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

Q1 2021 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 consolidated adjusted operating income, adjusted earnings per share (EPS), adjusted income attributable to CVS Health, adjusted operating expenses, adjusted effective income tax rate and adjusted revenue 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 OPERATING EXPENSES

The following are reconciliations of operating expenses to adjusted operating expenses:

CONSOLIDATED

In millions	(Unaudited) Quarter Ended March 31, **2021**	2020
Operating expenses (GAAP measure)	**$ 8,922**	$ 8,563
Non-GAAP adjustments:		
Amortization of intangible assets	**(587)**	(586)
Acquisition-related integration costs [(1)]	**(41)**	(69)
Adjusted operating expenses	**$ 8,294**	$ 7,908

(1) During the three months ended March 31, 2021 and 2020, acquisition-related integration costs relate to the Aetna acquisition. The acquisition-related integration costs are reflected in the Company's condensed consolidated statements of operations in operating expenses within the Corporate/Other segment.

Proprietary

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ADJUSTED EFFECTIVE INCOME TAX RATE

The following are reconciliations of the effective income tax rate to the adjusted effective income tax rate:

CONSOLIDATED

	(Unaudited) Quarter Ended March 31,	
	2021	2020
Effective income tax rate (GAAP measure)	**25.1%**	27.6%
Impact of non-GAAP adjustments [(1)]	**(0.1)**	(0.6)
Adjusted effective income tax rate	**25.0%**	27.0%

(1) Removes the corresponding tax benefit or expense related to the items excluded from adjusted income attributable to CVS Health in the Company's first quarter 2021 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 and acquisition-related integration costs. The nature of each non-GAAP adjustment is evaluated to determine whether a discrete adjustment should be made to the adjusted income tax provision.

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 to 7 of this document is forward-looking. By their nature, all forward-looking statements are not guarantees of future performance or results and are subject to risks and uncertainties that are difficult to predict and/or quantify. Actual results may differ materially from those contemplated by the forward-looking statements due to the risks and uncertainties related to the coronavirus disease 2019 ("COVID-19") pandemic, the geographies impacted and the severity and duration of the pandemic, the pandemic's impact on the U.S. and global economies and consumer behavior and health care utilization patterns, and the timing, scope and impact of stimulus legislation and other federal, state and local governmental responses to the pandemic, as well as the risks and uncertainties described in the Company's Securities and Exchange Commission ("SEC") filings, including those set forth in the Risk Factors section and under the heading "Cautionary Statement Concerning Forward-Looking Statements" in the Company's most recently filed Annual Report on Form 10-K and in its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021.

You are cautioned not to place undue reliance on the Company's forward-looking statements. The Company's 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, uncertainties or otherwise.

Proprietary

ADJUSTED EARNINGS PER SHARE

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 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, gains/losses on divestitures, receipt of amounts owed to the Company under the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the "ACA") risk corridor program, 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 following are reconciliations of GAAP diluted EPS to Adjusted EPS:

	2021P				2020	
	Low		**High**		Actual	
In millions, 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)	$ 8,300		$ 8,460		$ 7,201	
Net income attributable to noncontrolling interests (GAAP measure)	(5)		(5)		(13)	
Income from continuing operations attributable to CVS Health (GAAP measure)	8,295	$ 6.24	8,455	$ 6.36	7,188	$ 5.47
Non-GAAP adjustments:						
Amortization of intangible assets	2,300	1.73	2,300	1.73	2,341	1.78
Acquisition-related integration costs [(1)]	130	0.10	130	0.10	332	0.25
Gain on divestiture of subsidiary [(2)]	-	-	-	-	(269)	(0.20)
Receipt of fully reserved ACA risk corridor receivable [(3)]	-	-	-	-	(307)	(0.23)
Loss on early extinguishment of debt [(4)]	-	-	-	-	1,440	1.09
Tax impact of non-GAAP adjustments [(5)]	(675)	(0.51)	(675)	(0.51)	(877)	(0.67)
Receipt of ACA risk corridor receivable attributable to noncontrolling interest, net of tax [(3)]	-	-	-	-	12	0.01
Adjusted income from continuing operations attributable to CVS Health	**$ 10,050**	**$ 7.56**	**$ 10,210**	**$ 7.68**	$ 9,860	$ 7.50
Weighted average diluted shares outstanding		1,330		1,330		1,314

(1) Acquisition-related integration costs relate to the Aetna acquisition.
(2) In 2020, gain on divestiture of subsidiary represents the pre-tax gain on the sale of the Workers' Compensation business, sold on July 31, 2020 for approximately $850 million.
(3) Reflects the receipt of $313 million owed to the Company under the ACA's risk corridor program during October 2020 that was previously fully reserved for as payment was uncertain. After considering offsetting items such as the ACA's minimum medical loss ratio ("MLR") rebate requirements and premium taxes, the Company recognized pre-tax income of approximately $307 million within the Health Care Business during the fourth quarter of 2020. The portion of the ACA risk corridor payment attributable to noncontrolling interest was $12 million related to third party ownership interests in the Company's consolidated operating entities.
(4) During the year ended December 31, 2020, the loss on early extinguishment of debt relates to the Company's repayment of $4.5 billion of its outstanding senior notes in December 2020 pursuant to its tender offers for such senior notes and the Company's repayment of $6.0 billion of its outstanding senior notes in August 2020 pursuant to its tender offer for such senior notes.
(5) Represents the corresponding tax benefit or expense related to the items excluded from 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.

Proprietary

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, gains/losses on divestitures and the receipt of amounts owed to the Company under the ACA risk corridor program. The Company uses adjusted operating income as its principal measure of segment performance as it enhances the Company's ability to compare past financial performance with current performance and analyze underlying business performance and trends. The consolidated measure is not determined in accordance with GAAP and should not be considered a substitute for, or superior to, the most directly comparable GAAP measure, consolidated operating income. The following are reconciliations of projected operating income to projected adjusted operating income:

FULL-YEAR 2021

CONSOLIDATED

	Year Ending December 31,		
	2021P		2020
In millions	**Low**	**High**	Actual
Operating income (GAAP measure)	**$ 13,440**	**$ 13,670**	$ 13,911
Amortization of intangible assets	**2,300**	**2,300**	2,341
Acquisition-related integration costs [(1)]	**130**	**130**	332
Gain on divestiture of subsidiary [(2)]	**-**	**-**	(269)
Receipt of fully reserved ACA risk corridor receivable [(3)]	**-**	**-**	(307)
Adjusted operating income	**$ 15,870**	**$ 16,100**	$ 16,008

(1) Acquisition-related integration costs relate to the Aetna acquisition.

(2) During the year ended December 31, 2020, the gain on divestiture of subsidiary represents the pre-tax gain on the sale of the Workers' Compensation business, which the Company sold on July 31, 2020 for approximately $850 million. The gain on divestiture is reflected as a reduction in operating expenses in the Company's condensed consolidated statements of operations within the Health Care Benefits segment in the year ended December 31, 2020.

(3) During the year ended December 31, 2020, the Company received $313 million owed to it under the ACA's risk corridor program that was previously fully reserved for as payment was uncertain. After considering offsetting items such as the ACA's MLR rebate requirements and premium taxes, the Company recognized pre-tax income of $307 million in the Company's condensed consolidated statements of operations within the Health Care Benefits segment.

Proprietary

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

HEALTH CARE BENEFITS SEGMENT

	Year Ending December 31,		
	2021P		2020
In millions	**Low**	**High**	Actual
Operating income (GAAP Measure)	**$ 3,700**	**$ 3,800**	$ 5,166
Amortization of intangible assets	**1,550**	**1,550**	1,598
Gain on divestiture of subsidiary [(1)]	**-**	**-**	(269)
Receipt of fully reserved ACA risk corridor receivable [(2)]	**-**	**-**	(307)
Adjusted operating income	**$ 5,250**	**$ 5,350**	$ 6,188

(1) During the year ended December 31, 2020, the gain on divestiture of subsidiary represents the pre-tax gain on the sale of the Workers' Compensation business, which the Company sold on July 31, 2020 for approximately $850 million. The gain on divestiture is reflected as a reduction in operating expenses in the Company's condensed consolidated statements of operations within the Health Care Benefits segment in the year ended December 31, 2020.

(2) During the year ended December 31, 2020, the Company received $313 million owed to it under the ACA's risk corridor program that was previously fully reserved for as payment was uncertain. After considering offsetting items such as the ACA's MLR rebate requirements and premium taxes, the Company recognized pre-tax income of $307 million in the Company's condensed consolidated statements of operations within the Health Care Benefits segment.

PHARMACY SERVICES SEGMENT

	Year Ending December 31,		
	2021P		2020
In millions	**Low**	**High**	Actual
Operating income (GAAP Measure)	**$ 5,950**	**$ 6,050**	$ 5,454
Amortization of intangible assets	**200**	**200**	234
Adjusted operating income	**$ 6,150**	**$ 6,250**	$ 5,688

RETAIL/LTC SEGMENT

	Year Ending December 31,		
	2021P		2020
In millions	**Low**	**High**	Actual
Operating income (GAAP Measure)	**$ 6,050**	**$ 6,150**	$ 5,640
Amortization of intangible assets	**550**	**550**	506
Adjusted operating income	**$ 6,600**	**$ 6,700**	$ 6,146

Proprietary

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

ADJUSTED REVENUES

The following are reconciliations of revenues to adjusted revenues:

CONSOLIDATED

	Year Ending December 31,		
	2021P		2020
In millions	**Low**	**High**	Actual
Revenues (GAAP measure)	**$ 279,200**	**$ 283,700**	$ 268,706
Non-GAAP adjustments:			
Receipt of fully reserved ACA risk corridor receivable [(1)]	-	**-**	(311)
Adjusted revenues	**$ 279,200**	**$ 283,700**	$ 268,395

(1) During the year ended December 31, 2020, the Company received $313 million owed to it under the ACA's risk corridor program, net of MLR rebates of $2 million that was previously fully reserved for as payment was uncertain.

HEALTH CARE BENEFITS SEGMENT

	Year Ending December 31,		
	2021P		2020
In millions	**Low**	**High**	Actual
Revenues (GAAP measure)	**$ 79,350**	**$ 80,650**	$ 75,467
Non-GAAP adjustments:			
Receipt of fully reserved ACA risk corridor receivable [(1)]	-	**-**	(311)
Adjusted revenues	**$ 79,350**	**$ 80,650**	$ 75,156

(1) During the year ended December 31, 2020, the Company received $313 million owed to it under the ACA's risk corridor program, net of MLR rebates of $2 million that was previously fully reserved for as payment was uncertain.

Proprietary

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

ADJUSTED EFFECTIVE INCOME TAX RATE

The following are reconciliations of projected effective income tax rate to projected adjusted effective income tax rate:

CONSOLIDATED

	Year Ending December 31,	
	2021	2020
	Projected	Actual
Effective income tax rate (GAAP measure)	**~25.0%**	26.3%
Impact of non-GAAP adjustments [(1)]	**0.4**	(0.4)
Adjusted effective income tax rate	**~25.4%**	25.9%

(1) Removes the corresponding tax benefit or expense related to the items excluded from adjusted income from continuing operations attributable to CVS Health for the year ended December 31, 2020 in the Company's fourth quarter 2020 earnings press release and projected adjusted income from continuing operations attributable to CVS Health for the year ended December 31, 2021 in the Company's first quarter 2021 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 integration costs, gain/losses on divestitures, income associated with the receipt of fully reserved amounts owed to the Company under the ACA risk corridor program and losses on early extinguishment of debt. The nature of each non-GAAP adjustment is evaluated to determine whether a discrete adjustment should be made to the adjusted income tax provision.

LEVERAGE RATIO CALCULATION

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) income from continuing operations (GAAP measure) before interest expense, 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 gains/losses on divestitures, receipt of amounts owed to the Company under the ACA risk corridor program and losses on early extinguishment of debt. 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 income from continuing operations. The Company is unable at this time to accurately quantify the significance of any item of unavailable information.