Reconciliation of Non-GAAP Financial Measures to the Most Directly Comparable GAAP Financial Measure

2019 ACTUAL RESULTS

CVS Health Corporation (the “Company”) uses non-GAAP financial measures to analyze underlying business performance and trends. The Company believes that providing these non-GAAP financial measures enhances the Company’s and investors’ ability to compare the Company’s past financial performance with its current performance. These non-GAAP financial measures are provided as supplemental information to the financial measures the Company discloses that are calculated and presented in accordance with GAAP. 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 its non-GAAP financial measures may not be comparable to similarly titled measurements reported by other companies.

Non-GAAP financial measures such as adjusted operating income, adjusted earnings per share (EPS), adjusted income from continuing operations attributable to CVS Health, 2019 baseline adjusted EPS (“2019 baseline EPS”), baseline adjusted income from continuing operations attributable to CVS Health, adjusted revenues, adjusted operating expenses, adjusted interest expense, adjusted effective tax rate and cash available for debt repayment 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.

ADJUSTED INTEREST EXPENSE

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

CONSOLIDATED

	(Unaudited) Three Months Ended December 31,		(Unaudited) Year Ended December 31,	
In millions	**2019**	2018	**2019**	2018
Interest expense (GAAP measure)	**$ 734**	$ 733	**$ 3,035**	$ 2,619
Non-GAAP adjustment:				
Interest expense on financing for the acquisition of Aetna (1)	**-**	(280)	**-**	(1,430)
Adjusted interest expense	**$ 734**	$ 453	**$ 3,035**	$ 1,189

(1) Includes $280 million and $1.4 billion of interest expense for the three months and year ended December 31, 2018, respectively, related to bridge financing costs and interest expense on the $40 billion of unsecured senior notes issued on March 9, 2018 (the “2018 Notes”) and the $5 billion term loan facility, each of which was used to partially fund the acquisition (the “Aetna Acquisition”) of Aetna Inc. (“Aetna”). All amounts are for periods prior to the close of the Aetna Acquisition.

ADJUSTED EFFECTIVE TAX RATE

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

CONSOLIDATED

	(Unaudited)		(Unaudited)	
	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	**2019**	2018
Effective Income tax rate (GAAP measure)	**25.3%**	513.7%	**26.3%**	142.4%
Impact of non-GAAP adjustments [1]	**0.6**	(487.4)	**(0.7)**	(116.0)
Adjusted effective tax rate	**25.9%**	26.3%	**25.6%**	26.4%

(1) Removes the corresponding tax benefit or expense related to the items excluded from income (loss) from continuing operations attributable to CVS Health in the Company's fourth 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: amortization of intangible assets, acquisition-related transaction and integration costs, store rationalization charges, loss on divestiture of subsidiary, loss on early extinguishment of debt, goodwill impairments, impairment of long-lived assets, 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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2020 GUIDANCE

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 the Company. The information on pages 3 through 7 of this document is forward-looking. 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 the Company's Securities and Exchange Commission ("SEC") filings, including those set forth in the Risk Factors section and under the section entitled "Cautionary Statement Concerning Forward-Looking Statements" in the Company's most recently filed Annual Report on Form 10-K and in its most recently filed Quarterly Report on Form 10-Q.

You are cautioned not to place undue reliance on the Company's forward-looking statements. These forward-looking statements are and will be based upon management's then-current views and assumptions regarding future events and operating performance, and are applicable only as of the dates of such statements. The Company does not assume any duty to update or revise forward-looking statements, whether as a result of new information, future events or otherwise, as of any future date.

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 integration costs, store rationalization charges, gains/losses on divestitures, losses on early extinguishment of debt, 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. Baseline adjusted income from continuing operations attributable to CVS Health also excludes from income from continuing operations attributable to CVS Health net realized capital gains and losses and the net impact of changes in prior years' health care cost estimates. GAAP diluted EPS from continuing operations, Adjusted EPS and 2019 baseline EPS, respectively, are calculated by dividing income from continuing operations attributable to CVS Health, adjusted income from continuing operations attributable to CVS Health and baseline adjusted income from continuing operations attributable to CVS Health by the Company's weighted average diluted shares outstanding. The following are reconciliations of income from continuing operations to adjusted income from continuing operations attributable to CVS Health and baseline adjusted income from continuing operations attributable to CVS Health, as well as a calculation of GAAP diluted EPS from continuing operations, Adjusted EPS and 2019 baseline EPS:

Reconciliation of Non-GAAP Financial Measures to the Most Directly Comparable GAAP Financial Measure

FULL-YEAR 2020

In millions, except per share amounts	Year Ending December 2020P Low Total Company	2020P Low Per Common Share	2020P High Total Company	2020P High Per Common Share	2019 Actual Total Company	2019 Actual Per Common Share
Income from continuing operations (GAAP measure)	$ 7,210		$ 7,385		$ 6,631	
Net loss attributable to noncontrolling interests (GAAP measure)	5		5		3	
Income allocable to participating securities (GAAP measure)	-		-		(5)	
Income from continuing operations attributable to CVS Health (GAAP measure)	7,215	$ 5.47	7,390	$ 5.60	6,629	$ 5.08
Non-GAAP adjustments:						
Amortization of intangible assets	2,320	1.76	2,320	1.76	2,436	1.87
Acquisition-related integration costs (1)	450	0.34	450	0.34	480	0.37
Store rationalization charges (2)	-	-	-	-	231	0.17
Loss on divestiture of subsidiary (3)	-	-	-	-	205	0.16
Loss on early extinguishment of debt (4)	-	-	-	-	79	0.06
Income tax benefit (5)	(690)	(0.53)	(690)	(0.53)	(815)	(0.63)
Income allocable to participating secuities, net of tax (6)	-	-	-	-	(1)	-
Adjusted income from continuing operations attributable to CVS Health	**$ 9,295**	**$ 7.04**	**$ 9,470**	**$ 7.17**	$ 9,244	$ 7.08
Total baseline adjustments (7)					(431)	(0.33)
Income tax expense related to total baseline adjustments (7)					106	0.08
Baseline adjusted income from continuing operations attributable to CVS Health (7)					$ 8,919	$ 6.83
Weighted average diluted shares outstanding (GAAP)		1,320		1,320		1,305
Adjusted weighted average diluted shares outstanding (Non-GAAP)		1,320		1,320		1,305

(1) Acquisition-related integration costs relate to the Aetna Acquisition.
(2) Includes a charge related to the planned closure of 22 underperforming retail pharmacy stores in the first quarter of 2020 and a charge related to the planned closure of 46 underperforming retail pharmacy stores in the second quarter of 2019. The store rationalization charges primarily relate to operating lease right-of-use asset impairment charges.
(3) Loss on divestiture of subsidiary represents the pre-tax loss on the sale of the Company's Brazilian subsidiary, Drogaria Onofre Ltda. ("Onofre"), which occurred on July 1, 2019, and primarily relates to the elimination of the cumulative translation adjustment from accumulated other comprehensive income.
(4) Represents the loss on early extinguishment of debt related to the Company's repayment of $4.0 billion of its outstanding senior notes in August 2019 pursuant to its tender offers for such senior notes.
(5) 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.
(6) Represents the corresponding impact to income 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.
(7) Net realized capital gains and losses arise from various types of transactions, primarily in the course of managing a portfolio of assets that support the payment of insurance liabilities. The Company will experience net realized capital gains or net realized capital losses during 2020, however the Company cannot project the amount of such future gains or losses. In addition, the Company may experience changes to its prior years' health care cost estimates during 2020, however the Company cannot project the amount of such changes in estimates. In order to enhance the Company's and investors' ability to compare the Company's 2019 financial performance with its projected 2020 performance, the Company excluded the impact of net realized capital gains and the net impact of changes in prior years' health care cost estimates when determining its 2019 baseline EPS for the year ended December 31, 2019. The nature of the total baseline adjustments were evaluated to determine whether a discrete adjustment should be made to the baseline income tax provision.

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 integration costs, store rationalization charges, gains/losses on divestitures, and any other items specifically identified herein. The following are reconciliations of projected operating income to projected adjusted operating income:

FULL-YEAR 2020

CONSOLIDATED

	Year Ending December 31,		
	2020P		2019
In millions	**Low**	**High**	Actual
Operating income (GAAP measure)	**$ 12,760**	**$ 12,990**	$ 11,987
Non-GAAP adjustments:			
Amortization of intangible assets	**2,320**	**2,320**	2,436
Acquisition-related integration costs (1)	**450**	**450**	480
Store rationalization charges (2)	**-**	**-**	231
Loss on divestiture of subsidiary (3)	**-**	**-**	205
Adjusted operating income	**$ 15,530**	**$ 15,760**	$ 15,339

(1) Acquisition-related integration costs relate to the Aetna Acquisition.
(2) Includes a charge related to the planned closure of 22 underperforming retail pharmacy stores in the first quarter of 2020 and a charge related to the planned closure of 46 underperforming retail pharmacy stores in the second quarter of 2019. The store rationalization charges primarily relate to operating lease right-of-use asset impairment charges.
(3) Loss on divestiture of subsidiary represents the pre-tax loss on the sale of Onofre, which occurred on July 1, 2019, and primarily relates to the elimination of the cumulative translation adjustment from accumulated other comprehensive income.

PHARMACY SERVICES SEGMENT

	Year Ending December 31,		
	2020P		2019
In millions	**Low**	**High**	Actual
Operating income (GAAP Measure)	**$ 5,000**	**$ 5,080**	$ 4,735
Non-GAAP adjustment:			
Amortization of intangible assets	**240**	**240**	394
Adjusted operating income	**$ 5,240**	**$ 5,320**	$ 5,129

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RETAIL/LTC SEGMENT

In millions	Year Ending December 31, 2020P Low	2020P High	2019 Actual
Operating income (GAAP Measure)	**$ 6,210**	**$ 6,310**	$ 5,793
Non-GAAP adjustments:			
Amortization of intangible assets	**510**	**510**	476
Store rationalization charges (1)	**-**	**-**	231
Loss on divestiture of subsidiary (2)	**-**	**-**	205
Adjusted operating income	**$ 6,720**	**$ 6,820**	$ 6,705

(1) Includes a charge related to the planned closure of 22 underperforming retail pharmacy stores in the first quarter of 2020 and a charge related to the planned closure of 46 underperforming retail pharmacy stores in the second quarter of 2019. The store rationalization charges primarily relate to operating lease right-of-use asset impairment charges.

(2) Loss on divestiture of subsidiary represents the pre-tax loss on the sale of Onofre, which occurred on July 1, 2019, and primarily relates to the elimination of the cumulative translation adjustment from accumulated other comprehensive income.

HEALTH CARE BENEFITS SEGMENT

In millions	Year Ending December 31, 2020P Low	2020P High	2019 Actual
Operating income (GAAP Measure)	**$ 3,900**	**$ 3,980**	$ 3,639
Non-GAAP adjustment:			
Amortization of intangible assets	**1,570**	**1,570**	1,563
Adjusted operating income	**$ 5,470**	**$ 5,550**	$ 5,202

Reconciliation of Non-GAAP Financial Measures to the Most Directly Comparable GAAP Financial Measure

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,		
	2020P		2019
In millions	**Low**	**High**	Actual
Net cash provided by operating activities (GAAP Measure)	**$ 10,500**	**$ 11,000**	$ 12,848
Non-GAAP adjustments:			
Net capital expenditures [(1)]	**(2,600)**	**(2,300)**	(2,174)
Shareholder dividends	**(2,600)**	**(2,600)**	(2,603)
Additional retained capital needs of insurance subsidiaries [(2)]	**(1,100)**	**(1,500)**	(485)
Cash available for debt repayment	**$ 4,200**	**$ 4,600**	$ 7,586

(1) Net capital expenditures include additions to property and equipment less (i) proceeds from sale leaseback transactions and (ii) proceeds from real estate transactions that do not qualify for sale leaseback treatment under the lease accounting standard that are included in cash provided by financing activities.

(2) 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, and any other items specifically identified herein. The Company is not able to project the amount of any such other items for the year ended December 31, 2022 at this time and therefore cannot reconcile projected 2022 Adjusted EBITDA to projected 2022 net income. The Company is unable at this time to accurately quantify the significance of any item of unavailable information.