialty pharmacy and brand inflation, partially offset by continued client price improvements

- **Specialty Pharmacy** revenue growth of 22% year-over-year reflects new business wins and pharmacy claims growth

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**Adjusted operating income growth** reflects improved purchasing economics, including increased contributions from the products and services of the Company's group purchasing organization, partially offset by continued client price improvements

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**Total pharmacy claims processed<sup>1</sup> increase** reflects net new business and increased utilization, partially offset by decreased COVID-19 vaccinations

1. Total pharmacy claims processed include an adjustment to convert 90-day prescriptions to the equivalent of three 30-day prescriptions.
2. Excluding the impact of COVID-19 vaccinations, total pharmacy claims processed increased 4.5% on a 30-day equivalent basis for the three months ended September 30, 2022 compared to the prior year.

THIRD QUARTER 2022

# Retail / LTC segment

Retail continues to serve as a community health destination for millions of Americans as we continue to grow retail pharmacy script share

<i>in millions</i>	<b>Q3 2022</b>	<b>Q3 2021</b>	<b>Change %</b>
Total Revenues	\$26,706	\$24,992	6.9%
Adjusted Operating Income	\$1,398	\$1,723	(18.9%)
Prescriptions Filled <sup>1,2</sup>	405.3	398.0	1.8%

**Total revenue growth** reflects increased prescription and front store volume, including the sale of COVID-19 OTC test kits, as well as pharmacy drug mix and brand inflation, partially offset by decreased COVID-19 diagnostic testing and vaccinations, the impact of recent generic introductions and continued pharmacy reimbursement pressure

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**Adjusted operating income** decline primarily driven by decreased COVID-19 diagnostic testing and vaccinations, continued pharmacy reimbursement pressure, as well as increased investments in the segment's operations and capabilities. These decreases were partially offset by increased prescription and front store volume, improved generic drug purchasing, and the favorable impact of business initiatives

1. Retail/LTC prescriptions filled includes an adjustment to convert 90-day prescriptions to the equivalent of three 30-day prescriptions.
2. Excluding the impact of COVID-19 vaccinations, prescriptions filled increased 3.6% on a 30-day equivalent basis for the three months ended September 30, 2022 compared to the prior year.

THIRD QUARTER 2022

# Retail pharmacy

Significant year-over-year growth in a dynamic environment

	<b>Change vs. Q3 2021</b>
Retail Pharmacy Script Share of 26.8% <sup>1,2</sup>	Up ~40 bps
Same Store Sales <sup>3</sup>	9.9%
Pharmacy Sales	11.3%
Pharmacy Prescription Volume <sup>2</sup>	3.8%
Front Store Sales	5.1%

## **Continued growth in retail pharmacy script share**

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**Growth in prescriptions filled<sup>2</sup>** reflects increased utilization, partially offset by decreased COVID-19 vaccinations

.....

**Front Store sales increase** was due to broad category strength primarily in consumer health, including the sale of COVID-19 OTC test kits

1. Source: IQVIA retail pharmacy script data for Q3 2022. Disclosure reflects IQVIA's restated methodology for market share data.
2. Retail pharmacy prescriptions filled includes an adjustment to convert 90-day prescriptions to the equivalent of three 30-day prescriptions.
3. Same store sales and prescription volume exclude revenues from MinuteClinic and revenues and prescriptions from long-term care operations.



# 2022 Guidance

FULL-YEAR 2022 GUIDANCE

# Total company outlook

Raising guidance for revenue, adjusted operating income, adjusted EPS, and cash flow from operations

<i>in billions, except per share amounts</i>	<b>Q2:22 Earnings Call</b> Aug 3, 2022	<b>Q3:22 Earnings Call</b> Nov 2, 2022
Total Revenues	\$307 to \$312 5 – 7%	\$309 to \$314 6 – 7%
Adjusted Operating Income	\$17.3 to \$17.6 0 – 2%	\$17.5 to \$17.6 1 – 2%
GAAP EPS	\$7.23 to \$7.43 22 – 25%	\$3.12 to \$3.22 3 – 4%
Adjusted EPS	\$8.40 to \$8.60 0 – 2%	\$8.55 to \$8.65 2 – 3%
Cash Flow from Operations	\$12.5 to \$13.5	\$13.5 to \$14.5

**Revenue growth**  
of 6 – 7%

**Adj. EPS growth**  
of 8 – 9% versus 2021  
baseline<sup>1</sup>

**Strong** cash generation

Percentages represent year-over-year growth from reported 2021 results.

1. Calculated versus 2021 baseline of \$7.92 excluding prior years development (net of profits returned to customers), net realized capital gains and includes the annualized impact from increase to minimum wage.

FULL-YEAR 2022 GUIDANCE

# Health Care Benefits outlook

Guidance for adjusted operating income narrowed

*in billions, except MBR and membership*

**Q2:22 Earnings Call**  
Aug 3, 2022

**Q3:22 Earnings Call**  
Nov 2, 2022

Total Revenues	\$89.3 to \$90.8 9 – 11%	\$89.3 to \$90.8 9 – 11%
Adjusted Operating Income	\$5.94 to \$6.04 19 – 21%	\$5.96 to \$6.02 19 – 20%
Medical Benefit Ratio (MBR)	84.0% +/- 50 bps	84.0% +/- 50 bps
Total Medical Membership (in millions)	24.0 to 24.3 1 – 2%	24.0 to 24.3 1 – 2%

**Revenue growth**  
of 9 – 11%

.....  
**Adj. operating  
income growth**  
of 19 – 20%

Percentages represent year-over-year growth from reported 2021 results.



# Pharmacy Services outlook

Guidance range for adjusted operating income narrowed

<i>in billions</i>	<b>Q2:22 Earnings Call</b> Aug 3, 2022	<b>Q3:22 Earnings Call</b> Nov 2, 2022
Total Revenues	\$162.5 to \$165.3 6 – 8%	\$162.5 to \$165.3 6 – 8%
Adjusted Operating Income	\$7.31 to \$7.45 7 – 9%	\$7.31 to \$7.40 7 – 8%
Total Pharmacy Claims Processed <sup>1</sup>	2.29 to 2.32 2 – 3%	2.29 to 2.32 2 – 3%

**Revenue growth**  
of 6 – 8%

**Adj. operating  
income growth**  
of 7 – 8%

**Strong** selling  
season

Percentages represent year-over-year growth from reported 2021 results.

- Total pharmacy claims processed include an adjustment to convert 90-day prescriptions to the equivalent of three 30-day prescriptions. Total pharmacy claims processed include vaccinations.



# Retail/LTC outlook

Raising guidance for revenue and adjusted operating income

<i>in billions</i>	<b>Q2:22 Earnings Call</b> Aug 3, 2022	<b>Q3:22 Earnings Call</b> Nov 2, 2022
Total Revenues	\$101.0 to \$102.7 1 – 3%	\$102.7 to \$104.0 3 – 4%
Adjusted Operating Income	\$6.54 to \$6.64 (14) – (13%)	\$6.66 to \$6.72 (13) – (12%)
Prescriptions Filled <sup>1</sup>	1.61 to 1.64 1 – 3%	1.61 to 1.64 1 – 3%

**Revenue growth**  
of 3 – 4%

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**Reflects** updated COVID-19 assumptions and higher investment in operations and capabilities

Percentages represent year-over-year growth from reported 2021 results.

1. Prescriptions filled include an adjustment to convert 90-day prescriptions to the equivalent of three 30-day prescriptions. Prescriptions filled include vaccinations administered.

FULL-YEAR 2022 GUIDANCE

# Other items

Lowering guidance for adjusted effective tax rate and weighted average diluted share count

*in billions, except tax rate. Cost reduction initiatives in millions*

**Q2:22 Earnings Call** **Q3:22 Earnings Call**  
Aug 3, 2022 Nov 2, 2022

Interest Expense	~\$2.3	~\$2.3
Capital Expenditures	\$2.8 to \$3.0	\$2.8 to \$3.0
Adjusted Effective Tax Rate	~25.7%	~25.5%
Weighted Average Diluted Share Count	~1.330	~1.325 to 1.330
Cost Reduction Initiatives	~\$200M	~\$200M



# Preliminary Outlook

# 2022 Adjusted Baseline

2022 results and expectations impacted by several factors not expected to reoccur in 2023, including the net favorable impact of COVID on our business

<b>2022 Adjusted EPS Guidance Mid-Point</b>	<b>\$8.60</b>
1. YTD 2022 Prior Year Reserve Development, Net of Offsets	(\$0.12)
2. Projected 2022 Net Investment Income Headwinds	+\$0.20
3. Aetna Long-Term Care Reserve Strengthening	+\$0.06
4. Total Divesture Impact	(\$0.04)
5. Total COVID and Other	(\$0.50)
Sub-total	(\$0.40)
<b>2022 Adjusted EPS Baseline</b>	<b>\$8.20</b>

1. Prior year reserve development improved our YTD results; we do not forecast prior year reserve development to recur in future periods
2. Net investment income in 2022 was negatively impacted by changing rates; we do not forecast realized capital gains or losses and expect to change our reporting convention to exclude realized capital gains and losses from Adjusted Operating Income in 2023
3. We strengthened reserves in our legacy Aetna long-term care insurance business; we do not project additional adjustments in 2023
4. Reflects aggregate impact of divestures in 2023, including PayFlex, bwsift and portions of our Aetna International business
5. Primarily reflects changing economics associated with COVID-related volumes following expiration of the PHE in first quarter 2023 and lower expected COVID contribution in 2023 versus 2022

# 2023 Preliminary Outlook

## Adjusted Earnings Per Share

