CVS Health®

FOURTH QUARTER 2019

Earnings conference call

Larry Merlo
President &
Chief Executive Officer

Eva Boratto
Executive Vice President &
Chief Financial Officer

Cautionary statement concerning 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 in our most recently filed 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 the most directly comparable GAAP measures, on the Investor Relations portion of our website.

Link to our non-GAAP reconciliations

Financial highlights

Successful year across the Enterprise

Exceeded our 2019 financial expectations

- Q4 Adjusted EPS of **$1.73**
- 2019 Full-Year Adjusted EPS of **$7.08, 3 cents** above the high end of our guidance range
  - **~25 cents** from net realized capital gains and favorable prior years' development
- Performance driven by strong operating execution across the Enterprise, with all segments meeting or exceeding expectations
- Successful first full year with Aetna; producing synergies above expectations at ~**$500 million**

Strong cash flows from operations of $12.8 billion in 2019, exceeding our expectations

2020 Full-Year Adjusted EPS guidance of $7.04 to $7.17; growth of 4.0% at the mid-point vs. 2019 baseline of $6.83

- Ahead of 2020 guidance from June 2019 Investor Day
- All business segments advancing our strategic priorities and contributing to growth

Expect 600-650 HealthHUB® locations by end of 2020

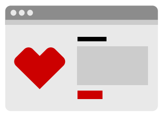
Cash flow from operations expected to range from \$10.5 billion to \$11 billion in 2020

CVSHealth.

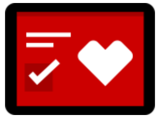
Enterprise priorities to accelerate growth

Consumer focused – be local, make it simple, improve health

Grow and differentiate our businesses



Deliver transformational products and services



Create a consumer-centric technology infrastructure

Modernize Enterprise functions and capabilities

CONTINUED PROGRESS
ON STRATEGIC PRIORITIES

Grow and differentiate our businesses

Integrated value offerings

Zero to low co-pay plan options for Commercial members at MinuteClinics® for 2020

Pharmacist Panels operating in four metro areas

HealthHUB® conversions on track

- >50 HealthHUB® locations opened during 2019 in four metro areas: Tampa, Atlanta, Houston, Philadelphia
- Expect 600-650 HealthHUB® locations by end of 2020
- Expect 1,500 HealthHUB® locations by end of 2021

Business growth

Project above industry average Medicare membership growth during 2020

Implementing Florida Healthy Kids and West Virginia Foster Care in first quarter of 2020

Have completed ~65% of 2021 Pharmacy Services selling season renewals with strong retention, including FEP and WellCare

FY19 retail script share up ~110 bps year-over-year to 26.6%

CVSHealth.

CONTINUED PROGRESS
ON STRATEGIC PRIORITIES

Deliver transformational products and services

Oncology care

Transform Oncology Care program rolled out to over 30 providers and ~200 Commercial insured members across 14 states

Chronic Kidney Disease care

Chronic Kidney Disease (CKD) care management program is currently available to ~3.5 million people across Aetna and 14 Caremark clients

Clinical trial ongoing for our home hemodialysis device; we anticipate product launch late 2021

Community care

Expanding Aetna Community Care nationally across Medicare footprint in 2020

CVSHealth.

CONTINUED PROGRESS
ON STRATEGIC PRIORITIES

Create a consumer-centric technology infrastructure

CarePass® membership and delivery

CarePass subscription program has ~1.6M enrolled members as of Q4 '19

- The average CarePass member is shopping CVS ~25% more often after joining the program

Digital scheduling

34% of MinuteClinic® visits scheduled digitally in Q4 '19, up from 23% in Q4 '18

Mobile engagement

>80M patients are enrolled in text messaging program, with an increase of 10% in actively engaged patients from last year

CVS mobile app

CVS app has 5.4M monthly average users as of Q4 '19, up 8% from Q4 '18

Aetna digital health

The new Aetna Health digital experience rolled out to over 20 million medical and dental members

CVSHealth.

CONTINUED PROGRESS
ON STRATEGIC PRIORITIES

Modernize Enterprise functions and capabilities

Client service delivery

Investing in improving client service delivery with continued progress toward process simplification and delivering net savings

Modernization

Continued technology modernization with business system and application rationalizations, data center consolidation review and cloud strategy

- Advancing integrated data and analytics capabilities
- Rollout of additional intelligent automation and robotic automation of routine processes

CVS Health.

2019 Financial Review

FULL-YEAR 2019 RESULTS

Consolidated results

in millions, except per share data	2019	2018	Change %
Adjusted revenues	$256,776	$194,043	32.3%
Adjusted operating income	$15,339	11,261	36.2%
GAAP EPS	$5.08	($0.57)	NM
Adjusted EPS	$7.08	$7.08	-
Cash flow from operations	$12,848	$8,865	44.9%

Note: Year-over-year comparisons are impacted by the timing of the close of the Aetna acquisition. NM = not meaningful.

Interest expense of **$3.0 billion**

Adjusted effective tax rate of **25.6%**

Weighted-average diluted share count: **1,305 million** shares

2019 results include ~25 cents per share from net realized capital gains and favorable prior years' development

CVSHealth.

Q4 RESULTS

Consolidated results

in millions, except per share data	Q4 2019	Q4 2018	Change %
Adjusted revenues	$66,889	$54,341	23.1%
Adjusted operating income	$3,766	$3,719	1.3%
GAAP EPS	$1.33	($0.37)	NM
Adjusted EPS	$1.73	$2.14	(19.2%)
Cash flow from operations	$2,634	$2,479	6.3%

Note: Year-over-year comparisons are impacted by the timing of the close of the Aetna acquisition. NM = not meaningful.

Interest expense of **$734 million**

Adjusted effective tax rate of **25.9%**

Weighted-average diluted share count: **1,310 million** shares

Q4 RESULTS

Pharmacy Services segment

in millions	Q4 2019	Q4 2018	Change %
Total revenues	$37,073	$34,899	6.2%
Adjusted operating income	$1,447	$1,425	1.5%
Total pharmacy claims processed[1]	533.9	484.6	10.2%

Note: IngenioRx network revenue recorded on a net basis

1. Total pharmacy claims processed and generic dispensing rate for all periods presented include an adjustment to convert 90-day 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 prescription.

Revenue growth drivers

- Total pharmacy claims volume, Specialty, including IngenioRx onboarding, and brand inflation, partially offset by continued price compression and increased generic dispensing rate (GDR)
- GDR of **87.8%**[1], up **~ 90 bps**, year-over-year primarily due to the impact of new generic drug introductions and increased use of generic drugs

Increase in adjusted operating income primarily driven by increased claims volume, the shift of Aetna mail order and Specialty operations into Pharmacy Services segment and improved purchasing economics, partially offset by continued price compression

Growth in total pharmacy claims processed[1] primarily driven by net new business and continued adoption of Maintenance Choice® offerings

CVSHealth.

Q4 RESULTS

Retail / LTC segment

in millions	Q4 2019	Q4 2018	Change %
Total revenues	$22,580	$22,029	2.5%
Adjusted operating income	$2,031	$2,124	(4.4%)
Prescriptions filled[1]	369.0	349.4	5.6%

1. Prescriptions filled and generic dispensing rate for all periods presented include an adjustment to convert 90-day 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 prescription.

Revenue growth drivers

- Increased prescription volume and brand inflation, partially offset by continued reimbursement pressure and increased generic dispensing rate (GDR)
- GDR[1] of **87.5%**, up ~ **80 bps,** year-over-year

Adjusted operating income declined due to continued reimbursement pressure, partially offset by increased prescription volume and increased GDR

Delivered strong adjusted script growth

CVSHealth.

Q4 RESULTS

Retail pharmacy

in millions	Change vs. Q4 2018
Same store sales[1]	3.2%
Pharmacy sales	4.1%
Pharmacy prescription volume[2]	6.9%
Front Store sales	0.7%
4Q retail pharmacy script share of 26.8%[2, 3]	Up ~80 bps

1. Same store sales and prescription volume exclude revenues from MinuteClinic, and revenues and prescriptions from stores in Brazil and long-term care operations.
2. Includes an adjustment to convert 90-day 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 prescription.
3. Source: IQVIA retail pharmacy script data for December 2019

Retail pharmacy script share increase driven primarily by continued adoption of patient care programs

Growth in Front Store sales primarily driven by increases in health and beauty product sales, including strength in cough and cold sales

- Front Store growth continues despite industry headwinds

Approximately **9,900** retail locations and **1,100** MinuteClinics® in operation as of Q4 2019

CVSHealth.

Q4 RESULTS

Health Care Benefits segment

in millions, except MBR	Q4 2019	Q4 2018[1]	Change %
Total revenues	$17,150	$6,239	174.9%
Adjusted operating income	$779	$590	32.0%
Medical membership	22.9	22.1	3.6%
Medical benefit ratio (MBR)	85.7%	NM	

1. For periods prior to November 28, 2018, the Health Care Benefits segment was comprised of CVS Health's SilverScript® PDP business. CVS Health's 2018 financial results include 34 days of legacy Aetna results. Accordingly, the MBR for the three months ended December 31, 2018 is not meaningful ("NM") and is not directly comparable to the MBR for the three months ended December 31, 2019.

YE 2019 medical membership in line with expectations

Strong membership growth in Government products

FY MBR of 84.2% and 4Q MBR in line with expectations

Commercial medical cost trend for FY 2019 within expectations

Days Claims Payable (DCP) was 48 as of December 31, 2019; we remain confident in the adequacy of our reserves and our reserving process

CVSHealth.

Q4 RESULTS

Cash flow and capital allocation

Strong cash generation and commitment to disciplined capital allocation priorities

Generated **$2.6 billion** in cash flow from operations in Q4; and **$12.8 billion** for Full-Year 2019

During 2019 we used approximately **$4.7 billion** of cash to repay net long-term debt

Repaid **~$8.0 billion** of net long-term debt from close of Aetna transaction through year-end 2019; ahead of the **$7.5 billion** Investor Day target

Paid ~**$650 million** in Q4 shareholder dividends; and **$2.6 billion** for Full-Year 2019

Continuing to reinvest in the business and growth opportunities

CVSHealth.

2020 Guidance

2020 Outlook

Strategic plan execution and successful integration drive 2020 outlook

2020 Full-Year Adjusted EPS guidance of $7.04 to $7.17, growth of ~3% to ~5% vs. 2019 baseline of $6.83

- 2020 outlook ahead of June 2019 Investor Day view
- Guidance includes significant improvements in the Pharmacy Services segment reflecting improvements in the 2020 selling season as well as other initiatives; HCB and Retail/LTC in line with prior projections
- Integration synergies expectation increased to **$800 million – $900 million** in 2020 (primarily benefitting HCB)
- Enterprise Modernization expectation range narrowed to **$450 million – $550 million** in 2020 (primarily benefitting Retail/LTC and PBM)

Integration costs expected to be **~$450 million** in 2020; excluded from non-GAAP financial measures

2019 capital management expected to produce interest expense tailwind in 2020

Maintaining current quarterly dividend to shareholders

Leverage ratio on track to **low 3x's** in 2022

CVSHealth.

GUIDANCE: FULL-YEAR 2020

Enterprise outlook

in millions, except per share data	Full-Year 2020
Consolidated total revenues	$261,970 to $265,480 2.0% to 3.5%
Adjusted operating income	$15,530 to $15,760 1.25% to 2.75%
GAAP EPS	$5.47 to $5.60 7.5% to 10.25%
Adjusted EPS	$7.04 to $7.17 3.0% to 5.0%[1]

Note: Except as noted, percentages represent year-over-year growth from reported 2019 results.

1. Growth rate for Adjusted EPS is calculated against 2019 baseline EPS which excludes net realized capital gains and favorable prior years' development of approximately 25 cents per share.

Enterprise expectations driven by growth across all business segments

Projected GAAP and Adjusted EPS reflect ~($0.13) year-over-year HIF impact; and ~($0.08) from higher shares outstanding

GUIDANCE: FULL-YEAR 2020

Pharmacy Services outlook

in millions	Full-Year 2020
Total revenues[1]	$137,500 to $139,450 (2.75%) to (1.5%)
Adjusted operating income	$5,240 to $5,320 2.25% to 3.75%
Total pharmacy claims processed[2]	2,000 to 2,020 (0.75%) to 0.25%

Note: Percentages represent year-over-year growth from reported 2019 results.

1. IngenioRx network revenue recorded on a net basis

2. Total pharmacy claims processed includes an adjustment to convert 90-day prescriptions to the equivalent of three 30-day prescriptions.

Projected revenue decline attributable to net selling season losses and continued price compression

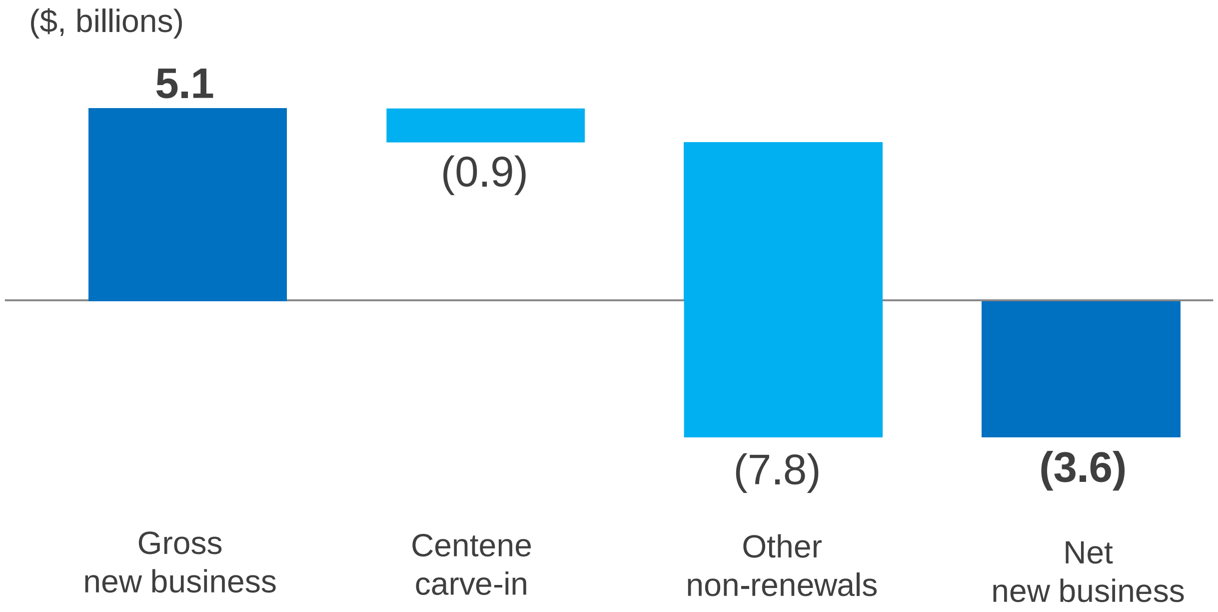
- Strong Specialty revenue expectations of about **$45B**, **~10%** increase year-over-year
- Projected claims volume driven by IngenioRx, partially offset by net selling season losses
- Projected 2020 brand drug inflation of mid-single digits, consistent with 2019

Projections reflect improved net new business since 3Q 2019 update

CVSHealth.

AS OF JANUARY 2020

Projected 2020 PBM selling season revenue



Note: IngenioRx network revenue recorded on a net basis

2020 net new business improved **$2.8B** since 3Q 2019 update

Have completed ~65% of 2021 Pharmacy Services selling season renewals with strong retention, including FEP and WellCare

GUIDANCE: FULL-YEAR 2020

Retail / LTC outlook

in millions	Full-Year 2020
Total revenues	$87,530 to $88,800 1.0% to 2.5%
Adjusted operating income	$6,720 to $6,820 0.25% to 1.75%
Prescriptions filled[1]	1,480 to 1,510 4.5% to 6.5%

Note: Percentages represent year-over-year growth from reported 2019 results.

1. Prescriptions filled include an adjustment to convert 90-day prescriptions to the equivalent of three 30-day prescriptions.

Projected adjusted script growth driven by continued successful execution of patient care programs, including pharmacy clinical care

Projected pharmacy growth and Enterprise Modernization to be partially offset by continued reimbursement pressure

Front store expected to drive incremental operating income through growth in health and beauty

GUIDANCE: FULL-YEAR 2020

Health Care Benefits outlook

in millions, except medical cost trend, MBR	Full-Year 2020
Total revenues	$74,060 to $74,830 6.5% to 7.5%
Adjusted operating income	$5,470 to $5,550 5.0% to 6.75%
Core Commercial medical cost trend	6.0% +/- 50 bps
Medical membership	23.1 to 23.4 1.0% to 2.25%
Medical benefit ratio (MBR)	83% +/- 50 bps

Note: Percentages represent year-over-year growth from reported 2019 results.

Projected total revenue growth is driven by strong Government product growth

Commercial signed more pharmacy business for January 2020 than in all of 2019

Adjusted operating income impacted by divestiture of PDP lives to WellCare partially offset by acquisition of IlliniCare Health Plan, Inc.

Benefit from transaction synergies disproportionately benefits HCB segment in 2020, consistent with 2019

Projected MBR includes ~160 bps benefit from HIF compared to 2019

GUIDANCE: FULL-YEAR 2020

Other items

in millions, except tax rates	Full-Year 2020
Interest expense	$2,870 to $2,890
Adjusted effective tax rate	~ 27.5% Up ~190 bps from 2019
Weighted-average diluted share count	1,320
Cash flow from operations	$10,500 to $11,000
Cash available for debt repayment	$4,200 to $4,600

GUIDANCE: FULL-YEAR 2020

Other considerations

First quarter expected to be the lowest earnings quarter for the year due to seasonality in Pharmacy Services and Retail/LTC

Earnings for Health Care Benefits expected to be lowest in the fourth quarter due to the earnings progression for that segment, including spending to support January readiness

Benefit from Enterprise Modernization expected to ramp up over the course of 2020; integration synergies projected to be generated more ratably throughout the year

Cash available for debt pay down is affected by the timing of certain payables and receivables from 2019 and is expected to be sufficient to cover debt maturities

Higher effective tax rate reflects the reinstatement of the HIF for 2020

Performance against our scorecard

	Timing	Target	Update as of February 12, 2020
Adjusted EPS growth	2019	$6.75 - $6.90	Actual results of $7.08
	2020	$7.00+ (Low single digits%)	FY guidance of $7.04 to $7.17
	2021	Mid single digits %	
	2022+	Low double digits %	
Integration synergies	2019	$300M - $350M	Actual results of ~$500M
	2020	~ $800M	FY guidance of $800M - $900M
	2021+	~ $900M	
Enterprise Modernization	2020	$400M - $600M	FY 2020 guidance of $450M - $550M
	Run-rate 2022	~$1.5B - $2B	On track
Transformation	2022	~ $850M	On track
	Run-rate	~ $2.5B	
Leverage ratio	2022	Low 3x's	On track
Cash available for enhancing shareholder value	Annually Long-Term	~$10B - $12B	Remain committed to repaying debt and reducing leverage
Inventory reduction	2022	~ $1.5B	On track

CVSHealth.