# 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 ACTUAL RESULTS

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 INTEREST EXPENSE

The following is a reconciliation of interest expense to adjusted interest expense:

### CONSOLIDATED

| | (Unaudited) Three Months Ended June 30, | | (Unaudited) Six Months Ended June 30, | |
|---|---|---|---|---|
| *In millions* | **2019** | 2018 | **2019** | 2018 |
| Interest expense (GAAP measure) | **$ 772** | $ 689 | **$ 1,554** | $ 1,212 |
| *Non-GAAP adjustment:* | | | | |
| Interest expense on financing for the acquisition of Aetna [1] | **-** | (441) | **-** | (714) |
| Adjusted interest expense | **$ 772** | $ 248 | **$ 1,554** | $ 498 |

(1) Includes $441 million and $714 million of interest expense for the three and six months ended June 30, 2018, respectively, related to bridge financing costs and interest expense on the $40 billion of senior notes issued on March 9, 2018 (the "2018 Notes"), each of which was used to partially fund the acquisition of Aetna Inc. ("Aetna").

## ADJUSTED EFFECTIVE INCOME TAX RATE

The following is a reconciliation of the effective income tax rate to the adjusted income tax rate:

### CONSOLIDATED

| | (Unaudited) Three Months Ended June 30, | | (Unaudited) Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| Effective Income tax rate (GAAP measure) | **25.5%** | (24.1%) | **25.9%** | (162.9%) |
| Impact of non-GAAP adjustments [1] | **(0.2)** | 50.7 | **(0.4)** | 189.3 |
| Adjusted income tax rate | **25.3%** | 26.6% | **25.5%** | 26.4% |

(1) Removes the corresponding tax benefit or expense related to the items excluded from adjusted net income attributable to CVS Health on pages 15 and 16 of the Company's second quarter 2019 earnings press release that neither relate to the ordinary course of the Company's business nor reflect the Company's underlying business performance, such as the amortization of intangible assets, acquisition-related transaction and integration costs, goodwill impairment, the store rationalization charge, losses on divestitures of subsidiaries, and net interest expense on financing for the Aetna acquisition. The nature of each non-GAAP adjustment is evaluated to determine whether a discrete adjustment should be made to the adjusted income tax provision.

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## 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.

## ADJUSTED EARNINGS PER SHARE

The Company defines adjusted income from continuing operations attributable to CVS Health as income from continuing operations 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 impairments, impairment of long-lived assets, 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 income from continuing operations attributable to CVS Health, the corresponding impact to income allocable to participating securities, net of tax, related to the items excluded from income from continuing operations attributable to CVS Health in determining adjusted income from continuing operations attributable to CVS Health, and any other items specifically identified herein. GAAP diluted EPS and Adjusted EPS, respectively, are calculated by dividing income from continuing operations attributable to CVS Health and adjusted income from continuing operations attributable to CVS Health by the Company's weighted average diluted shares outstanding. The following are reconciliations of projected income from continuing operations to projected adjusted income from continuing operations attributable to CVS Health and a calculation of projected GAAP diluted EPS and projected Adjusted EPS:

# 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 | | | | | |
|---|---|---|---|---|---|---|
| | **2019P** | | | | 2018 | |
| | **Low** | | **High** | | Actual | |
| ***In million, except per share amounts*** | **Total Company** | **Per Common Share** | **Total Company** | **Per Common Share** | Total Company | Per Common Share |
| Income (loss) from continuing operations (GAAP measure) | $ 6,450 | | $ 6,595 | | $ (596) | |
| Net income attributable to noncontrolling interests (GAAP measure) | (10) | | (10) | | 2 | |
| Income allocable to participating securities (GAAP measure) | (5) | | (5) | | (3) | |
| Income (loss) from continuing operations attributable to CVS Health (GAAP measure) | 6,435 | $ 4.93 | 6,580 | $ 5.04 | (597) | $ (0.57) |
| *Non-GAAP adjustments:* | | | | | | |
| Amortization of intangible assets | 2,460 | 1.89 | 2,460 | 1.89 | 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 |
| Losses on divestitures of subsidiaries [(5)] | 200 | 0.15 | 200 | 0.15 | 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 income from continuing operations attributable to CVS Health | **$ 8,995** | **$ 6.89** | **$ 9,140** | **$ 7.00** | $ 7,406 | $ 7.08 |
| Weighted average diluted shares outstanding (GAAP) | | 1,305 | | 1,305 | | 1,044 |
| Adjusted weighted average diluted shares outstanding (Non-GAAP) [(9)] | | 1,305 | | 1,305 | | 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 in 2019 represents the estimated pre-tax loss on the sale of the Company’s Brazilian subsidiary, Drogaria Onofre Ltda., which occurred on July 1, 2019. The loss on divestiture of subsidiary in 2018 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 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.
(7) Represents the corresponding tax benefit or expense related to the items excluded from adjusted income from continuing operations 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 income (loss) from continuing operations attributable to CVS Health in determining adjusted income from continuing operations attributable to CVS Health and calculating Adjusted EPS above.
(9) Adjusted EPS for the year ended December 31, 2018 is calculated utilizing weighted average diluted shares outstanding, which includes 3 million of potential common shares, as the impact of the potential common shares was dilutive. The potential common shares were excluded from the calculation of GAAP loss per share from continuing operations for the year ended December 31, 2018, as the shares would have had an anti-dilutive effect as a result of the GAAP net loss incurred.

# 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.*

## THIRD QUARTER 2019

| | Three Months Ending September 30, | | | | | |
|---|---|---|---|---|---|---|
| | **2019P** | | | | 2018 | |
| | **Low** | | **High** | | Actual | |
| ***In million, except per share amounts*** | **Total Company** | **Per Common Share** | **Total Company** | **Per Common Share** | Total Company | Per Common Share |
| Income from continuing operations (GAAP measure) | $ 1,515 | | $ 1,570 | | $ 1,390 | |
| Income allocable to participating securities (GAAP measure) | - | | - | | (1) | |
| Income from continuing operations attributable to CVS Health (GAAP measure) | 1,515 | $ 1.16 | 1,570 | $ 1.20 | $ 1,389 | $ 1.36 |
| *Non-GAAP adjustments:* | | | | | | |
| Amortization of intangible assets | 620 | 0.48 | 620 | 0.48 | 215 | 0.21 |
| Acquisition-related transaction and integration costs [(1)] | 130 | 0.10 | 130 | 0.10 | 70 | 0.07 |
| Loss on divestiture of subsidiary [(2)] | 200 | 0.15 | 200 | 0.15 | - | - |
| Net interest expense on financing for the acquisition of Aetna [(3)] | - | - | - | - | 227 | 0.22 |
| Income tax benefit [(4)] | (180) | (0.14) | (180) | (0.14) | (132) | (0.13) |
| Income allocable to participating securities, net of tax [(5)] | - | - | - | - | (1) | - |
| Adjusted income from continuing operations attributable to CVS Health | **$ 2,285** | **$ 1.75** | **$ 2,340** | **$ 1.79** | $ 1,768 | $ 1.73 |
| Weighted average diluted common shares outstanding | | 1,305 | | 1,305 | | 1,022 |

(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) The loss on divestiture of subsidiary represents the pre-tax loss on the sale of the Company's Brazilian subsidiary, Drogaria Onofre Ltda., which occurred on July 1, 2019.

(3) Includes $2 million of bridge financing costs, plus $434 million of interest expense on the 2018 Notes and the $5 billion term loan facility, less related interest income of $209 million earned on the proceeds of the 2018 Notes.

(4) Represents the corresponding tax benefit or expense related to the items excluded from adjusted income from continuing operations 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.

(5) Represents the corresponding impact to income from continuing operations allocable to participating securities, net of tax, related to the items above excluded from income from continuing operations attributable to CVS Health in determining adjusted income from continuing operations attributable to CVS Health and calculating Adjusted EPS above.

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# 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 (LOSS)

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 impairments, impairment of long-lived assets, gains/losses on divestitures, interest income on financials 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

### CONSOLIDATED

| | Year Ending December 31, | | |
|---|---|---|---|
| | **2019P** | | 2018 |
| *In millions* | **Low** | **High** | Actual |
| Operating income | **$ 11,815** | **$ 12,015** | $ 4,021 |
| *Non-GAAP adjustments:* | | | |
| Amortization of intangible assets | **2,460** | **2,460** | 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 |
| Losses on divestitures of subsidiaries [(5)] | **200** | **200** | 86 |
| Interest income on financing for the acquisition of Aetna [(6)] | **-** | **-** | (536) |
| Adjusted operating income | **$ 15,160** | **$ 15,360** | $ 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 in 2019 represents the estimated pre-tax loss on the sale of the Company's Brazilian subsidiary, Drogaria Onofre Ltda., which occurred on July 1, 2019. The loss on divestiture of subsidiary in 2018 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 November 28, 2018.

### PHARMACY SERVICES SEGMENT

| | Year Ending December 31, | | |
|---|---|---|---|
| | **2019P** | | 2018 |
| *In millions* | **Low** | **High** | Actual |
| Operating income | **$ 4,665** | **$ 4,725** | $ 4,607 |
| *Non-GAAP adjustments:* | | | |
| Amortization of intangible assets | **395** | **395** | 348 |
| Adjusted operating income | **$ 5,060** | **$ 5,120** | $ 4,955 |

# 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.*

## RETAIL/LTC SEGMENT

| | Year Ending December 31, | | |
|---|---|---|---|
| | **2019P** | | 2018 |
| *In millions* | **Low** | **High** | Actual |
| Operating income | **$ 5,865** | **$ 5,945** | $ 620 |
| *Non-GAAP adjustments:* | | | |
| Amortization of intangible assets | **480** | **480** | 498 |
| Store rationalization charge [1] | **135** | **135** | - |
| Acquisition-related transaction and integration costs [2] | **-** | **-** | 7 |
| Goodwill impairments [3] | **-** | **-** | 6,149 |
| Impairment of long-lived assets [4] | **-** | **-** | 43 |
| Losses on divestitures of subsidiaries [5] | **200** | **200** | 86 |
| Adjusted operating income | **$ 6,680** | **$ 6,760** | $ 7,403 |

(1) 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.
(2) Acquisition-related transaction and integration costs related to the acquisition of Omnicare.
(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 in 2019 represents the estimated pre-tax loss on the sale of the Company's Brazilian subsidiary, Drogaria Onofre Ltda., which occurred on July 1, 2019. The loss on divestiture of subsidiary in 2018 represents the pre-tax loss on the sale of the Company's RxCrossroads subsidiary for $725 million on January 2, 2018.

## HEALTH CARE BENEFITS SEGMENT

| | Year Ending December 31, | | |
|---|---|---|---|
| | **2019P** | | 2018 |
| *In millions* | **Low** | **High** | Actual |
| Operating income | **$ 3,595** | **$ 3,655** | $ 368 |
| *Non-GAAP adjustments:* | | | |
| Amortization of intangible assets | **1,585** | **1,585** | 160 |
| Adjusted operating income | **$ 5,180** | **$ 5,240** | $ 528 |

## CORPORATE SEGMENT

| | Year Ending December 31, | | |
|---|---|---|---|
| | **2019P** | | 2018 |
| *In millions* | **Low** | **High** | Actual |
| Operating loss | **$ (1,600)** | **$ (1,590)** | $ (805) |
| *Non-GAAP adjustments:* | | | |
| Acquisition-related transaction and integration costs [1] | **550** | **550** | 485 |
| Interest income on financing for the acquisition of Aetna [2] | **-** | **-** | (536) |
| Adjusted operating loss | **$ (1,050)** | **$ (1,040)** | $ (856) |

(1) In 2019 and 2018, acquisition-related transaction and integration costs relate to the acquisition of Aetna.
(2) 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.

*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 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 | $ 10,100 | $ 10,600 |
| 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 | $ 4,500 | $ 4,900 |

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