

Advancing the Enterprise to Unlock Value

Eva Boratto
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CVS Health

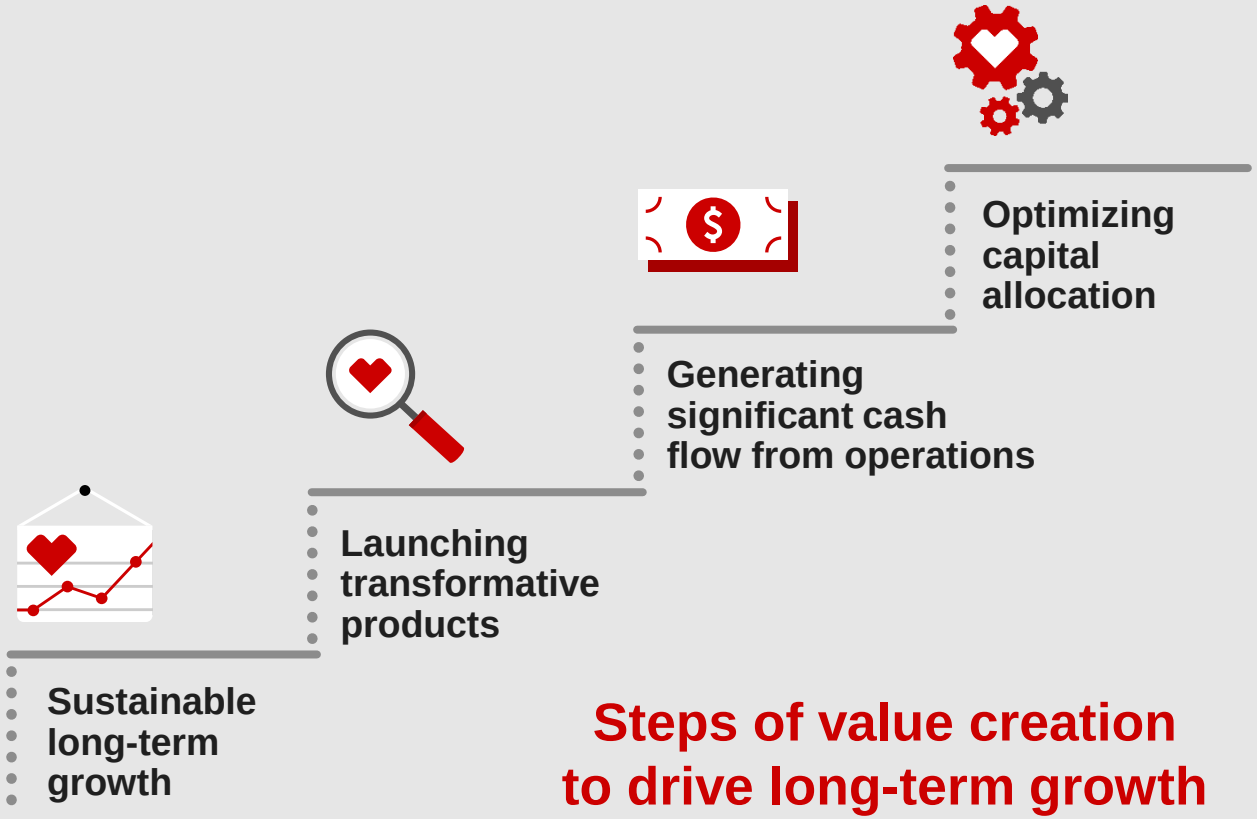
Cautionary statement regarding forward-looking statements

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.

The presentations at our 2019 Investor Day include 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.

Continued focus on enhancing long-term shareholder value



Steps of value creation to drive long-term growth



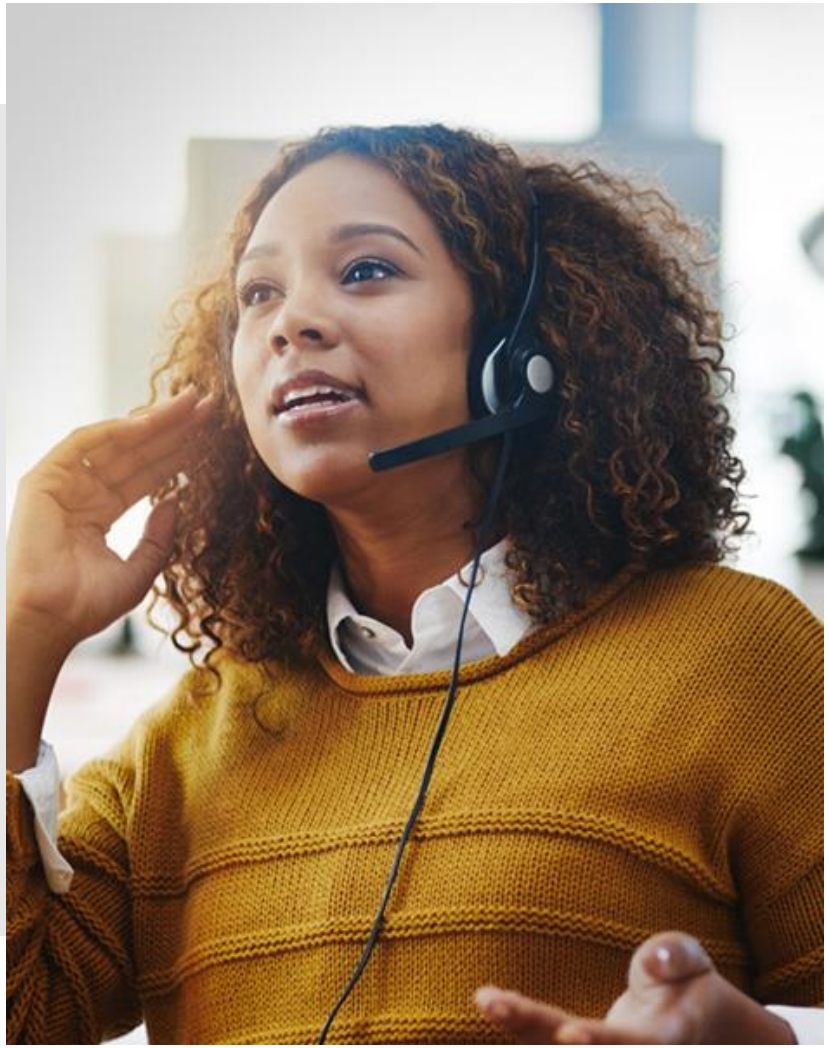
CVS Health

Agenda

2019 guidance review

Value creation through integration synergies, modernization & transformation

Financial outlook & capital allocation strategy



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Enterprise Outlook: 2019 full year[1]

Reaffirming all elements of 2019 guidance

($ in billions, except per share data)

Consolidated Revenues	**$251.2 to $254.4**
Adjusted Operating Income[3]	**$15.0 to $15.2**
GAAP Diluted EPS	**$4.90 to $5.05**
Adjusted EPS[3]	**$6.75 to $6.90**
Cash Available to Repay Debt[3]	**$4.2 to $4.6**



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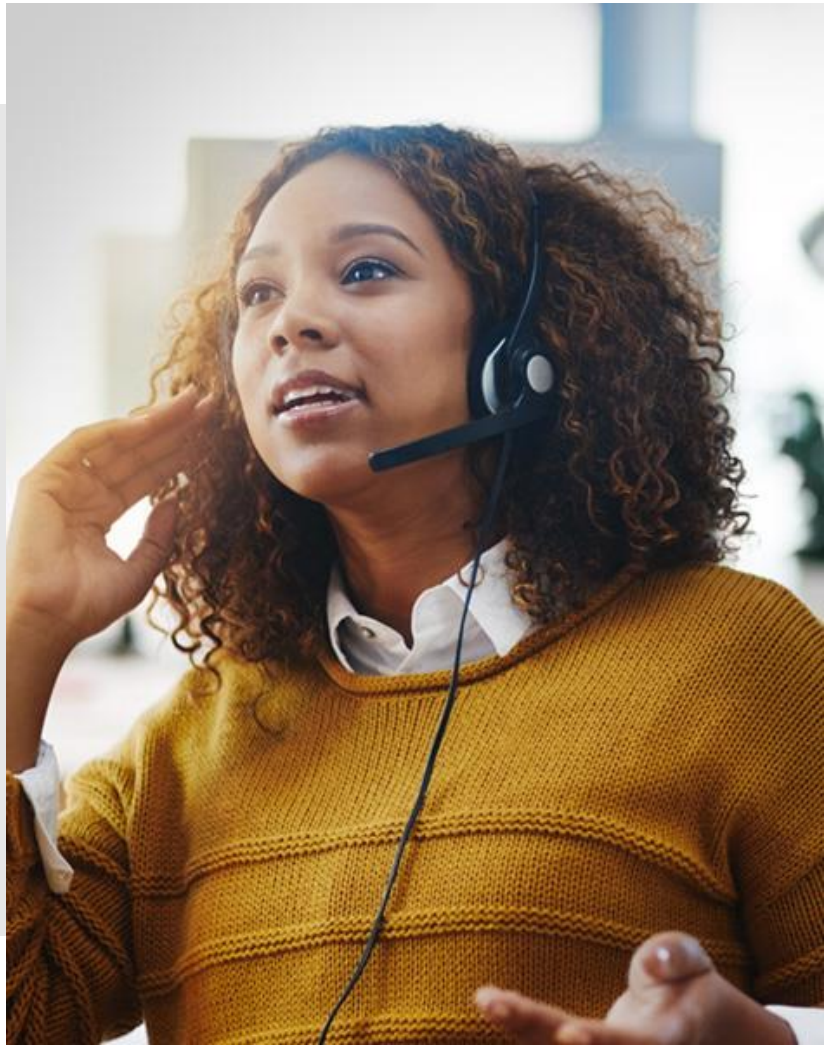

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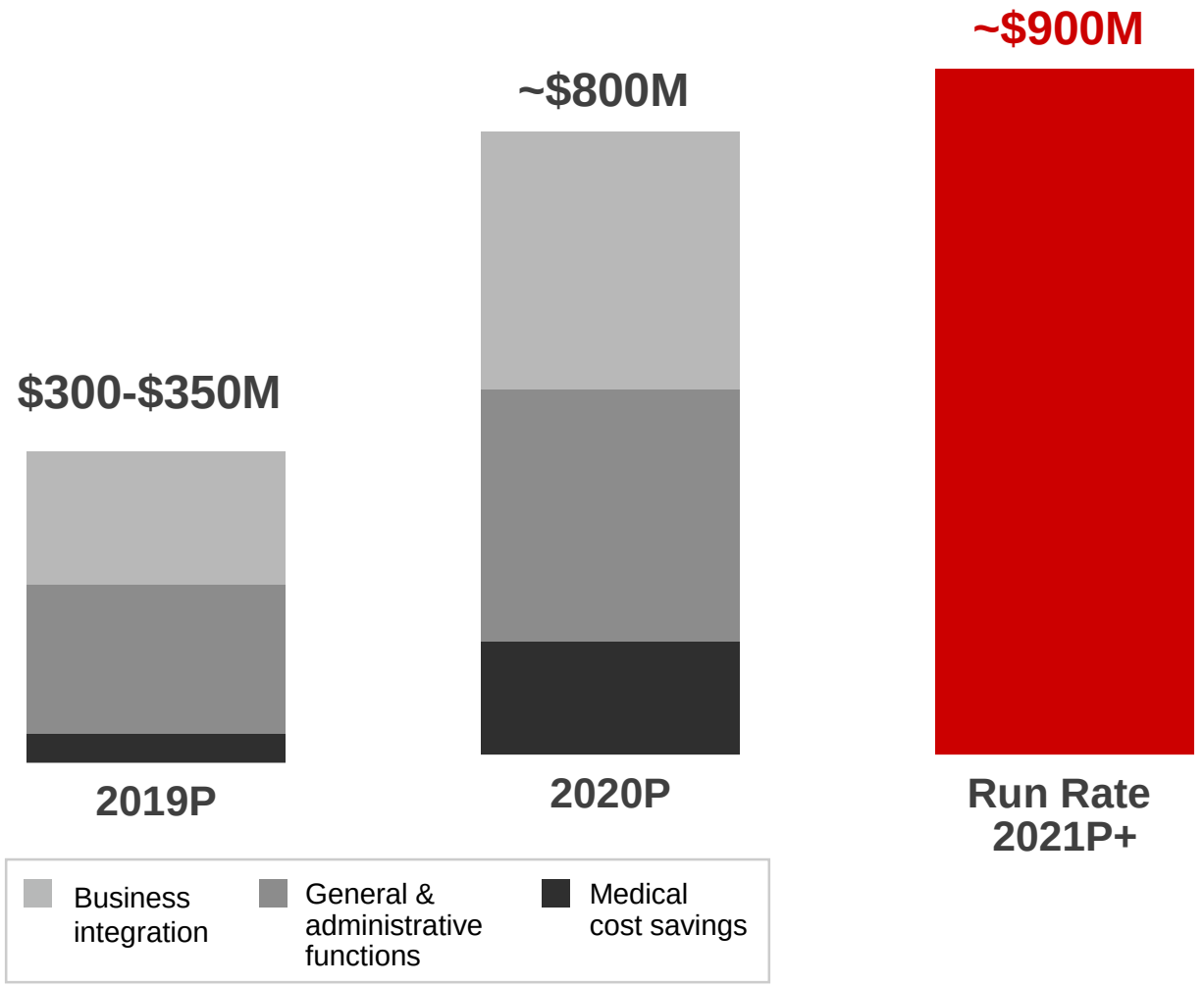
Executing on integration synergies to reach ~$900M run rate

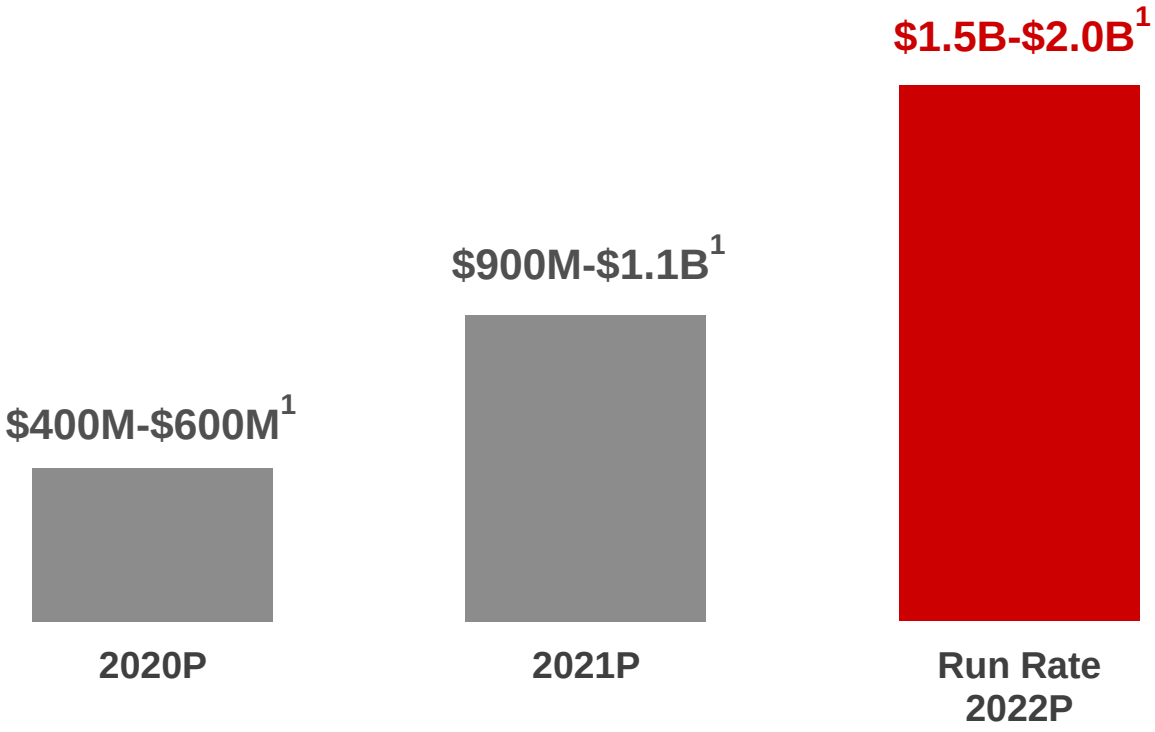
Business integration
- Plan design
- Specialty / Coram / PBM Operations / Other

General & administrative functions
- Vendor contracting
- Streamline corporate functions

Medical cost savings
- Improve adherence and close gaps in care for patients with chronic diseases
- Optimize existing programs in readmission prevention
- Site of care management



Generating net savings with enterprise modernization



Areas of net savings

- Technology modernization
  - Rationalization
  - Centers of excellence
- Productivity improvements
  - Optimize call centers
  - Vendor management
  - Business initiatives

Projected costs to achieve

- Operating expenses
  - $200M-$300M[1] annually through 2022

Modernization net savings are incremental to previously disclosed cost reduction programs

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Driving long-term value through transformation



Medical cost savings

Commercial insured

Medicare Advantage



Membership growth

Plan sponsors

Medicare Advantage members



Expanded use of CVS assets

Pharmacy

MinuteClinic®

Front of store

Coram

Medicare Advantage quality improvement



Increased customer satisfaction and retention

Improving the consumer experience



Open platform and new businesses

Payor agnostic solutions

Data and analytics products

New businesses

Projected to drive ~$850M of incremental operating income in 2022, growing to ~$2.5B long term[1]

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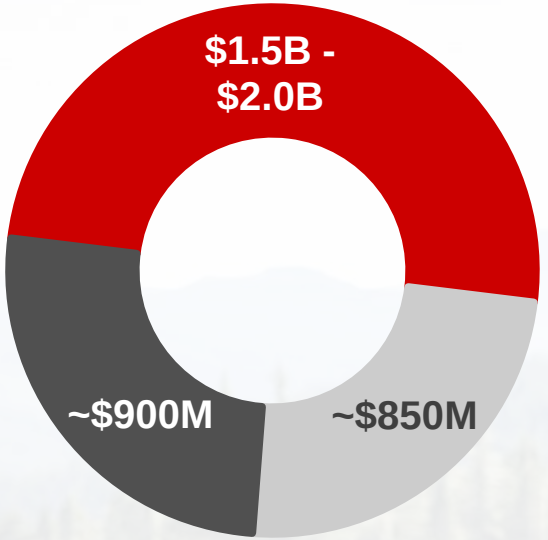
Projected to drive a run rate of ~$3.5B in operating income in 2022[1]

Substantial long-term value creation through strategic initiatives & consumer-centric products



1. Integration synergies
2. Enterprise modernization
3. Transformation

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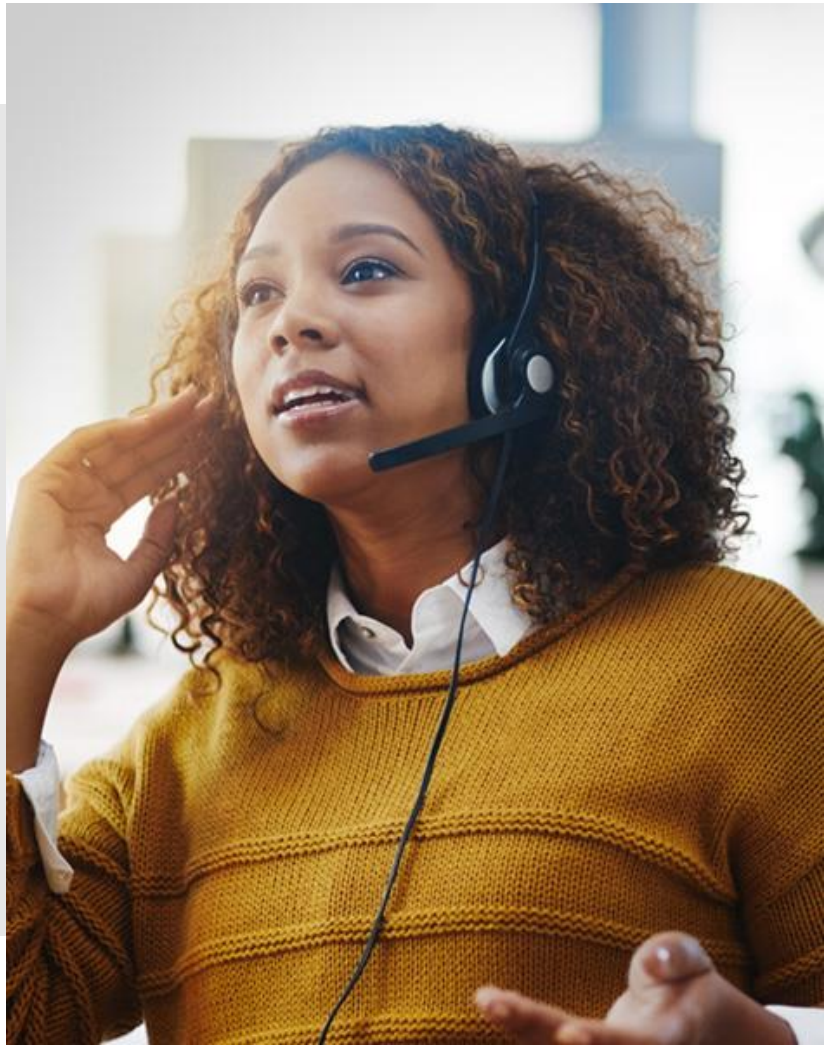

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Balancing near-term execution with long-term vision



1

Mitigate headwinds

2

Execute streamlining and expense reduction initiatives

3

Focus on integration process and exceed synergy expectations

4

Refine and roll out new front doors to health care

5

Optimize enterprise portfolio and evaluate asset base

6

Enhance shareholder returns through disciplined capital allocation

Well positioned for long-term growth

Projected Adjusted EPS growth[1,3,6] (%)

2019
$6.75 to 6.90

2020
Low single digits

2021
Mid single digits

2022+
Low double digits[5]

2020P Key Elements[1]
$7.00+ Adjusted EPS[3,6]
Revenue up low single digits %
Tax rate ~ 28.5%

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Health Care Benefits – 2020 year-over-year drivers

Total Revenues[1]	
Divestiture of Aetna PDP	▼
Health insurance fee reinstatement	▲
Outpace industry growth in gov't services	▲

Adjusted Operating Income[1,3,4]	
Competitive environment	▼
Divestiture of Aetna PDP and stranded costs	▼
Health insurance fee reinstatement[2]	▲
Outpace industry growth in gov't services	▲
Synergies / enterprise modernization	▲
Transformation	▲

2020P up mid single digits %

2020P up high single digits %

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Retail / LTC – 2020 year-over-year drivers

Total Revenues[1]		Adjusted Operating Income[1,3]	
Front store continued shift to digital	▼	Front store margin	▲
Front store formats & personalization	▲	Generics	▲
Omnicare	▲	Omnicare	▲
Outpace industry growth in Rx	▲	Reimbursement pressure	▼
		Rx growth	▲
		Synergies / enterprise modernization	▲

2020P up low-to-mid single digits %

2020P up low single digits %

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Pharmacy Services – 2020 year-over-year drivers

Total Revenues[1]		Adjusted Operating Income[1,3]	
Anthem	▲	Anthem	▲
Net new business / Centene migration	▼	Net new business / Centene migration	▼
Specialty	▲	Pricing pressure	▼
		Purchasing economics	▲
		Rebate guarantees	▲
		Specialty	▲
		Synergies / enterprise modernization	▲

2020P down low-to-mid single digits %

2020P down mid single digits %

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Investing in capabilities to drive sustainable long-term value

$2.3B to $2.6B

Annual projected capital expenditures[1]



Key areas of capital spending

Historical

- Remodels
- New stores
- Technology
- Initiatives

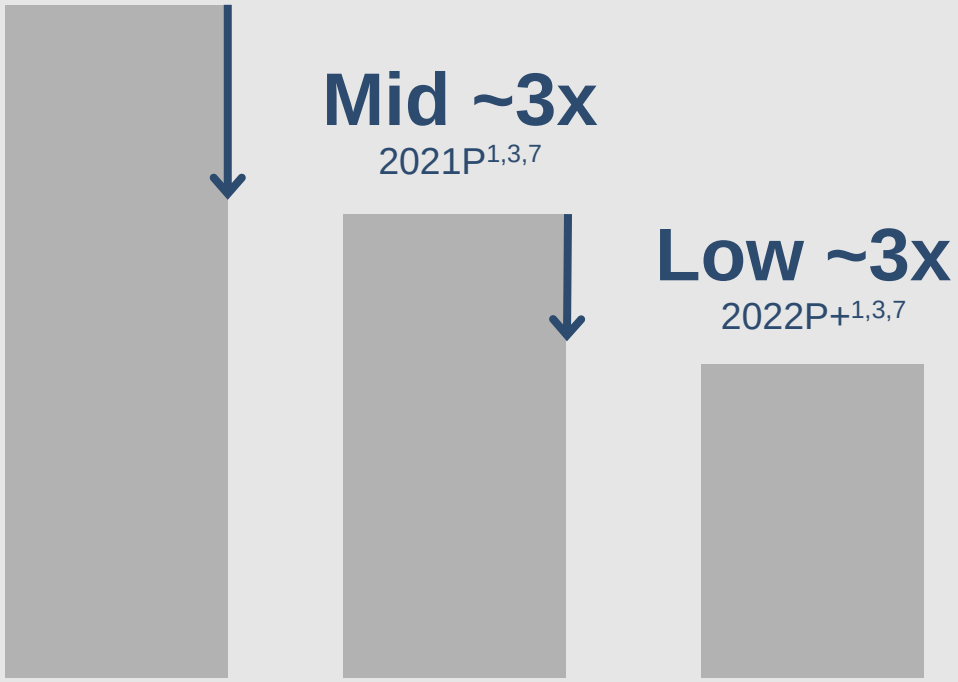
Projected

- Innovative HealthHUB®s
- Transformative products and modernization
- New stores
- Data analytics
- Consumer experiences

Strong cash flow generation and effective capital deployment

Plan to reduce debt significantly to reach leverage ratio target of low 3x's

Leverage Ratio[1,3,7]



Focused on debt reduction in the near term

- Committed to returning to low 3x's leverage ratio target
- Significant cash flow from operations supports debt repayment

Expect to pay down ~$7.5B of debt from close of Aetna transaction to the end of 2019

- Aggregate $5.1B of cumulative debt repaid to date

Increased opportunity to enhance shareholder value once leverage ratio target achieved

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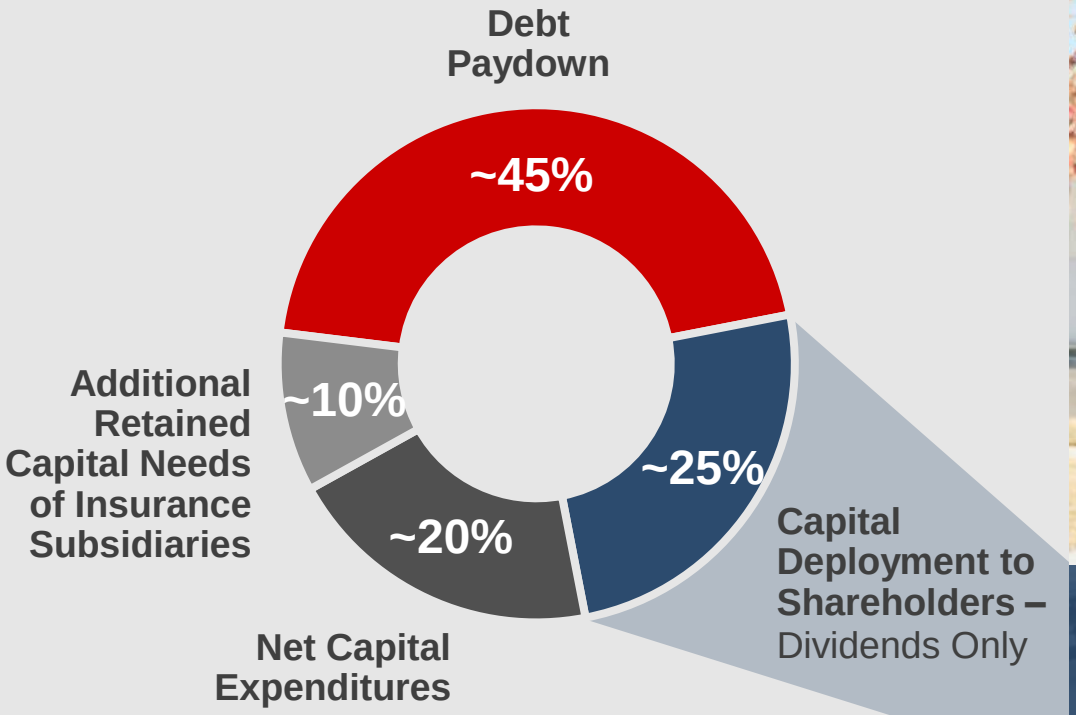
Thoughtful capital allocation strategy to drive long-term value creation

Near term (2020P-2021P)[1]





Expect $10B - $12B[1,8] cash available annually for enhancing shareholder value in the long term (2022+)

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Long-term assumptions – 2022 and beyond[1]

Health Care Benefits	Retail / LTC	Pharmacy Services	Other
Commercial retention ▲	Generics ▼	Claims growth ▲	Capital deployment ▲
Competitive environment ▼	HealthHUB / services growth ▲	Generics ▼	Impact of digital ▼▲
Membership growth ▲	Improvement in LTC ▲	Introduction of biosimilars ▲	Interest expense ▲
	Reimbursement pressure ▼	Pricing pressure ▼	Transformation / open platform ▲
	Rx growth ▲	Specialty growth ▲	

Project adjusted EPS[1,3] growth in low double digits % on average

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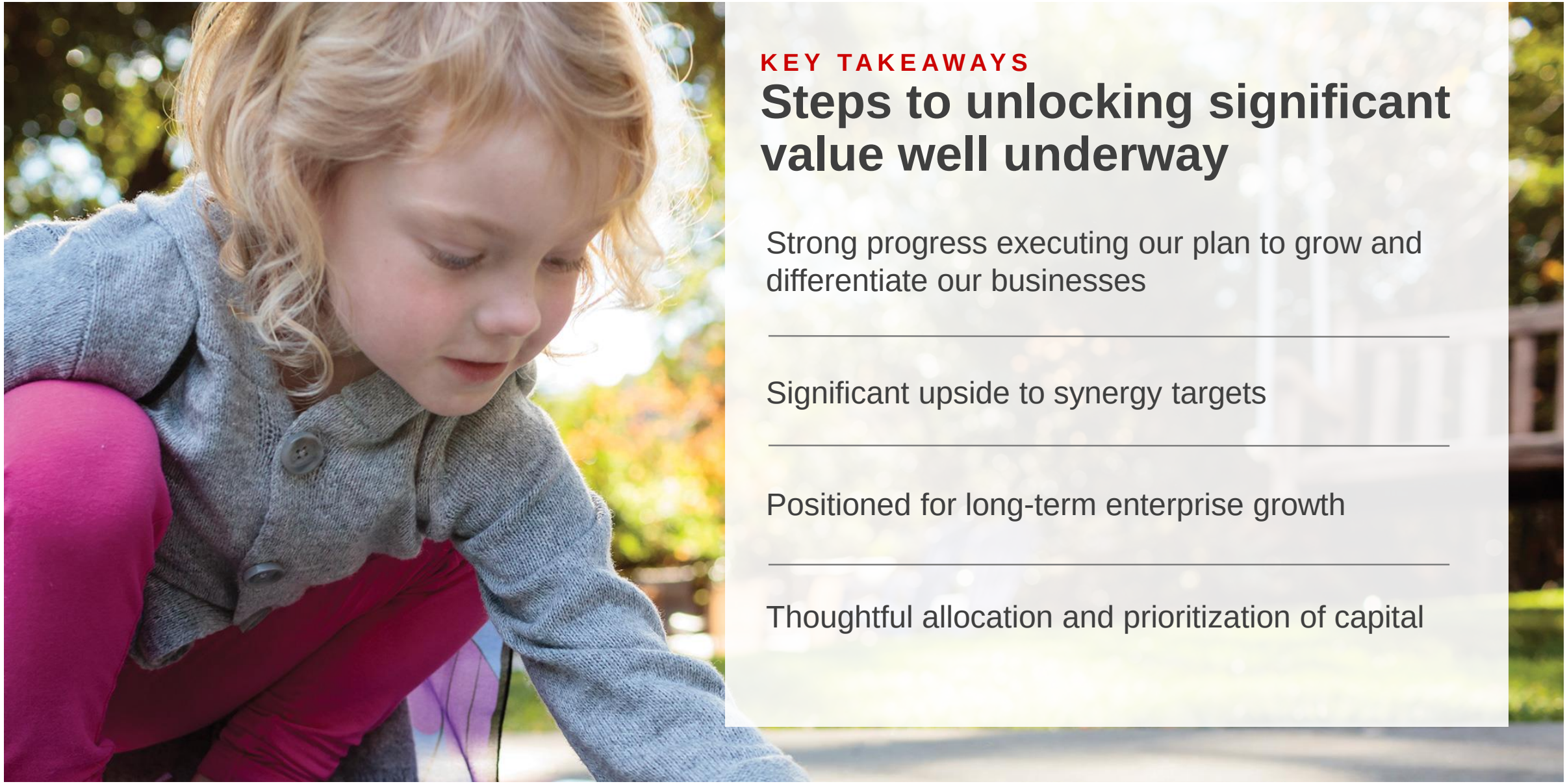
Scorecard to evaluate success

	Target[1]	Timing
Adjusted EPS Growth[3]	$6.75 - $6.90	2019
	$7.00+ (Low single digits%)	2020
	Mid single digits %	2021
	Low double digits %	2022+
Integration synergies	$300M - $350M	2019
	~ $800M	2020
	~ $900M	2021+
Enterprise modernization	$1.5B - $2B	Run Rate 2022
Transformation	~ $850M	2022
	~ $2.5B	Long-term
Leverage ratio[3,7]	Low 3x's	2022
Cash available for enhancing shareholder value[8]	$10B - $12B	Annually Long-term
Inventory reduction	~ $1.5B	2022



KEY TAKEAWAYS

Steps to unlocking significant value well underway

Strong progress executing our plan to grow and differentiate our businesses

Significant upside to synergy targets

Positioned for long-term enterprise growth

Thoughtful allocation and prioritization of capital

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Endnotes

1. Currently enacted laws and regulations were used in all the Company's projections.
2. After income taxes, the Health Insurer Fee is projected to be a headwind for the Health Care Benefits segment.
3. This financial measure is a non-GAAP financial measure. For an explanation of this financial measure and a reconciliation to the most directly comparable GAAP measure, refer to our Investor Relations website at https://www.investors.cvshealth.com.
4. Health Care Benefits segment projections do not include an estimate of prior years' development.
5. 2022 includes modest share repurchases.
6. Projected Adjusted EPS after 2019 excludes from GAAP diluted EPS 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, the corresponding tax benefit or expense related to the items excluded from adjusted net income attributable to CVS Health and 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. The Company is not able to project the amount of any such other items during periods after 2019 at this time and therefore cannot reconcile projected Adjusted EPS after 2019 to projected GAAP diluted EPS. The Company is unable at this time to accurately quantify the significance of any item of unavailable information.

Endnotes

7. 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), 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 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 Company is not able to project the Adjusted EBITDA amount during 2021 or 2022 and beyond at this time and therefore cannot reconcile projected adjusted EBITDA to projected GAAP net income. The Company is unable at this time to accurately quantify the significance of any item of unavailable information.
8. Cash available for enhancing shareholder value annually in the long term is inclusive of current shareholder dividends.