CVS Health Investor Day 2019
Reconciliation of Non-GAAP Items Required by SEC Rules

A reconciliation of non-GAAP items disclosed for the respective periods to the most directly comparable GAAP measure.

2019 GUIDANCE

The following reconciliations contain forward-looking information. By its nature, all forward-looking information involves risks and uncertainties. Actual results may differ materially from those contemplated by the forward-looking information 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 our most recently filed Quarterly Report on Form 10-Q.

NON-GAAP FINANCIAL MEASURES

CVS Health Corporation (the "Company") provides non-GAAP financial measures that exclude from the relevant GAAP metrics, as applicable, amortization of intangible assets and other items, if any, that neither relate to the ordinary course of the Company's business nor reflect the Company's underlying business performance. The Company uses non-GAAP measures to analyze underlying business performance and trends. The Company believes that providing these non-GAAP measures enhances the Company's and investors' ability to compare the Company's past financial performance with its current performance. Non-GAAP financial measures should not be considered a substitute for, or superior to, financial measures determined or calculated in accordance with GAAP. The Company's definitions of non-GAAP financial measures may not be comparable to similarly titled measurements reported by other companies.

ADJUSTED EARNINGS PER SHARE

The Company defines adjusted net income attributable to CVS Health as net income attributable to CVS Health (GAAP measure) excluding the impact of amortization of intangible assets and other items, if any, that neither relate to the ordinary course of the Company's business nor reflect the Company's underlying business performance such as acquisition-related transaction and integration costs, store rationalization charges, goodwill and long-lived asset impairments, gains/losses on divestitures, net interest expense on financings associated with proposed acquisitions (for periods prior to the acquisition), the corresponding tax benefit or expense related to the items excluded from adjusted net income attributable to CVS Health, the corresponding impact to income allocable to participating securities, net of tax, related to the items excluded from net income attributable to CVS Health in determining adjusted net income attributable to CVS Health, and any other items specifically identified herein. GAAP diluted EPS and Adjusted EPS, respectively, are calculated by dividing net income attributable to CVS Health and adjusted net income attributable to CVS Health by the Company's weighted average diluted shares outstanding. The following are reconciliations of projected net income to projected adjusted net income attributable to CVS Health and calculations of projected GAAP diluted EPS and projected Adjusted EPS:

CVS Health Investor Day 2019
Reconciliation of Non-GAAP Items Required by SEC Rules

A reconciliation of non-GAAP items disclosed for the respective periods to the most directly comparable GAAP measure.

FULL-YEAR 2019

	Year Ending December 31,					
	2019P				2018	
	Low		**High**		Actual	
In millions, except per share amounts	**Total Company**	**Per Common Share**	**Total Company**	**Per Common Share**	Total Company	Per Common Share
Net income (GAAP measure)	$ 6,420		$ 6,620		$ (596)	
Net income attributable to noncontrolling interests (GAAP measure)	(10)		(10)		2	
Income allocable to participating securities (GAAP measure)	(5)		(5)		(3)	
Net income attributable to CVS Health (GAAP measure)	6,405	$ 4.90	6,605	$ 5.05	(597)	$ (0.57)
Non-GAAP adjustments:						
Amortization of intangible assets	2,520	1.93	2,520	1.93	1,006	0.96
Acquisition-related transaction and integration costs [1]	550	0.42	550	0.42	492	0.47
Store rationalization charge [2]	135	0.10	135	0.10	-	-
Goodwill impairments [3]	-	-	-	-	6,149	5.89
Impairment of long-lived assets [4]	-	-	-	-	43	0.04
Loss on divestiture of subsidiary [5]	-	-	-	-	86	0.08
Net interest expense on financing for the acquisition of Aetna [6]	-	-	-	-	894	0.85
Income tax benefit [7]	(785)	(0.60)	(785)	(0.60)	(658)	(0.63)
Income allocable to participating secuities, net of tax [8]	-	-	-	-	(9)	(0.01)
Adjusted net income attributable to CVS Health	**$ 8,825**	**$ 6.75**	**$ 9,025**	**$ 6.90**	$ 7,406	$ 7.08
Weighted average diluted shares outstanding (GAAP)		1,308		1,308		1,044
Weighted average diluted shares outstanding (non-GAAP)		1,308		1,308		1,047

(1) In 2019, acquisition-related integration costs relate to the acquisition of Aetna. In 2018, acquisition-related transaction and integration costs relate to the acquisitions of Aetna and Omnicare, Inc. (“Omnicare”).
(2) Primarily relates to operating lease right-of-use asset impairment charges in connection with the planned closure of 46 underperforming retail pharmacy stores in the second quarter of 2019.
(3) The goodwill impairments related to the LTC reporting unit within the Retail/LTC segment.
(4) The impairment of long-lived assets primarily related to the impairment of property and equipment within the Retail/LTC segment.
(5) The loss on divestiture of subsidiary represents the pre-tax loss on the sale of the Company’s RxCrossroads subsidiary for $725 million on January 2, 2018.
(6) Includes interest expense of $1.4 billion related to (i) bridge financing costs, (ii) interest expense on the $40 billion of senior notes issued on March 9, 2018 (the “2018 Notes”) and (iii) interest expense the $5 billion term loan facility. The interest expense was reduced by related interest income of $536 million earned on the proceeds of the 2018 Notes. All amounts are for the periods prior to the close of the acquisition of Aetna, which occurred on November 28, 2018 (the “Aetna Acquisition Date”).
(7) Represents the corresponding tax benefit or expense related to the items excluded from adjusted net income attributable to CVS Health and Adjusted EPS above. The nature of each non-GAAP adjustment is evaluated to determine whether a discrete adjustment should be made to the adjusted income tax provision.
(8) Represents the corresponding impact to income allocable to participating securities, net of tax, related to the items above excluded from net income attributable to CVS Health in determining adjusted net income attributable to CVS Health and calculating Adjusted EPS above.

CVS Health Investor Day 2019
Reconciliation of Non-GAAP Items Required by SEC Rules

A reconciliation of non-GAAP items disclosed for the respective periods to the most directly comparable GAAP measure.

ADJUSTED OPERATING INCOME

The Company defines adjusted operating income as operating income (GAAP measure) excluding the impact of amortization of intangible assets and other items, if any, that neither relate to the ordinary course of the Company's business nor reflect the Company's underlying business performance such as acquisition-related transaction and integration costs, store rationalization charges, goodwill and long-lived asset impairments, gains/losses on divestitures, interest income on financings associated with proposed acquisitions (for periods prior to the acquisition), and any other items specifically identified herein. The following are reconciliations of projected operating income to projected adjusted operating income:

FULL-YEAR 2019

	Year Ending December 31,		
	2019P		2018
In millions	**Low**	**High**	Actual
Operating income	**$ 11,765**	**$ 11,975**	$ 4,021
Non-GAAP adjustments:			
Amortization of intangible assets	**2,520**	**2,520**	1,006
Acquisition-related transaction and integration costs [(1)]	**550**	**550**	492
Store rationalization charge [(2)]	**135**	**135**	**-**
Goodwill impairments [(3)]	**-**	**-**	6,149
Impairment of long-lived assets [(4)]	**-**	**-**	43
Loss on divestiture of subsidiary [(5)]	**-**	**-**	86
Interest income on financing for the acquisition of Aetna [(6)]	**-**	**-**	(536)
Adjusted operating income	**$ 14,970**	**$ 15,180**	$ 11,261

(1) In 2019, acquisition-related integration costs relate to the acquisition of Aetna. In 2018, acquisition-related transaction and integration costs relate to the acquisitions of Aetna and Omnicare.
(2) Primarily relates to operating lease right-of-use asset impairment charges in connection with the planned closure of 46 underperforming retail pharmacy stores in the second quarter of 2019.
(3) The goodwill impairments related to the LTC reporting unit within the Retail/LTC Segment.
(4) The impairment of long-lived assets primarily related to the impairment of property and equipment within the Retail/LTC segment.
(5) The loss on divestiture of subsidiary represents the pre-tax loss on the sale of the Company's RxCrossroads subsidiary for $725 million on January 2, 2018.
(6) Interest income of $536 million earned on the proceeds of the 2018 Notes. All amounts are for the periods prior to the close of the acquisition of Aetna, which occurred on the Aetna Acquisition Date.

A reconciliation of non-GAAP items disclosed for the respective periods to the most directly comparable GAAP measure.

CASH AVAILABLE FOR DEBT REPAYMENT

The Company defines cash available for debt repayment as net cash provided by operating activities (GAAP measure) minus cash allocated to fund: (i) net capital expenditures, (ii) shareholder dividends and (iii) additional retained capital needs of its insurance subsidiaries. The following is a reconciliation of projected net cash provided by operating activities to projected cash available for debt repayment:

	Year Ending December 31,	
	2019P	
In millions	Low	High
Net cash provided by operating activities	$ 9,800	$ 10,300
Net capital expenditures (additions to property and equipment less sale-leaseback proceeds)	(2,600)	(2,300)
Shareholder dividends	(2,600)	(2,600)
Additional retained capital needs of insurance subsidiaries [1]	(400)	(800)
Cash available for debt repayment	$ 4,200	$ 4,600

(1) Represents a portion of the retained capital required to support the projected insured membership growth in the Health Care Benefits segment.

LEVERAGE RATIO

The Company defines its Leverage Ratio as Adjusted Debt divided by adjusted earnings before interest, tax, depreciation and amortization (Adjusted EBITDA). Adjusted Debt is defined as short-term debt and total long-term debt, including the current portion of long-term debt (GAAP measure), plus the present value of future operating lease payments at a discount rate of 8.5% assuming lease payments occur at the end of the year. Adjusted EBITDA is defined as (i) net income (GAAP measure) before income taxes, depreciation and amortization, plus (ii) implied interest expense on future operating lease payments at a discount rate of 8.5% assuming lease payments occur at the end of the year, less (iii) other items, if any, that neither relate to the ordinary course of the Company's business nor reflect the Company's underlying business performance such as goodwill impairments, interest income on financings associated with proposed acquisitions (for periods prior to the acquisition), and any other items specifically identified herein. The following are reconciliations of total debt to Adjusted Debt and net income to Adjusted EBITDA as well as a calculation of estimated Adjusted Debt to Adjusted EBITDA as of the Aetna Acquisition Date:

Adjusted Debt

in millions	
Total debt (GAAP measure) [1]	$ 75,972
Net present value of operating leases [2]	17,446
Adjusted debt	$ 93,418

(1) Represents short-term debt and total long-term debt, including the current portion of long-term debt, as of the Aetna Acquisition Date.
(2) See information under "Present Value of Operating Leases" below.

CVS Health Investor Day 2019
Reconciliation of Non-GAAP Items Required by SEC Rules

A reconciliation of non-GAAP items disclosed for the respective periods to the most directly comparable GAAP measure.

Adjusted EBITDA

in millions	
Net income (GAAP measure) [1]	$ 5,581
Income tax provision [1]	1,624
Interest expense [1]	3,115
Depreciation and amortization [1]	4,205
EBITDA [1]	14,525
Implied interest expense on operating leases [2]	1,424
Goodwill impairment [3]	3,921
Interest income on financing for the acquisition of Aetna [4]	(142)
Adjusted EBITDA	$ 19,728

(1) Reflects estimated pro forma trailing twelve month total as of the Aetna Acquisition Date.
(2) See information under "Implied Interest Expense on Operating Leases" below.
(3) The goodwill impairment related to the LTC reporting unit within the Retail/LTC Segment.
(4) Represents interest income earned on the proceeds of the 2018 Notes. All amounts are for the periods prior to the Aetna Acquisition Date.

Estimated Adjusted Debt to Adjusted EBITDA as of Aetna Acquisition Date

in millions (except leverage ratio)	
Adjusted Debt	$ 93,418
Adjusted EBITDA	$ 19,728
Adjusted Debt-to-EBITDA	4.7x

Present Value of Operating Leases

A. Summary of the future minimum lease payments under operating leases as of December 31, 2018:

	Operating Leases	
in millions	Actual [1][2]	Present Value [3]
2019	$ 2,690	$ 2,479
2020	2,544	2,161
2021	2,399	1,878
2022	2,233	1,611
2023	2,110	1,403
Thereafter [4]	16,004	7,913
Total future lease payments [5]	$ 27,980	$ 17,446

(1) Source: CVS Health Corporation Annual Report on Form 10-K for year ended December 31, 2018, Notes to Consolidated Financial Statements, Note 6: Leases
(2) Future operating lease payments have not been reduced by the minimum sublease rentals of $164 million due in the future under noncancelable subleases.
(3) Discount rate = 8.5%. Operating lease payments are assumed to occur at year-end.
(4) The Company leases pharmacy and clinic space from Target Corporation ("Target"). Amounts related to such capital and operating leases are reflected above. Amounts due in excess of the remaining estimated economic life of the buildings of approximately $2.1 billion are not reflected herein since the estimated economic life of the buildings is shorter than the contractual term of the lease arrangement.
(5) To capitalize these leases, divide the Thereafter operating lease payments by the 2023 operating lease payments to give the approximate number of years, at the 2023 level, of remaining lease payments. In this case, 16,004/2,110 = approximately eight years. Then, use eight years worth of operating lease payments of $2,110 million (the 2023 level) to calculate the associated present value.

B. Summary of the future minimum lease payments under operating leases as of December 31, 2017:

	Operating Leases	
in millions	Actual [1][2]	Present Value [3]
2018	$ 2,493	$ 2,298
2019	2,361	2,006
2020	2,201	1,723
2021	2,072	1,495
2022	1,934	1,286
Thereafter [4]	16,090	7,253
Total future lease payments [5]	$ 27,151	$ 16,061

(1) Source: CVS Health Corporation Annual Report on Form 10-K for year ended December 31, 2017, Notes to Consolidated Financial Statements, Note 7: Leases
(2) Future operating lease payments have not been reduced by the minimum sublease rentals of $171 million due in the future under noncancelable subleases.
(3) Discount rate = 8.5%. Operating lease payments are assumed to occur at year-end.
(4) The Company leases pharmacy and clinic space from Target. Amounts related to such capital and operating leases are reflected above. Amounts due in excess of the remaining estimated economic life of the buildings of approximately $1.9 billion are not reflected herein since the estimated economic life of the buildings is shorter than the contractual term of the lease arrangement.
(5) To capitalize these leases, divide the Thereafter operating lease payments by the 2022 operating lease payments to give the approximate number of years, at the 2022 level, of remaining lease payments. In this case, 16,090/1,934 = approximately eight years. Then, use eight years worth of operating lease payments of $1,934 million (the 2022 level) to calculate the associated present value.

Implied Interest Expense on Operating Leases

	Year Ended December 31,	
in millions	2017	2018
Present value of operating leases [1]	$ 16,061	$ 17,446
Average present value of operating leases		16,754
Implied interest expense on operating leases [2]		$ 1,424

(1) See information under "Present Value of Operating Leases" above.
(2) Interest rate = discount rate = 8.5%.