Fourth Quarter 2018 Earnings Conference Call

Larry Merlo
President & Chief Executive Officer

Eva Boratto
Executive Vice President &
Chief Financial Officer

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CVSHealth

Cautionary Statement Regarding 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. By their nature, all forward-looking statements involve risks and uncertainties. Actual results may differ materially from those contemplated by the forward-looking statements for a number of reasons as described in our Securities and Exchange Commission filings, including those set forth in the Risk Factors section and under the section entitled "Cautionary Statement Concerning Forward-Looking Statements" in our most recently filed Annual Report on Form 10-K and Quarterly Report on 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 most comparable GAAP measures, on the Investor Relations portion of our website.

Link to our non-GAAP reconciliations: https://bit.ly/2HLoRlU

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Performance in 2018 Lays Strong Foundation For a Successful Combination With Aetna

- Delivered on our financial expectations
  - Adjusted EPS of **$7.08**, at the top end of our previous guidance range
  - Free cash flow of nearly **$7 billion**
  - Returned more than **$2 billion** to our shareholders through dividends
- Successfully completed transformational merger with Aetna
- Delivered on key foundational steps for growth in health care services
  - More than **80%** of primary care services available to consumers at MinuteClinic
  - Increased home visits by Coram for infusion services by more than **15%**
- Began effective implementation of integration strategy
  - Unveiled first three concept stores earlier this month
  - On track to exceed near-term synergy target of **$750 million** in 2020

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Balancing Near-term Execution with Long-term Vision: The Challenges in 2019

- Ongoing pharmacy reimbursement pressures in our businesses and reduction in offsets to those pressures, including a declining benefit from generics
- Lower brand inflation and ongoing questions around rebates
- Structural and CVS-specific challenges in long-term care space

These challenges are having a disproportionate impact compared to prior years

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Balancing Near-term Execution with Long-term Vision: The Action Plan in 2019

New Product and Service Initiatives	• **Front Store** - new product lines in health and beauty, along with the expansion of higher-margin service offerings • **Pharmacy** – continue to deliver market-leading top-line growth through network relationships and clinical programs – New Retail contracting strategy that better aligns reimbursement to value our clinical products provided to payors
New PBM Contracting Model	• Created new PBM contracting model, **Guaranteed Net Cost (GNC)**, that provides more transparency, simplicity and alignment with clients – Clients will receive 100% of rebates, while we will leverage our core strengths of contracting expertise and utilization management to drive lower net costs for clients and members without compromising the quality of care
LTC Action Plan	• Accelerating timeline to achieve benefits more quickly
New Enterprise Cost Reduction Effort	• Targeting opportunities that neither company would be able to accomplish as a standalone – This effort is in addition to near-term synergy work tied to the **$750 million** synergy target that we are on track to exceed – Aggressively managing working capital
Portfolio Evaluation	• Continuing to evaluate all assets and the roles they play in enabling core strategies of the new company

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Pillars of Long-term and Above-market Growth

Growing Membership

- Success requires use of the full breadth of our capabilities – comprehensive data, predictive analytics, and our unparalleled intervention points with consumers to drive behavior change and improve health outcomes
- **Expanding reach of government business**
  - New MA membership in existing markets & continued geographic expansion
  - Expand offering to take care of higher acuity and complex members (e.g. dual eligibles)
  - Drive excellence in STAR ratings
  - Strong and growing pipeline of new business opportunity within Group Medicare for 2020
  - Opportunities in Medicaid building off success we've had, with recent wins in Kansas and Florida
- **Actively working to strengthen commercial offerings**

Driving Value for Consumers & Payors

- Creating differentiated products and services at the community level
  - Broad base of consumer-facing assets, highlighted by nearly 10,000 CVS pharmacies
  - Assets include MinuteClinic, Coram, Accordant, and other ancillary assets
- Community assets have the power to improve outcomes and reduce costs, while contributing to enterprise revenue and earnings growth

Partnering to Accelerate Innovation

- Applying new technologies as a component of our consumer-centric approach to improving health
  - Example: recent collaboration with Apple on development of "Attain by Aetna"

Introducing Health Care Service Offerings

- Integrating existing capabilities with new products and services that will benefit all Aetna and Caremark clients and their members
  - Vision of creating an open platform model
- Establishing optimal structure and go-to-market strategy for health care service offerings
  - On track to have products in market by 2021 selling season

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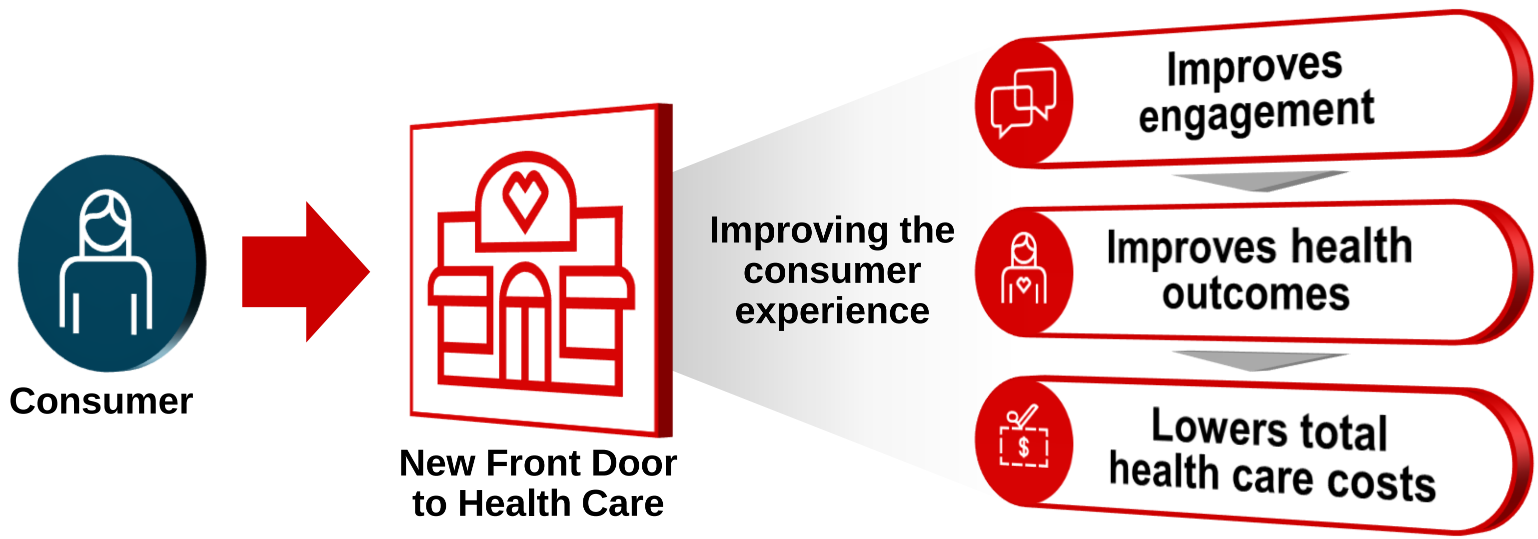
Transforming the Consumer Experience Begins With Creating a New Front Door to Health Care



System needs to be redesigned with a focus on consumers

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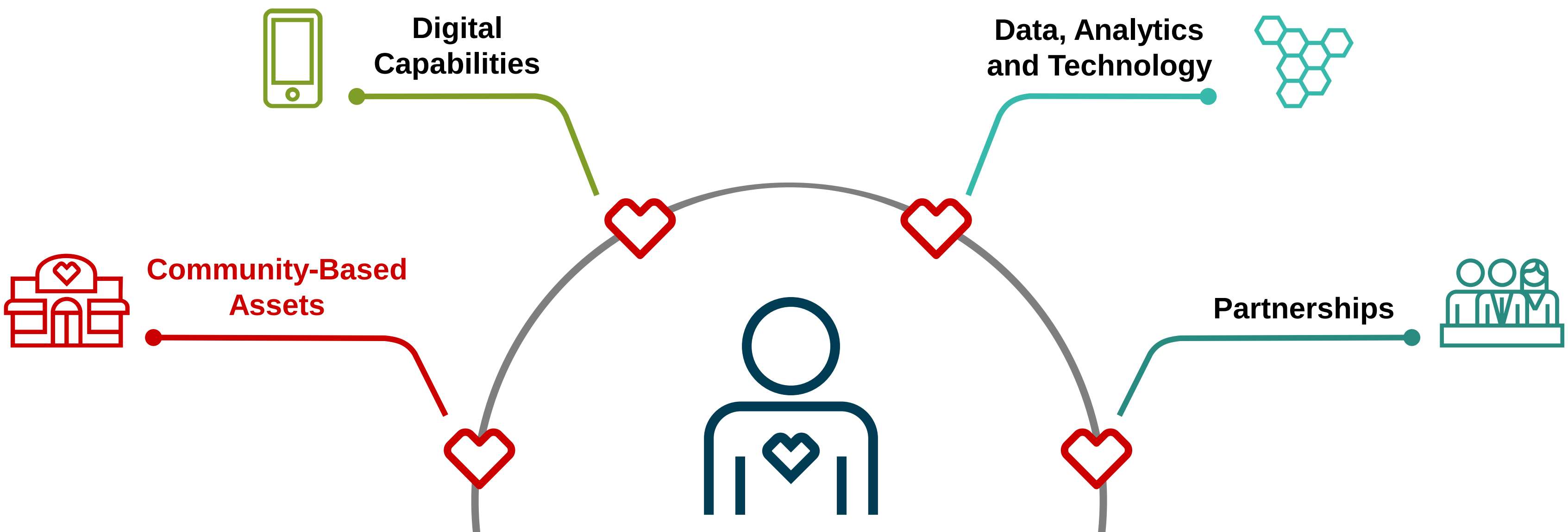
CVS Health Is Uniquely Positioned to Address Medical Cost Savings Opportunities



Unmatched connections to the consumer … at the center

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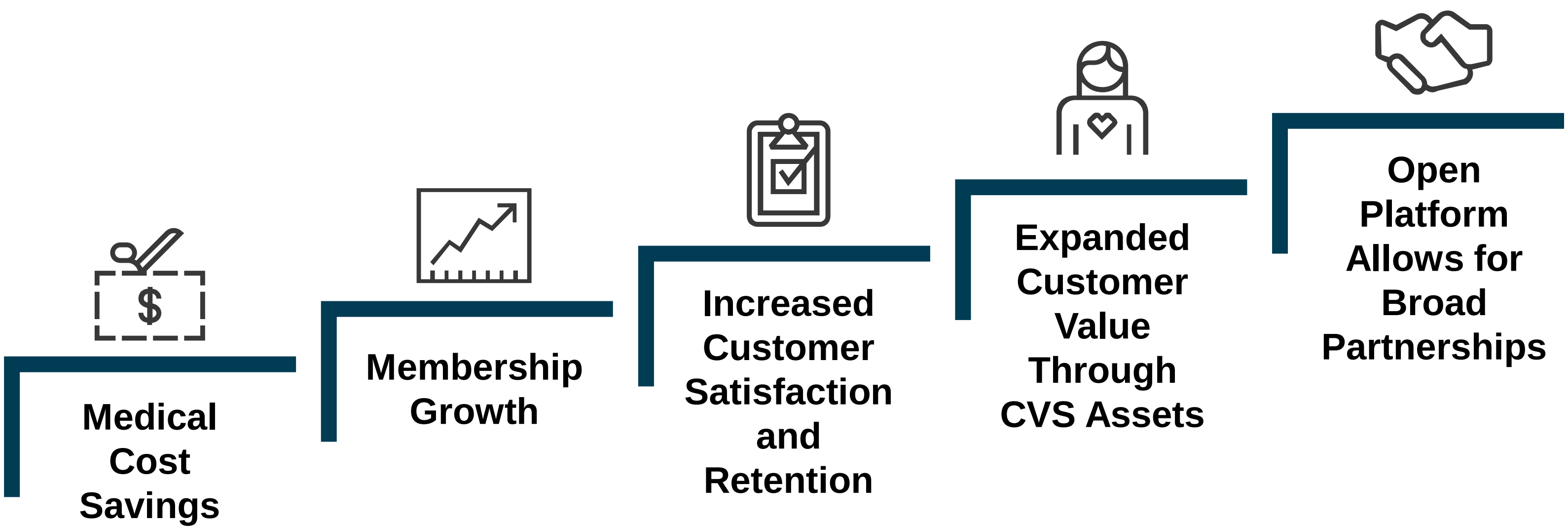
Multiple Levers of Value Creation Allow CVS Health to Accelerate Enterprise Growth

Value Creation Levers



Value creation to deliver top- and bottom-line growth

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Fourth Quarter 2018 Financial Review

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Reporting Update:
Presentation Changes for 2018

- As a result of the Aetna acquisition, CVS Health established a Health Care Benefits (HCB) segment, which is equivalent to the former Aetna Health Care segment
- Aetna's large case pensions and long-term care products are included in the Corporate/Other segment
- Interest income, which CVS Health reported as part of Interest Expense, net, will now appear as part of Total Revenue to conform with insurance company presentation
- Definitions of non-GAAP are consistent with legacy CVS Health
  - Notably, our definition of adjusted operating income remains consistent with legacy CVS Health for 2018.
  - With the presentation change of interest income, any interest income associated with the debt used to partially fund the Aetna acquisition before the November close is excluded from adjusted operating income; it continues to be excluded from adjusted EPS

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Fourth Quarter: Solid Results

	Q4 2018	Change vs. Q4 2017
Adjusted Consolidated Revenues	$54.3 billion	12.3%
Adjusted Operating Income	$3.4 billion	4.5%
Adjusted EPS	$2.14	12.0%
Free Cash Flow	$1.9 billion	395%

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Delivered on Our Targets in 2018

	2018	Change vs. 2017
Adjusted Consolidated Revenues	$194.0 billion	5.0%
Adjusted Operating Income	$10.3 billion	2.5%
Adjusted EPS	$7.08	19.9%
Free Cash Flow	$6.8 billion	7.5%

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Financial Update:

Free Cash Flow & Capital Allocation

- In Q4, generated **$1.9 billion** in free cash
  - **$6.8 billion** in free cash for full-year 2018
- Deployed capital to fund the Aetna acquisition
  - In Q4, paid **$1.25 billion** of senior notes at maturity
  - In Q4, made **$2 billion** voluntary early repayment of 5-year term loan
- Paid ~ **$510 million** in shareholder dividends in Q4
  - Returned more than **$2 billion** to shareholders in 2018 through dividends
- Dividends kept flat and share repurchases suspended due to the Aetna transaction until we reach our leverage targets

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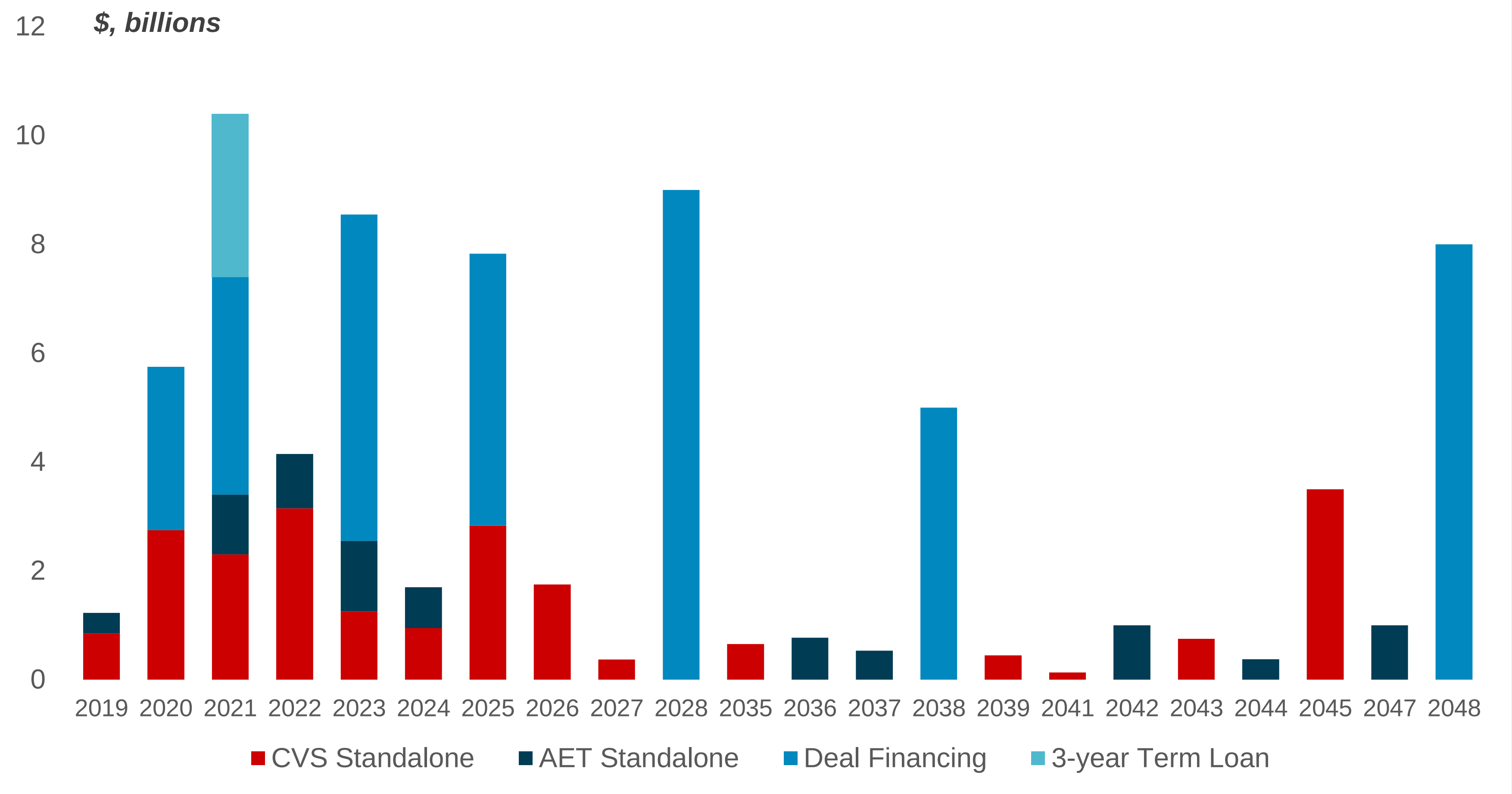
Financial Update:

Debt Maturity Schedule



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Q4 2018 Income Statement:
Consolidated

- Adjusted consolidated revenues of **$54.3 billion**, up **12.3%** vs. LY
- Adjusted total operating costs of **$51.0 billion**, up **12.8%** vs. LY
- Adjusted operating income of **$3.4 billion**, up **4.5%** vs. LY
  - Adjusted operating margin of **6.2%**, contracting **~ 45 bps** vs. LY
- Adjusted interest expense of **$452 million**, up ~ **$205 million** vs. LY
  - Increase largely attributable to post-close interest on debt associated with the Aetna acquisition
- Adjusted effective tax rate of **26.3%**
- Weighted-average share count of **1,126 million shares**

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Q4 2018 Income Statement:
Pharmacy Services Segment

- Revenues of **$34.9 billion**, up **2.2%** vs. LY
  - Growth driven by increase in pharmacy network and specialty volume, brand inflation, and increase in Medicare Part D revenues; partially offset by continued price compression
    - In Q4, dispensed specialty revenue increased **2.5%** vs. LY
  - Generic Dispensing Rate (GDR) of **86.9%** [1], flat to LY
- Adjusted claims processed grew **5.6%** [1] vs. LY, to **484.6 million**
  - Full-year adjusted claims processed of **1.89 billion** [1], in line with guidance
- Adjusted total operating costs of **$33.4 billion**
- Adjusted operating income of **$1.5 billion**, an increase of **2.6%** vs. LY
  - Adjusted operating margin of **4.3%**, **relatively flat** vs. LY

1. The pharmacy claims processed and the generic dispensing rate for all periods presented are adjusted to reflect 90-day prescriptions as the equivalent of three 30-day prescriptions.

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PBM Business:
Selling Season Progress

- 2019 Selling Season
  - Gross wins of **~ $4.2 billion**
  - Net new business of **~ $1.7 billion**
    - Includes impact of Anthem implementation beginning in Q2 2019
      - Revenue associated with Anthem contract will be recorded on a **net basis** in accordance with revenue recognition accounting rules; revenue and cost of sales will not be grossed up for drug ingredient costs dispensed through the retail network
    - Strong retention rate of ~ **98%** (1)
      - Excludes any impact from transition of Centene business to their PBM partner, RxAdvance, which could start in 2019
- 2020 Selling Season
  - **$47 billion** up for renewal in 2019, inclusive of FEP retail and mail contracts, which have extended through 2020

1. Client retention rate is defined as: 1 less (estimated lost revenues from any known terminations plus annualization of any mid-year terminations, divided by estimated PBM revenues for that selling season year) expressed as a percentage. Both terminations and PBM revenues exclude Medicare Part D SilverScript individual products.

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Q4 2018 Income Statement:

Retail Pharmacy / LTC Segment

- Revenues of **$22.0 billion**, up **5.4%** vs. LY
  - Growth driven by increased prescription volume and branded drug price inflation; partially offset by continued reimbursement pressure
- Adjusted prescriptions dispensed grew **8.6%**[(1)] vs. LY to **349.4 million**
  - Full-year adjusted prescriptions [(1)] dispensed of **1.34 billion**
- GDR[(1)] decreased **10 bps** vs. LY to **86.7%**
  - Full-year GDR increased **20 bps** vs. LY to **87.5%**
- Adjusted total operating costs of **$20.0 billion**
- Adjusted operating income of **$2.0 billion**, a decrease of **7.6%** vs. LY
  - Adjusted operating margin of **9.1%**, down **~ 130 bps** vs. LY
- Incurred **$2.2 billion** goodwill impairment charge in Q4 related to continued industry-wide and operational challenges with LTC business
  - Impairment charge excluded from non-GAAP financials

1. Adjusted prescriptions filled and the generic dispensing rate for all periods presented are adjusted to reflect 90-day prescriptions as the equivalent of three 30-day prescriptions.

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Q4 2018 Income Statement:

Retail Pharmacy / LTC Segment

- Same store statistics[(1)] :
  - Total store sales increased **5.7%**
  - Pharmacy sales increased **7.4%**
  - Pharmacy prescription volumes increased **9.1%**[(2)], at high end of guidance range
  - Front store sales increased **0.5%**
- Retail pharmacy market share increased **~ 160** bps vs.Q4 2017 to all-time high of **25.7%**
  - Driven by continued adoption of Patient Care programs; healthy results from growth initiatives, including those with other PBMs and health plans; and inclusion in a number of Med D networks this year
- Operate over **9,900** retail locations
- MinuteClinic full-year revenue grew **9.8%** vs. LY
  - Operate **1,104** clinics across 33 states and Washington, D.C.

1. Same store sales and prescriptions exclude revenues from MinuteClinic, and revenue and prescriptions from stores in Brazil, long-term care operations and from commercialization services.
2. Includes the adjustment to convert 90-day, non-specialty prescriptions to the equivalent of three 30-day prescriptions. This adjustment reflects the fact that these prescriptions include approximately three times the amount of product days supplied compared to a normal 30-day prescription.

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Q4 2018 Income Statement:
Health Care Benefits Segment

- Aetna transaction completed on November 28, 2018
  - 34 days of legacy Aetna business is included in CVS Health's consolidated totals
- Total revenue of **~$5.5 billion**
- Adjusted operating income of **~$276 million**
- Membership as of December 31, 2018 totaled **~22.1 million**
  - Government programs ~ half of fully-insured membership
- Operations performed as expected
- MA membership growth materially outpaced the market in 2019, fueled in part by our strong Star rating
- Clinical care and service programs expanded their reach in 2018, resonating in the marketplace and strengthening the value proposition of our Commercial offerings

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2019 Guidance

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Reporting Update:
Presentation Changes for 2019

- New items for 2019:
  - Individual SilverScript (SSI) PDP moving from Pharmacy Services segment to Health Care Benefits segment
    - 2018 HCB reflects the addition of SSI revenue and related income
    - Previous intra-segment revenue for services provided by PSS to SSI now becomes inter-segment revenue earned by PSS from HCB (because HCB now includes SSI), creating the need for an increase in the consolidating eliminations
    - The net effect is a slight increase in standalone segment revenue in the PSS
  - Aetna Mail Order and Specialty operations moving to PSS
    - In 2018, the impact of shifting Aetna Mail Order and Specialty from HCB to PSS for 34 days was immaterial
  - Adjusted operating income reflects the exclusion of the amortization of intangible assets to conform with Aetna's legacy definition
  - Refer to schedules on Investor Relations website for restatement of 2018:

    Link to GAAP restatement

    Link to Non-GAAP restatement
  - See slide 11 for presentation changes for 2018

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Guidance: 2019 Full-year

Enterprise Outlook

in millions, except per share data	Full-year 2019
Consolidated Revenue	$249,860 to $254,290
Adjusted Operating Income	$14,840 to $15,150
Adjusted EPS	$6.68 to $6.88
GAAP EPS	$4.88 to $5.08

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Guidance: 2019 Full-year

Retail/LTC Outlook

in millions	Full-year 2019
Adjusted Revenue	$85,250 to $86,790
Adjusted Prescriptions [1]	1,400 to 1,430
Adjusted Operating Income	$6,590 to $6,710 *down ~10%*

- Factors impacting outlook:
  - Strong script growth at CVS Pharmacy
  - Annualization of tax reform investment and Long-Term Care are expected to contribute nearly half of the segment contraction
  - Continued reimbursement pressure without the full benefits of traditional offsets, including a declining benefit from generics
  - Front of store expected to drive margin with focus on winning in health and beauty through improved consumer personalization and engagement

1. Includes the adjustment to convert 90-day, non-specialty prescriptions to the equivalent of three 30-day prescriptions. This adjustment reflects the fact that these prescriptions include approximately three times the amount of product days supplied compared to a normal 30-day prescription.

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Guidance: 2019 Full-year

Pharmacy Services Outlook

in millions	Full-year 2019
Adjusted Revenue	$136,490 to $138,950
Total Adjusted Claims [1]	1,940 to 1,970
Adjusted Operating Income	$4,830 to $4,920 *down low-single digits %*

- Factors impacting outlook:
  - Pricing compression, exacerbated by cumulative effect on rebate guarantees from lower brand inflation
  - Net benefits of selling season expected to be modest. Anthem will remain a strong headwind given investments needed to onboard business on an accelerated timeline
    - Revenue associated with Anthem contract will be recorded on a **net basis** in accordance with revenue recognition accounting rules; revenue and cost of sales will not be grossed up for drug ingredient costs dispensed through the retail network
  - PSS will benefit from shift of Aetna Mail Order and Specialty operations
    - Excluding segment shift impacts, operating income is expected to be down mid-single digits % from '18

1. Includes the adjustment to reflect 90-day prescriptions as the equivalent of three 30-day prescriptions.

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Guidance: 2019 Full-year

Health Care Benefits Outlook

in millions, except medical cost trend and MBR data	Full-year 2019
Adjusted Revenue	$67,680 to $68,710
Adjusted Operating Income	$5,100 to $5,190
Core Commercial Medical Cost Trend	6.0% +/- 50 bps
YE Medical Membership	22.7 to 23.0
Medical Benefits Ratio	84% +/- 50 bps

- Factors impacting outlook:
  - Year one deal synergies will disproportionately benefit the HCB segment
  - Incremental investments to accelerate growth, enhance infrastructure, and drive market differentiation
  - Suspension of the Health Insurer Fee in 2019 will impact certain operating ratios, while after-tax impact of this suspension vs. 2018 is immaterial
  - Certain one-time benefits realized in 2018 are not expected to repeat in 2019
  - Excluding segment shift impacts, incremental investments we're making in 2019 to accelerate growth, and impact of HIF suspension, operating income is expected to grow modestly over 2018

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Guidance: 2019 Full-year

Other Items

in millions, except tax rate	Full-year 2019
Net Synergies	$300 to $350
Incremental Investment Spending	$325 to $350
Interest Expense	$3,100 to $3,150
Effective Tax Rate	~ 26%
Weighted Average Share Count	1,308
Cash Flow From Operations	$9,800 to $10,300
Gross Capital Expenditures	$2,300 to $2,600

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Guidance: 2019 Q1

Enterprise Outlook

in millions, except per share data	Q1 2019
Consolidated Revenue	$59,610 to $60,530
Adjusted Operating Income	$3,390 to $3,450
Adjusted EPS	$1.49 to $1.53
GAAP EPS	$1.04 to $1.08

- Cadence of earnings and segment outlook:
  - Seasonality of our expected results this year will closely resemble that of our reported results last year
    - Year-over-year growth of consolidated adjusted operating income will be highest through the first three quarters as we wrap the addition of Aetna
  - In Retail/LTC and PBM, we expect our greatest level of year-over-year deterioration in Q1, with adjusted operating income growth in those segments improving as we move through the year
  - In HCB, adjusted operating income is expected to be greatest in Q1 and lowest in Q4

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CVS Health Is Best Positioned to Provide Value to Consumers and Broader Community

- We aim to make health care more local, simpler, and less costly, while reducing our dependencies on dispensing revenue and maximizing the benefits from value-added services
- Examples of value-added services:
  - Expanding MinuteClinic services and incorporating CVS community assets in conjunction with Aetna analytics around a member's 'Next Best Action'
  - Opportunities include improving adherence, closing gaps in care, engaging high-risk members, or providing new approaches to complex disease management
  - Programs to prevent hospital readmissions
    - If we're successful cutting Aetna hospital readmissions in half, we remove more than **$300 million** in costs while creating a better patient experience
  - Making unique service offerings available to health plan clients, creating value across the health care system

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