Second Quarter 2017 Earnings Conference Call

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CVSHealth

Forward-looking Statements

This presentation contains forward-looking statements within the meaning of the federal securities laws. These forward-looking statements reflect our current views related to our future financial performance, future events and industry and market conditions. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from what may be indicated in the forward-looking statements. We strongly encourage you to review the information in the reports that we file with the SEC regarding these specific risks and uncertainties, in particular those that are described in the Risk Factors section of our most-recently filed Annual Report on Form 10-K and the Cautionary Statement disclosures in 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 comparable GAAP measures, on the Investor Relations portion of our website.

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Second Quarter Business Update



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Second Quarter: Continued Solid Results

	Q2 2017	Change vs. Q2 2016
Consolidated net revenues	$45.7 billion	4.5%
Consolidated operating profit (1)	$2.3 billion	(7.0%)
Adjusted EBITDA (2)	$2.9 billion	(5.2%)
Adjusted EPS (3)	$1.33	0.8%
Free Cash Flow (4)	$1.6 billion	37.2%

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Four-Point Plan to Return to Healthy Growth

- In November, we laid out our four-point plan to return to healthy growth:
  - Leveraging our enterprise capabilities and CVS Pharmacy's compelling value proposition to partner more broadly with other PBMs and health plans
  - Focusing on driving growth through new PBM product introductions that capitalize on the benefits inherent in our unique, integrated model
  - Continuing to be a low-cost provider
  - Continuing to be very thoughtful with respect to using our strong cash generation capabilities to return value to our shareholders

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PBM Business:

2018 Selling Season Off to Solid Start

- Gross wins of **~ $5.4 billion**
- Net new business of **~ $1.8 billion**
  - Does include the previously-announced loss of the FEP specialty contract
  - Does not include any impact from our individual Med D PDP
  - To date, completed ~ **70%** of our client renewals, roughly in line with last year at this point
  - Strong retention rate of ~ **97%** (5)
- Extended our retail and mail service agreements with FEP through 2019
- Our integrated products and services continue to resonate with clients and prospective clients alike
- We continue to maintain pricing discipline in the marketplace

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PBM Business:

2018 Formulary Strategy

- Last week announced 2018 formulary strategy
  - Effective January 1st we plan to remove **17** products from Standard Control Formulary in 10 drug classes, while adding back **17** products that had been removed in previous years
  - For 2018, estimate **99.76%** of members will be able to stay on their current therapy
  - In the process of finalizing changes for the autoimmune and hepatitis C categories, to be communicated in mid-September
- Expect to deliver **$13.4 billion** in cumulative savings to our PBM clients from 2012 through 2018, through the inclusion of lower-cost brands and encouraging the transition to generics
  - Over same period, generic dispensing rate in the PBM has grown more than 10 percentage points
- CVS Caremark is the largest PBM in the country, in lives and claims
  - Managed commercial formularies cover more than 31 million lives
- Introduced new Transform Value program, designed to offer incremental benefit based on specific outcomes in key trend categories
  - Program will launch with Transform Value programs in the Oncology, Obesity, and Respiratory categories
  - These join our Transform Diabetes Care program introduced earlier this year

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PBM Business:
SilverScript

- In total, Caremark currently serves ~ **12.4 million** Med D beneficiaries
  - **4.5 million** captive lives in our individual PDP
  - **1 million** captive EGWP lives
  - **6.9 million** lives through our health plan clients
- SilverScript qualified in **32 of the 34** regions in the preliminary benchmark results from CMS for 2018
  - Strong benchmark results enable us to retain all auto-assignees we currently serve and qualify us to receive new auto-assignees in all 32 regions, an improvement over prior years as none of the regions are in de minimis status

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PBM Business:

Specialty Pharmacy

- CVS Specialty's growth continues to outpace the market
- Seeing strong growth in the open market while securing significant wins in the standalone specialty market
- In Q2, specialty revenues increased **11.5%**

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Retail/LTC Business:

Q2 Pharmacy Revenue and Script Growth (6)

- Total same-store sales decreased **2.6%,** slightly better than expectations
- Pharmacy same-store sales decreased **2.8%**
  - Negative impact of **~ 410 bps** due to recent generic introductions
- Pharmacy same-store prescription volumes **flat** on a 30-day equivalent basis (7)
  - Previously discussed network changes restricting CVS Pharmacy from participating in certain networks had a negative impact of **~ 460 bps**, consistent with the impact in Q1
  - Adjusting for the network changes, same-store prescription volumes would have been **up 4.6%**, a sequential improvement from Q1 after accounting for the absence of leap day this year

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Retail/LTC Business:

Working With All Payors to Drive Volumes and Capture Share

- Partnership with OptumRx to provide a 90-day retail solution to their ASO clients and members launched last month
  - Seen some uptake from clients, and pipeline of additional opportunity in coming years is promising
- In June, announced collaboration with Cigna called *Cigna HealthWorks*
  - Aligns Cigna-administered health benefits with CVS Pharmacy and MinuteClinic
  - Includes the use of a CVS 90-day network in addition to Health Tag messaging, the ExtraCare Health card, and discounts at MinuteClinic for select preventive and acute care
- Will be anchor for retail network option for Express Scripts' Diabetes Care Value Program
  - Performance-based program focused on meeting certain medication adherence thresholds

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Retail/LTC Business:

Long-Term Care Pharmacy Business

- Omnicare remains the leader in the market and the potential acquisition of PharMerica does nothing to change that
- We have invested the time and capital over the past two years to get the right technology and processes in place in order to differentiate our offering to make it more compelling for our clients as well as the residents at these facilities
- A slower process than expected, due in part to certain dynamics in the Skilled Nursing Facility market
- However, we remain optimistic in this market and our ability to grow the Omnicare business

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Retail/LTC Business:

Q2 Front Store Revenue and Gross Margin

- Front store comps decreased **2.1%**
  - Positive impact of **75 basis points** from the shift of Easter into the second quarter
  - Reflects decision to rationalize promotional strategies
  - Adjusting for the Easter shift and leap day impact in Q1, front store comps improved sequentially from Q1 to Q2
- Front store gross margin once again improved nicely in the quarter versus last year, as did front store gross profit dollars, despite decline in front store comps

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Retail/LTC Business:

Front Store Growth Strategies

- Remain focused on growing our Beauty, Health Care and Personal Care businesses
- Integrated digital manufacturer coupons into our app
- Implemented new technology that is making our digital communications even more relevant by automating the selection of products, offers, and messages, leveraging advanced analytics and ExtraCare

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Retail/LTC Business:

Front Store Growth Strategies: Store Brands

- Remains an area of strength and opportunity
- Represented **22.6%** of front store sales in the quarter
  - Up **~ 80 basis points** vs. LY
- Focusing on providing high-quality, value alternatives and through innovation that improves the consumer's experience

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Retail/LTC Business:

CVS MinuteClinic

- Operate **1,126** clinics across 33 states and Washington, D.C.
- Q2 revenues **up 8%** vs. LY
- MinuteClinic providers have now conducted **37 million** patient visits
- Recently joined the *Alere eScreen Occupational Health Network*
  - Through this new collaboration, employees of businesses that utilize *Alere* can visit MinuteClinic for a number of services commonly required, such as biometric screenings, vaccinations, DOT physicals and drug testing

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Retail/LTC Business:

Real Estate Update

Locations at end of Q1	9,676
Opened	27
Closed	(3)
Retail locations at end of Q2 2017	9,700
Net new locations	24
Relocations	10
Retail locations with pharmacies	9,650 (8)

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Second Quarter 2017 Financial Review



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Financial Update:

Capital Allocation

- Paid ~ **$512 million** in dividends in Q2
  - 12-month trailing dividend payout ratio of **36.6%** (9)
  - Ratio is artificially high due to some expenses that are more temporary in nature, as described in our non-GAAP reconciliations on our website
  - On track to reach **35%** targeted payout ratio by the end of 2018
- In Q2, bought back **14.3 million** shares, and returned **~ $852 million** to shareholders through dividends and share repurchases
- Year-to-date, repurchased **50.4 million** shares for **$4 billion**, or **$78.67** per share
- Year-to-date, returned **~ $5 billion** to shareholders through dividends and share repurchases
- In 2017, continue to expect to return **more than $7 billion** to shareholders through dividends and share repurchases

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Financial Update:

Free Cash Flow

- In Q2, generated **$1.6 billion** of free cash and **$4.6 billion** year-to-date
  - Free cash flow in Q2 benefitted from timing of PBM cash receipts and payables, due in part to the early receipt of a Med D payment that shifted into Q2 due to the timing of month end
- Continue to expect to produce free cash of between **$6.0 billion and $6.4 billion** for the full year

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Q2 2017 Income Statement:

Earnings per Share

- Q2 Adjusted EPS of **$1.33** [3], up **0.8%,** at the high end of guidance range
  - Retail/LTC segment delivered results within our expectations
  - PBM posted profit growth above high end of our expectations, primarily driven by timing factors related to purchasing economics
- GAAP diluted EPS of **$1.07**
  - **8 cents** below low end of guidance range primarily due to non-cash goodwill impairment charge associated with our RxCrossroads business that was recorded during the quarter
    - RxCrossroads administers programs that provide patients with assistance in obtaining high-cost drugs, working directly with manufacturers, and acts as a third-party logistics provider for plasma cold-chain management services
    - RxCrossroads has not been a material contributor to our results
    - Interim goodwill impairment test resulted in fair value of RxCrossroads being lower than its net book value, thus we recorded a **$135 million** non-cash goodwill impairment charge within operating expenses in the Retail/LTC Segment

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Q2 2017 Income Statement:

Revenues: Consolidated, PBM

- Consolidated revenues of ~ **$45.7 billion**, up **4.5%** vs. LY
- PBM revenues of **$32.3 billion**, up **9.5%** vs. LY
  - Growth driven by increased volume in pharmacy network claims as well as brand inflation and solid specialty pharmacy growth
  - Partially offset by increase in GDR to **87.2%, up ~ 130 bps** vs. LY
- PBM adjusted claims grew **9.5%** (10) vs. LY

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Q2 2017 Income Statement:

Revenues: Retail/LTC

- Retail/LTC revenues of **$19.6 billion**, down **2.2%** vs. LY, slightly better than expectations
  - Decline driven by continued reimbursement pressure, magnified by flat script comps caused by the previously-discussed network changes restricting CVS Pharmacy from participating in certain networks
  - Retail/LTC GDR of **87.6%,** up **~ 150 bps** vs. LY
  - Also saw a decline in front store revenues due to softer customer traffic and our promotional decisions, partially offset by basket size
  - Front store same store sales decreased **2.1%** and were positively impacted by ~ **75 basis points** from the shift of Easter into the second quarter of this year

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Q2 2017 Income Statement:

Gross Profit Margin: Consolidated [11], PBM

- Consolidated gross margin of **15.2%,** down ~ 85 bps vs. LY, primarily driven by mix shift, as lower-margin PBM is growing faster than Retail/LTC
- Consolidated gross profit dollars **decreased 1.2%**
  - Decrease primarily due to the loss of scripts in the Retail/LTC segment
- PBM gross margin of **4.5%**, down ~ 10 bps vs. LY
  - Decrease primarily attributable to continued price compression and changing mix of our business, partially offset by favorable generic dispensing
- PBM gross profit dollars **increased 7.4%** vs. LY
  - Driven by strong claims growth and favorable purchasing economics, as well as the improvement in GDR, partially offset by continued price compression

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Q2 2017 Income Statement:

Gross Profit Margin: Retail/LTC (11)

- Retail/LTC gross margin of **29.0%**, down ~ 20 bps vs. LY
  - Decrease primarily driven by lower reimbursement rates
  - Partially offset by increasing generic dispensing rate and increased front store margin
- Retail/LTC gross profit dollars **decreased 2.8%** vs. LY, mainly due to the loss of scripts from the network changes as well as continued reimbursement pressure

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Q2 2017 Income Statement:

Operating Expenses and Margin

- Consolidated: expenses were **10.2%** of revenues [12]…~ 25 bps vs. LY improvement
- PBM: expenses were **1.0%** of revenues [13] … ~ 10 bps vs. LY improvement
  - Driven by additional sales leverage related to the volume increases
- Retail/LTC: expenses were **21.1%** of revenues [14] … ~ 80 bps vs. LY deterioration
  - Driven by the loss of prescriptions related to the restricted networks
- A portion of the increase in operating expense dollars year-over-year relates to investments we are making in process improvements and technology enhancements as part of our enterprise streamlining initiative
- Corporate expenses increased ~ $20 million to **$240 million**, due to an increase in benefits costs and investments in strategic initiatives

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Q2 2017 Income Statement:

Operating Profit and Margin

- Consolidated
  - Operating profit decreased **7.0%** (1), in line with expectations
  - Operating margin of **5.0%** (1), down ~ 60 bps vs. LY
- PBM
  - Operating profit increased **9.1%** (13)
  - Operating margin of **3.5%** (13), flat vs. LY
- Retail/LTC
  - Operating profit decreased **12.7%** (15), in line with expectations
  - Operating margin of **8.0%** (15), down ~ 95 bps vs. LY

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Q2 2017 Income Statement:

Below-the-line

- Net interest expense of **$247 million**, ~ $33 million lower than LY
  - Driven by paying down debt in prior year and a lower average interest rate on the debt that remains outstanding
- Effective tax rate [16] of **38.4%**
  - Higher compared to expectations, driven by delta between our estimates of the discrete tax benefit from adopting the new share-based payment accounting and what we actually experienced during the quarter
    - The accounting change will continue to impact the tax rate going forward and fluctuate based on changes in both share price and in behavior of employees that can exercise vested options
- Weighted-average share count of ~ **1.0 billion** shares

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2017 Guidance



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Guidance: 2017 Full-year

Enterprise Outlook

	Full-year 2017
Net Revenue Growth	3.0% to 4.0%
Operating Profit Change (17) ***Operating Profit Margin*** *(17)*	(5.75%) to (4.25%) *Moderate decline*
Adjusted EPS (18) ***Year-Over-Year Change*** *(18)*	**$5.83 to $5.93** *(0.25%) to 1.5%*
GAAP Diluted EPS (19)	$4.92 to $5.02

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Guidance: 2017 Full-year

Healthy Growth in PBM

	Full-year 2017
Net Revenue Growth	8.0% to 9.0%
Total Adjusted Claims (10)	*1.78 billion to 1.80 billion*
Gross Profit Margin	Modest decline
Operating Expense (20) *(% of revenue)*	Modest improvement
Operating Profit Growth (20) ***Operating Profit Margin*** (20)	5.75% to 7.25% *Flat to down*

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Guidance: 2017 Full-year

Retail/LTC Outlook

	Full-year 2017
Net Revenue Change	(3.50%) to (2.75%)
Same-store Sales (6) ***Same-store Adjusted Scripts*** (6) (7)	*(4.25%) to (3.50%)* *(0.75%) to 0.25%*
Gross Profit Margin	Moderate improvement
Operating Expense (21) *(% of revenue)*	Significant deterioration
Operating Profit Change (22) ***Operating Profit Margin*** (22)	(10.0%) to (8.75%) *Notable decline*

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Guidance: 2017 Full-year

Consolidated Income Statement

	Full-year 2017
Corporate Segment Expense (23)	$925 million to $945 million
Intercompany Eliminations *(% of combined segment revenues)*	~ 12%
Gross Profit Margin	Notable decline
Operating Expense (24) *(% of revenue)*	Modest improvement

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Guidance: 2017 Full-year

Consolidated Income Statement

	Full-year 2017
Net Interest Expense	~$1.00 billion to $1.01 billion
Effective Tax Rate	~ 39%
Weighted Average Shares	~ 1.02 billion
Consolidated Amortization	~ $820 million
Consolidated D&A	~ $2.5 billion

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Guidance: 2017 Q3

Enterprise Revenue and Earnings per Share

	Q3 2017
Net Revenue Growth	2.75% to 4.25%
Adjusted EPS (25) ***Year-Over-Year Growth*** *(25)*	**$1.47 to $1.50** *(10.5%) to (8.0%)*
GAAP Diluted EPS (26)	$1.20 to $1.23

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Guidance: 2017 Q3

Segment Performance

		Q3 2017
Retail/LTC	Net Revenue Change	(5.0%) to (3.25%)
	Same-Store Sales (6) *Same-Store Adjusted Scripts* (6) (7)	*(5.75%) to (4.0%)* *(0.75%) to 0.25*
	Operating Profit Change (28)	(13.5%) to (11.0%)
Pharmacy Services	Net Revenue Change	8.5% to 9.75%
	Operating Profit Change (27)	(7.5%) to (5.5%)

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Guidance: 2017 Full-year

Free Cash Flow

(billions)	**Full-year 2017**
Operating Cash Flow	$7.7 to $8.6
Gross Capital Expenditures	*($2.0) to ($2.4)*
Sale-leaseback proceeds *(29)*	*$0.3 to $0.2*
Net Capital Expenditures	($1.7) to ($2.2)
Free Cash Flow ***Year-Over-Year Change*** *(30)*	**$6.0 to $6.4** ***(26%) to (21%)***

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Responses to Drug-Pricing Rhetoric

- We continue to be a very active voice in Washington regarding health care issues
- Our proactive proposals to lower drug costs focus on increasing competition in the drug market, strengthening the ability to use our drug management tools, and easing out-of-pocket costs for consumers
- The new FDA Commissioner, Dr. Scott Gottlieb, has embraced proposals to prioritize the review of generic drug applications, launching a Drug Competition Action Plan
  - The agency has published a list of more than 260 off-patent branded drugs without approved generics in order to encourage development of ANDAs in markets without competition
  - Also, they now will expedite review of generic drug applications until there are three approved generics for a given drug product
  - May and June of this year have seen the most generic drug approvals since the FDA began tallying its monthly approvals
- We are piloting the use of technology to provide drug pricing information to both patient and prescriber at the point of prescription
  - Several policymakers have expressed great interest in these capabilities

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Endnotes

1. Consolidated operating profit excludes $81 million of acquisition-related integration costs during the three months ended June 30, 2016 and $10 million of acquisition-related integration costs during the three months ended June 30, 2017. In 2016, the integration costs relate to the acquisitions of Omnicare and the pharmacies and clinics of Target. In 2017, the integration costs relate to the acquisition of Omnicare. Excludes a $135 million goodwill impairment charge related to the RxCrossroads reporting unit within the Retail/LTC segment during the three months ended June 30, 2017. Excludes $6 million of charges primarily for noncancelable lease obligations associated with stores closed in connection with our enterprise streamlining initiative during the three months ended June 30, 2017. The 2016 operating profit was revised to reflect the adoption of ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which decreased operating expenses and increased operating profit by $7 million for the three months ended June 30, 2016.
2. Adjusted EBITDA excludes $74 million of acquisition-related integration costs during the three months ended June 30, 2016. Excludes $10 million of acquisition-related integration costs during the three months ended June 30, 2017. In 2016, the integration costs relate to the acquisitions of Omnicare and the pharmacies and clinics of Target. In 2017, the integration costs relate to the acquisition of Omnicare. Excludes a $135 million goodwill impairment charge related to the RxCrossroads reporting unit within the Retail/LTC segment during the three months ended June 30, 2017. Excludes $6 million of charges primarily for noncancelable lease obligations associated with stores closed in connection with our enterprise streamlining initiative during the three months ended June 30, 2017. Excludes $7 million of acquisition-related integration depreciation during the three months ended June 30, 2016 related to the acquisitions of Omnicare and the pharmacies and clinics of Target.
3. Adjusted EPS for the three months ended June 30, 2016 excludes $197 million of amortization of intangible assets, $81 million of acquisition-related integration and $542 million from loss on extinguishment of debt. Adjusted EPS for the three months ended June 30, 2017 excludes $203 million of amortization of intangible assets, $10 million of acquisition-related integration costs, a $135 million goodwill impairment charge related to the RxCrossroads reporting unit within the Retail/LTC segment, and a $6 million charge primarily for noncancelable lease obligations associated with stores closed in connection with our enterprise streamlining initiative. In 2016, the integration costs relate to the acquisitions of Omnicare and the pharmacies and clinics of Target. In 2017, the integration costs relate to the acquisition of Omnicare.
4. For the three months ended June 30, 2016 and June 30, 2017, net income, a component of net cash provided by operating activities, includes the non-GAAP adjustments referenced in endnote #3. Effective January 1, 2017, the company adopted ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting,* which resulted in a retrospective reclassification of $36 million of excess tax benefits from financing activities to operating activities, which increased net cash provided by operating activities for the three months ended June 30, 2016.

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5. 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.
6. 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.
7. 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.
8. Including 7,971 CVS Pharmacy stores that operated a pharmacy and 1,679 pharmacies located within Target stores. Excludes onsite pharmacy stores.
9. The dividend payout ratio is defined as the sum of the dividends paid for the last four quarters, divided by the sum of net income for the last four quarters. Dividends paid and net income are both included on the consolidated statements of cash flows.
10. 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.
11. Consolidated gross profit and Retail/LTC gross profit have been adjusted to exclude $6 million of acquisition-related integration costs during the three months ended June 30, 2016. Excludes $5 million of acquisition-related integration costs during the three months ended June 30, 2017. In 2016, the costs relate to the acquisitions of Omnicare and the pharmacies and clinics of Target. In 2017, the costs relate to the acquisition of Omnicare.
12. Consolidated operating expenses have been adjusted to exclude $75 million of acquisition-related integration costs during the three months ended June 30, 2016. Excludes $5 million of acquisition-related integration costs during the three months ended June 30, 2017. In 2016, the integration costs relate to the acquisitions of Omnicare and the pharmacies and clinics of Target. In 2017, the integration costs relate to the acquisition of Omnicare. Excludes a $135 million goodwill impairment charge related to the RxCrossroads reporting unit within the Retail/LTC segment during the three months ended June 30, 2017. Excludes $6 million of charges primarily for noncancelable lease obligations associated with stores closed in connection with our enterprise streamlining initiative during the three months ended June 30, 2017. The 2016 operating expense amount was revised to reflect the adoption of ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which decreased operating expenses and increased operating profit by $7 million.
13. The 2016 PBM operating expense and operating profit amounts were revised to reflect the adoption of ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which decreased PBM operating expenses and increased PBM operating profit by $1 million for the three months ended June 30, 2017.

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14. Retail/LTC operating expenses have been adjusted to exclude $75 million of acquisition-related integration costs during the three months ended June 30, 2016. Excludes $5 million of acquisition-related integration costs during the three months ended June 30, 2017. In 2016, the costs relate to the acquisitions of Omnicare and the pharmacies and clinics of Target. In 2017, the costs relate to the acquisition of Omnicare. Excludes a $135 million goodwill impairment charge related to the RxCrossroads reporting unit within the Retail/LTC segment during the three months ended June 30, 2017. Excludes $6 million of charges primarily for noncancelable lease obligations associated with stores closed in connection with our enterprise streamlining initiative during the three months ended June 30, 2017. The 2016 operating expense amount was revised to reflect the adoption of ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which decreased Retail/LTC operating expenses by $6 million.
15. Retail/LTC operating profit for the three months ended June 30, 2017 excludes $10 million of acquisition-related integration costs, a $135 million goodwill impairment charge related to the RxCrossroads reporting unit within the Retail/LTC segment, and a $6 million charge primarily for noncancelable lease obligations associated with stores closed in connection with our enterprise streamlining initiative. Retail/LTC operating profit for the three months ended June 30, 2016 excludes $81 million of acquisition-related integration costs. In 2016, the integration costs relate to the acquisitions of Omnicare and the pharmacies and clinics of Target. In 2017, the integration costs relate to the acquisition of Omnicare. The 2016 operating profit was revised to reflect the adoption of ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which increased Retail/LTC operating profit by $6 million.
16. For the quarter ended June, 2017, the exclusion of the non-GAAP adjustments from income before income tax provision ($203 million of amortization of intangible assets, $10 million of acquisition-related integration costs, a $135 million goodwill impairment charge related to the RxCrossroads reporting unit within the Retail/LTC segment, and a $6 million charge primarily for noncancelable lease obligations associated with stores closed in connection with our enterprise streamlining initiative) resulted in a 270 basis point decrease in the effective income tax rate, from 41.1% to 38.4%.

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17. Consolidated operating profit for the year ended December 31, 2016, excludes $291 million of acquisition-related integration costs related to the acquisitions of Omnicare and the pharmacies and clinics of Target, a $34 million asset impairment charge in connection with 2017 planned store closures related to our enterprise streamlining initiative, a $3 million charge related to a disputed 1999 legal settlement, and an $88 million reversal of a legal accrual in connection with legal settlement. Operating profit for the year ending December 31, 2017 excludes an estimated $45 million in acquisition-related integration costs related to the acquisition of Omnicare, an estimated $220 million charge primarily for noncancelable lease obligations associated with stores closed in connection with our enterprise streamlining initiative, a $135 million goodwill impairment charge related to the RxCrossroads reporting unit within the Retail/LTC segment, and a $220 million loss on settlement of defined benefit pension plan. The 2016 operating profit was revised to reflect the adoption of ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which decreased consolidated operating expenses and increased consolidated operating profit by $28 million.
18. Adjusted EPS for the year ended December 31, 2016, excludes $795 million of amortization of intangible assets, a $643 million loss on early extinguishment of debt, $291 million of acquisition-related integration costs related to the acquisitions of Omnicare and the pharmacies and clinics of Target, $34 million asset impairment charge in connection with 2017 planned store closures related to our enterprise streamlining initiative, a $3 million charge related to a disputed 1999 legal settlement, and an $88 million reversal of a legal accrual in connection with legal settlement. Adjusted EPS for the year ending December 31, 2017, excludes an estimated $820 million in amortization, a $220 million charge primarily for noncancelable lease obligations associated with stores closed in connection with our enterprise streamlining initiative, $220 million related to the previously-announced loss on settlement of defined benefit plan, a $135 million goodwill impairment charge related to the RxCrossroads reporting unit within the Retail/LTC segment, and $45 million in acquisition-related integration costs related to the acquisition of Omnicare.
19. GAAP Diluted EPS for the year ending December 31, 2017 includes the estimated items in endnote #18.
20. PBM operating expenses have been adjusted to exclude $88 million for a reversal of a legal accrual in connection with a legal settlement during the year ended December 31, 2016. The 2016 operating expense and operating profit amounts were revised to reflect the adoption of ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which decreased operating expenses and increased operating profit by $4 million.

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Endnotes

21. Retail/LTC operating expenses for the year ended December 31, 2016, excludes $235 million of acquisition-related integration costs related to the acquisitions of Omnicare and the pharmacies and clinics of Target, and a $34 million asset impairment charge in connection with 2017 planned store closures related to our enterprise streamlining initiative. Operating expenses for the year ending December 31, 2017 excludes an estimated $35 million in acquisition-related integration costs related to the acquisition of Omnicare, a $135 million goodwill impairment charge related to the RxCrossroads reporting unit within the Retail/LTC segment, and an estimated $220 million charge primarily for noncancelable lease obligations associated with stores closed in connection with our enterprise streamlining initiative. The 2016 operating expense amount was revised to reflect the adoption of ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which decreased operating expenses by $21 million.
22. Retail/LTC operating profit for the year ended December 31, 2016, excludes $281 million of acquisition-related integration costs related to the acquisitions of Omnicare and the pharmacies and clinics of Target, and a $34 million asset impairment charge in connection with 2017 planned store closures related to our enterprise streamlining initiative. Operating profit change for the year ending December 31, 2017 excludes an estimated $45 million in acquisition-related integration costs related to the acquisition of Omnicare, a $135 million goodwill impairment charge related to the RxCrossroads reporting unit within the Retail/LTC segment, and an estimated $220 million charge primarily for noncancelable lease obligations associated with stores closed in connection with our enterprise streamlining initiative. The 2016 operating profit amount was revised to reflect the adoption of ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which increased operating profit by $21 million.
23. Corporate segment expense for the year ending December 31, 2017 excludes an estimated $220 million loss on settlement of defined benefit pension plan, and for the year ending December 31, 2016 excludes a $3 million charge related to a disputed 1999 legal settlement.
24. Consolidated operating expenses for the year ended December 31, 2016, excludes $245 million of acquisition-related integration costs related to the acquisitions of Omnicare and the pharmacies and clinics of Target, a $3 million charge related to a disputed 1999 legal settlement, a $34 million asset impairment charge in connection with 2017 planned store closures related to our enterprise streamlining initiative, and an $88 million reversal of a legal accrual in connection with legal settlement. Operating expenses for the year ending December 31, 2017 excludes an estimated $35 million in acquisition-related integration costs related to the acquisition of Omnicare, an estimated $220 million charge primarily for noncancelable lease obligations associated with stores closed in connection with our enterprise streamlining initiative, a $135 million goodwill impairment charge related to the RxCrossroads reporting unit within the Retail/LTC segment, and a $220 million loss on settlement of defined benefit pension plan. The 2016 operating expense amount was revised to reflect the adoption of ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which decreased operating expenses by $28 million.

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Endnotes

25. Adjusted EPS for the quarter ended September 30, 2016, excludes $197 million of amortization of intangible assets, a $101 million from loss on early extinguishment of debt and $65 million of acquisition-related integration costs. Adjusted EPS for the quarter ending September 30, 2017, excludes an estimated $205 million in amortization, a $10 million charge primarily for noncancelable lease obligations associated with stores closed in connection with our enterprise streamlining initiative, an estimated $220 million loss on settlement of defined benefit pension plan, and $15 million in acquisition-related integration costs related to the acquisition of Omnicare.
26. GAAP Diluted EPS for the quarter ended June 30, 2017 includes the estimated items in endnote #25.
27. The 2016 PBM operating profit was revised to reflect the adoption of ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which increased operating profit by $1 million.
28. Retail/LTC operating profit for the three months ended September 30, 2016, excludes $52 million of acquisition-related integration costs related to the acquisitions of Omnicare and the pharmacies and clinics of Target. Operating profit for the three months ending September 30, 2017 excludes an estimated $15 million in acquisition-related integration costs related to the acquisition of Omnicare, and an estimated $10 million charge primarily for noncancelable lease obligations associated with stores closed in connection with our enterprise streamlining initiative. The 2016 operating profit amount was revised to reflect the adoption of ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which increased operating profit by $6 million.
29. CVS Health finances a portion of its store development program through sale-leaseback transactions. Use of sale-leaseback financing is subject to change, as we evaluate a variety of financing vehicles for future development; this may also result in changes to our definition of free cash flow.
30. Effective January 1, 2017, the company adopted ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting,* which resulted in a retrospective reclassification of $72 million of excess tax benefits from financing activities to operating activities, which increased net cash provided by operating activities for the year ended December 31, 2016.

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