INVESTOR DAY 2021
Reconciliation of Non-GAAP Financial Measures to the Most Directly Comparable GAAP Financial Measure included in Investor Day Materials

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 within this document is forward-looking, including information related to full year 2021 and 2022 financial guidance. 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 continuing uncertainties related to the COVID-19 pandemic, including the impact of new and existing variants on consumer behavior, health care utilization pattersn and federal, state and local response 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 September 30, 2021, and our recent Current Reports on Form 8-K dated November 18, 2021 and December 9, 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.

ADJUSTED EARNINGS PER SHARE & BASELINE ADJUSTED EARNINGS PER SHARE

GAAP diluted Earnings Per Share ("EPS"), Adjusted EPS, and Baseline Adjusted 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 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 impairments, goodwill impairments, acquisition purchase price adjustments outside of measurement period, 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 and the corresponding tax benefit or expense related to the items excluded from adjusted income from continuing operations attributable to CVS Health. Baseline adjusted income from continuing operations attributable to CVS Health also excludes from income from continuing operations attributable to CVS Health the impact of items that the Company cannot project for future periods such as realized capital gains and losses, changes in prior years' health care costs estimates, and includes an estimate of the full year incremental expense related to our minimum wage increase and the corresponding tax benefit or expense per share related to the such items excluded from or added to baseline Adjusted EPS above. The following are reconciliations of projected GAAP diluted EPS to projected Adjusted EPS and Baseline Adjusted EPS:

FULL-YEAR 2021

	2021E Low		2021E High		2020 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)	$ 7,311	$ 5.50	$ 7,460	$ 5.61	$ 7,188	$ 5.47
Non-GAAP adjustments:						
Amortization of intangible assets	2,260	1.70	2,260	1.70	2,341	1.78
Acquisition-related integration costs [1]	160	0.12	160	0.12	332	0.25
Store impairments [2]	1,200	0.90	1,000	0.75	-	-
Goodwill impairment [3]	431	0.33	431	0.33	-	-
Acquisition purchase price adjustment outside of measurement period [4]	(61)	(0.05)	(61)	(0.05)	-	-
Gain on divestiture of subsidiary [5]	-	-	-	-	(269)	(0.20)
Receipt of fully reserved ACA risk corridor receivable [6]	-	-	-	-	(307)	(0.23)
Loss on early extinguishment of debt [7]	468	0.35	468	0.35	1,440	1.09
Tax impact of non-GAAP adjustments [8]	(1,129)	(0.85)	(1,078)	(0.81)	(877)	(0.67)
Receipt of ACA risk corridor receivable attributable to noncontrolling interest, net of tax [6]	-	-	-	-	12	0.01
Adjusted income from continuing operations attributable to CVS Health	**$ 10,640**	**$ 8.00**	**$ 10,640**	**$ 8.00**	$ 9,860	$ 7.50
Total baseline adjustments [9]		**(0.40)**		**(0.40)**		
Baseline adjusted EPS [9]		**$ 7.60**		**$ 7.60**		
Weighted average diluted shares outstanding		1,330		1,330		1,314

(1) Acquisition-related integration costs relate to the Aetna acquisition.
(2) In connection with a planned closure of approximately 900 stores over the next three years, the Company expects to record an impairment charge in the fourth quarter of 2021 of between $1.0 billion to $1.2 billion. This charge relates to the write down of operating lease right-of-use assets and property and equipment. The charge is included in the Retail/LTC segment. The amount of this expected impairment charge is an estimate, and the actual charge may vary due to a variety of factors.
(3) The goodwill impairment charge was recorded in the third quarter of 2021 in the long-term care ("LTC") reporting unit within the Retail/LTC segment.
(4) In June 2021, the Company received $61 million related to a purchase price working capital adjustment for an acquisition completed during the first quarter of 2020. The resolution of this matter occurred subsequent to the acquisition accounting measurement period and is reflected within the Health Care Benefits segment.
(5) 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.

(6) 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.

(7) During the year ending December 31, 2021, the loss on early extinguishment of debt relates to the Company's repayment of approximately $2.0 billion of its outstanding senior notes in August 2021 pursuant to its tender offers for such senior notes, which resulted in a $363 million loss on the early extinguishment of debt in the third quarter of 2021, and the expected repayment of approximately $2.3 billion of its outstanding senior notes in December 2021 pursuant to its make-whole provision for such senior notes, which is expected to result in an estimated loss on the early extinguishment of debt in the fourth quarter of approximately $105 million. 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.

(8) 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.

(9) In order to enhance the Company's and investors' ability to set Adjusted EPS growth expectations for future periods, the Company adjusted its projected 2021 Adjusted EPS to remove the following items when determining baseline Adjusted EPS: (i) the impact of items that it cannot project for future periods such as realized capital gains and losses and changes in prior years' health care costs estimates, (ii) including the estimated impact of the full year incremental expense related to our minimum wage increase and (iii) the corresponding tax benefit or expense per share related to the items excluded from or included in baseline Adjusted EPS above. 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 experiences net realized capital gains or net realized capital losses, however the Company cannot project the amount of such gains or losses. In addition, the Company experiences changes to its prior years' health care cost estimates, however the Company cannot project the amount of such changes in estimates. The Company is including the full year projected impact of the labor costs to make it comparable to future periods which will include a full year of the increased labor cost. When determining the income tax impact of the baseline Adjusted EPS adjustments, the nature of the total baseline adjustments were evaluated to determine whether a discrete adjustment should be made to the baseline income tax provision.

FULL-YEAR 2022

	Year Ending December 31, 2022E			
	Low		High	
In millions, except per share amounts	Total Company	Per Common Share	Total Company	Per Common Share
Income from continuing operations (GAAP measure)	$ 9,370	$ 7.04	$ 9,630	$ 7.24
Non-GAAP adjustments:				
Amortization of intangible assets	1,870	1.41	1,870	1.41
Tax impact of non-GAAP adjustments [(1)]	(470)	(0.35)	(470)	(0.35)
Adjusted income from continuing operations attributable to CVS Health	**$ 10,770**	**$ 8.10**	**$ 11,030**	**$ 8.30**
Weighted average diluted common shares outstanding		**1,330**		**1,330**

(1) 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.

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 impairments, goodwill impairments, acquisition purchase price adjustments outside of measurement period, 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,		
	2021E		2020
In millions	**Low**	**High**	Actual
Operating income (GAAP measure)	**$ 12,630**	**$ 12,830**	$ 13,911
Amortization of intangible assets	**2,260**	**2,260**	2,341
Acquisition-related integration costs [(1)]	**160**	**160**	332
Store impairments [(2)]	**1,200**	**1,000**	-
Goodwill impairment [(3)]	**431**	**431**	-
Acquisition purchase price adjustment outside of measurement period [(4)]	**(61)**	**(61)**	-
Gain on divestiture of subsidiary [(5)]	**-**	**-**	(269)
Receipt of fully reserved ACA risk corridor receivable [(6)]	**-**	**-**	(307)
Adjusted operating income	**$ 16,620**	**$ 16,620**	$ 16,008

(1) Acquisition-related integration costs relate to the Aetna acquisition.
(2) In connection with a planned closure of approximately 900 stores over the next three years, the Company expects to record an impairment charge in the fourth quarter of 2021 of between $1.0 billion to $1.2 billion. This charge relates to the write down of operating lease right-of-use assets and property and equipment. The charge is included in the Retail/LTC segment. The amount of this expected impairment charge is an estimate, and the actual charge may vary due to a variety of factors.
(3) The goodwill impairment charge was recorded in the third quarter of 2021 in the LTC reporting unit within the Retail/LTC segment.
(4) In June 2021, the Company received $61 million related to a purchase price working capital adjustment for an acquisition completed during the first quarter of 2020. The resolution of this matter occurred subsequent to the acquisition accounting measurement period and is reflected within the Health Care Benefits segment.
(5) 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 consolidated statements of operations within the Health Care Benefits segment in the year ended December 31, 2020.
(6) 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 consolidated statements of operations within the Health Care Benefits segment.

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HEALTH CARE BENEFITS SEGMENT

In millions	Year Ending December 31, 2021E At Least	2020 Actual
Operating income (GAAP Measure)	**$ 3,511**	$ 5,166
Amortization of intangible assets	**1,550**	1,598
Acquisition purchase price adjustment outside of measurement period [1]	**(61)**	-
Gain on divestiture of subsidiary [2]	**-**	(269)
Receipt of fully reserved ACA risk corridor receivable [3]	**-**	(307)
Adjusted operating income	**$ 5,000**	$ 6,188

(1) In June 2021, the Company received $61 million related to a purchase price working capital adjustment for an acquisition completed during the first quarter of 2020. The resolution of this matter occurred subsequent to the acquisition accounting measurement period and is reflected within the Health Care Benefits segment.
(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 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 consolidated statements of operations within the Health Care Benefits segment.

PHARMACY SERVICES SEGMENT

In millions	Year Ending December 31, 2021E At Least	2020 Actual
Operating income (GAAP Measure)	**$ 6,740**	$ 5,454
Amortization of intangible assets	**200**	234
Adjusted operating income	**$ 6,940**	$ 5,688

RETAIL/LTC SEGMENT

In millions	Year Ending December 31, 2021E Low	2021E High	2020 Actual
Operating income (GAAP Measure)	**$ 4,929**	**$ 5,129**	$ 5,640
Amortization of intangible assets	**510**	**510**	506
Store impairments [1]	**1,200**	**1,000**	-
Goodwill impairment [2]	**431**	**431**	-
Adjusted operating income	**$ 7,070**	**$ 7,070**	$ 6,146

(1) In connection with a planned closure of approximately 900 stores over the next three years, the Company expects to record an impairment charge in the fourth quarter of 2021 of between $1.0 billion to $1.2 billion. This charge relates to the write down of operating lease right-of-use assets and property and equipment. The amount of this expected impairment charge is an estimate, and the actual charge may vary due to a variety of factors.
(2) The goodwill impairment charge was recorded in the third quarter of 2021 in the LTC reporting unit within the Retail/LTC segment.

INVESTOR DAY 2021
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FULL-YEAR 2022

CONSOLIDATED

	Year Ending December 31,		
	2022E		2021E
In millions	**Low**	**High**	Midpoint
Operating income (GAAP measure)	**$ 14,870**	**$ 15,220**	$ 12,730
Non-GAAP adjustments:			
Amortization of intangible assets	**1,870**	**1,870**	2,260
Acquisition-related integration costs [(1)]	**-**	**-**	160
Store impairments [(2)]	**-**	**-**	1,100
Goodwill impairment [(3)]	**-**	**-**	431
Acquisition purchase price adjustment outside of measurement period [(4)]	**-**	**-**	(61)
Adjusted operating income	**$ 16,740**	**$ 17,090**	$ 16,620

(1) Acquisition-related integration costs relate to the Aetna acquisition.
(2) In connection with a planned closure of approximately 900 stores over the next three years, the Company expects to record an impairment charge in the fourth quarter of 2021 of between $1.0 billion to $1.2 billion. This charge relates to the write down of operating lease right-of-use assets and property and equipment. The charge is included in the Retail/LTC segment. The amount of this expected impairment charge is an estimate, and the actual charge may vary due to a variety of factors.
(3) The goodwill impairment charge was recorded in the third quarter of 2021 in the LTC reporting unit within the Retail/LTC segment.
(4) In June 2021, the Company received $61 million related to a purchase price working capital adjustment for an acquisition completed during the first quarter of 2020. The resolution of this matter occurred subsequent to the acquisition accounting measurement period and is reflected within the Health Care Benefits segment.

HEALTH CARE BENEFITS SEGMENT

	Year Ending December 31,		
	2022E		2021E
In millions	**Low**	**High**	At Least
Operating income (GAAP Measure)	**$ 4,535**	**$ 4,635**	$ 3,511
Amortization of intangible assets	**1,225**	**1,225**	1,550
Acquisition purchase price adjustment outside of measurement period [(1)]	**-**	**-**	(61)
Adjusted operating income	**$ 5,760**	**$ 5,860**	$ 5,000

(1) In June 2021, the Company received $61 million related to a purchase price working capital adjustment for an acquisition completed during the first quarter of 2020. The resolution of this matter occurred subsequent to the acquisition accounting measurement period and is reflected within the Health Care Benefits segment.

PHARMACY SERVICES SEGMENT

	Year Ending December 31,		
	2022E		2021E
In millions	**Low**	**High**	At Least
Operating income (GAAP Measure)	**$ 7,150**	**$ 7,290**	$ 6,740
Amortization of intangible assets	**160**	**160**	200
Adjusted operating income	**$ 7,310**	**$ 7,450**	$ 6,940

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RETAIL/LTC SEGMENT

	Year Ending December 31,		
	2022E		2021E
In millions	Low	High	Midpoint
Operating income (GAAP Measure)	**$ 5,475**	**$ 5,575**	$ 5,029
Non-GAAP adjustments:			
Amortization of intangible assets	**485**	**485**	510
Store impairments [1]	**-**	**-**	1,100
Goodwill impairment [2]	**-**	**-**	431
Adjusted operating income	**$ 5,960**	**$ 6,060**	$ 7,070

(1) In connection with a planned closure of approximately 900 stores over the next three years, the Company expects to record an impairment charge in the fourth quarter of 2021 of between $1.0 billion to $1.2 billion. This charge relates to the write down of operating lease right-of-use assets and property and equipment. The charge is included in the Retail/LTC segment. The amount of this expected impairment charge is an estimate, and the actual charge may vary due to a variety of factors.
(2) The goodwill impairment charge was recorded in the third quarter of 2021 in the LTC reporting unit within the Retail/LTC segment.

ADJUSTED OPERATING MARGIN

FULL-YEAR 2022

CONSOLIDATED

	Year Ending December 31,			Year Over Year Basis Point Change	
	2022E	2021E		Versus	Versus
		Low	High	Low	High
Operating margin (GAAP measure)	**4.9%**	4.3%	4.4%	**60**	**50**
Non-GAAP adjustments:					
Amortization of intangible assets	**0.6%**	0.8%	0.8%	**(20)**	**(20)**
Acquisition-related integration costs [1]	**-**	0.0%	0.0%	**(5)**	**(5)**
Store impairments [2]	**-**	0.4%	0.3%	**(40)**	**(30)**
Goodwill impairment [3]	**-**	0.2%	0.2%	**(15)**	**(15)**
Acquisition purchase price adjustment outside of measurement period [4]	**-**	**-**	**-**	**-**	**-**
Adjusted operating margin	**5.5%**	5.7%	5.7%	**(20)**	**(20)**

(1) Acquisition-related integration costs relate to the Aetna acquisition.
(2) In connection with a planned closure of approximately 900 stores over the next three years, the Company expects to record an impairment charge in the fourth quarter of 2021 of between $1.0 billion to $1.2 billion. This charge relates to the write down of operating lease right-of-use assets and property and equipment. The charge is included in the Retail/LTC segment. The amount of this expected impairment charge is an estimate, and the actual charge may vary due to a variety of factors.
(3) The goodwill impairment charge was recorded in the third quarter of 2021 in the LTC reporting unit within the Retail/LTC segment.
(4) In June 2021, the Company received $61 million related to a purchase price working capital adjustment for an acquisition completed during the first quarter of 2020. The resolution of this matter occurred subsequent to the acquisition accounting measurement period and is reflected within the Health Care Benefits segment.

INVESTOR DAY 2021
Reconciliation of Non-GAAP Financial Measures to the Most Directly Comparable GAAP Financial Measure included in Investor Day Materials

HEALTH CARE BENEFITS SEGMENT

	Year Ending December 31,		Year Over Year Basis Point Change
	2022E	2021E At Least	
Operating margin (GAAP measure)	**5.1%**	4.3%	**80**
Non-GAAP adjustments:			
Amortization of intangible assets	**1.4%**	1.9%	**(50)**
Acquisition purchase price adjustment outside of measurement period [(1)]	**-**	-0.1%	**10**
Adjusted operating margin	**6.5%**	6.1%	**40**

(1) In June 2021, the Company received $61 million related to a purchase price working capital adjustment for an acquisition completed during the first quarter of 2020. The resolution of this matter occurred subsequent to the acquisition accounting measurement period and is reflected within the Health Care Benefits segment.

PHARMACY SERVICES SEGMENT

	Year Ending December 31,		Year Over Year Basis Point Change
	2022E	2021E At Least	
Operating margin (GAAP measure)	**4.4%**	4.4%	**-**
Non-GAAP adjustments:			
Amortization of intangible assets	**0.1%**	0.1%	**-**
Adjusted operating margin	**4.5%**	4.5%	**-**

RETAIL/LTC SEGMENT

	Year Ending December 31,			Year Over Year Basis Point Change	
	2022E	2021E		Versus	Versus
		Low	High	Low	High
Operating margin (GAAP measure)	**5.5%**	5.0%	5.2%	**50**	**30**
Non-GAAP adjustments:					
Amortization of intangible assets	**0.5%**	0.5%	0.5%	**-**	**-**
Store impairments [(1)]	**-**	1.2%	1.0%	**(120)**	**(100)**
Goodwill impairment [(2)]	**-**	0.4%	0.4%	**(40)**	**(40)**
Adjusted operating margin	**6.0%**	7.1%	7.1%	**(110)**	**(110)**

(1) In connection with a planned closure of approximately 900 stores over the next three years, the Company expects to record an impairment charge in the fourth quarter of 2021 of between $1.0 billion to $1.2 billion. This charge relates to the write down of operating lease right-of-use assets and property and equipment. The charge is included in the Retail/LTC segment. The amount of this expected impairment charge is an estimate, and the actual charge may vary due to a variety of factors.

(2) The goodwill impairment charge was recorded in the third quarter of 2021 in the LTC reporting unit within the Retail/LTC segment.

ADJUSTED REVENUES

The following are reconciliations of projected revenues to projected adjusted revenues:

FULL-YEAR 2021

CONSOLIDATED

In millions	Year Ending December 31, 2021E **At Least**	Year Ending December 31, 2020 Actual
Revenues (GAAP measure)	**$ 290,300**	$ 268,706
Non-GAAP adjustments:		
Receipt of fully reserved ACA risk corridor receivable [(1)]	**-**	(311)
Adjusted revenues	**$ 290,300**	$ 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

In millions	Year Ending December 31, 2021E **At Least**	Year Ending December 31, 2020 Actual
Revenues (GAAP measure)	**$ 81,850**	$ 75,467
Non-GAAP adjustments:		
Receipt of fully reserved ACA risk corridor receivable [(1)]	**-**	(311)
Adjusted revenues	**$ 81,850**	$ 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.

ADJUSTED EFFECTIVE INCOME TAX RATE

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

FULL-YEAR

CONSOLIDATED

	Year Ending December 31, **2022E**	Year Ending December 31, 2021E
Effective income tax rate (GAAP measure)	**~25.7%**	~25.7%
Impact of non-GAAP adjustments [(1)]	**(0.1)**	(0.1)
Adjusted effective income tax rate	**~25.6%**	~25.6%

(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 ending December 31, 2021 and 2022 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, store impairments, goodwill impairments, acquisition purchase price adjustments outside of the measurement period, 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 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 following are reconciliations of projected total debt to Adjusted Debt and projected Income from continuing operations to Adjusted EBITDA as well as a calculation of projected Adjusted Debt to Adjusted EBITDA as of December 31, 2021:

Adjusted Debt as of December 31, 2021

in millions	Estimated
Total debt (GAAP measure) [1]	**$ 57,035**
Net present value of operating leases [2]	**16,645**
Adjusted Debt	**$ 73,680**

(1) Represents projected short-term debt and total long-term debt, including the current portion of long-term debt, as of December 31, 2021.

(2) See information under "Present Value of Operating Leases" below.

Adjusted EBITDA for the Year Ending December 31, 2021

in millions		Estimated
Income from continuing operations (GAAP measure) [1]	$	**7,386**
Income tax provision		**2,555**
Interest expense		**2,505**
Depreciation and amortization		**4,505**
EBITDA		**16,951**
Implied interest expense on operating leases [2]		**1,420**
Store impairments [3]		**1,100**
Goodwill impairment [4]		**431**
Acquisition purchase price adjustment outside of measurement period [5]		**(61)**
Loss on early extinguishment of debt [6]		**468**
Adjusted EBITDA	$	**20,309**

(1) Estimate reflects mid-point of Low and High projections related to income from continuing operations (GAAP measure) for Total Company as shown in the table on page 2 above.

(2) See information under "Implied Interest Expense on Operating Leases" below.

(3) In connection with 900 planned store closures over the next three years, the Company expects to record an impairment charge in the fourth quarter of 2021 of between $1.0 billion to $1.2 billion. This charge relates to the write down of operating lease right-of-use assets and property and equipment. Projection reflects the mid-point of the range of the 2021 store closure impairment estimate.

(4) The goodwill impairment charge was recorded in the third quarter of 2021 in the LTC reporting unit within the Retail/LTC segment.

(5) In June 2021, the Company received $61 million related to a purchase price working capital adjustment for an acquisition completed during the first quarter of 2020. The resolution of this matter occurred subsequent to the acquisition accounting measurement period and is reflected in the Health Care Benefits segment.

(6) During the year ending December 31, 2021, the loss on early extinguishment of debt relates to the Company's repayment of approximately $2.0 billion of its outstanding senior notes in August 2021 pursuant to its tender offers for such senior notes, which resulted in a $363 million loss on the early extinguishment of debt in the third quarter of 2021, and its expected repayment of approximately $2.3 billion of its outstanding senior notes in December 2021 pursuant to its make-whole provision for such senior notes, which is expected to result in an estimated loss on the early extinguishment of debt in the fourth quarter of approximately $105 million.

2021 Adjusted Debt-to-EBITDA

in millions (except leverage ratio)		Estimated
Adjusted Debt as of December 31, 2021	$	**73,680**
Adjusted EBITDA for the year ending December 31, 2021	$	**20,309**
Adjusted Debt-to-EBITDA		**~3.6x**

2021 Present Value of Operating Leases

Summary of the projected future minimum lease payments under operating leases as of December 31, 2021 [1]:

in millions	Operating Leases Estimated [1]	Operating Leases Present Value [2]
2022	$ 2,700	$ 2,489
2023	2,630	2,234
2024	2,410	1,887
2025	2,235	1,613
2026	2,070	1,377
Thereafter [3]	14,515	7,045
Total future lease payments [4]	$ 26,560	$ 16,645

(1) Future operating lease payments have not been reduced by minimum sublease rentals due in the future under noncancelable subleases.
(2) Discount rate = 8.5%. Operating lease payments are assumed to occur at year-end.
(3) To capitalize these leases, divide the Thereafter operating lease payments by the 2026 operating lease payments to give the approximate number of years left, at the 2026 level, of lease payments. In this case, 14,515/2,070 = approximately seven years. Then, use seven years worth of operating lease payments of $2,070 million (the 2026 level) to calculate the associated present value.
(4) The Company leases pharmacy and clinic space from Target Corporation. Amounts related to such finance and operating leases are reflected above. Pharmacy lease amounts due in excess of the remaining estimated economic life of the buildings are not reflected in this table since the estimated economic life of the buildings is shorter than the contractual term of the pharmacy lease arrangement.

2020 Present Value of Operating Leases

Summary of the future minimum lease payments under operating leases as of December 31, 2020 [1]:

in millions	Operating Leases Actual [1][2]	Operating Leases Present Value [3]
2021	$ 2,688	$ 2,477
2022	2,583	2,194
2023	2,496	1,954
2024	2,269	1,637
2025	2,089	1,389
Thereafter [4]	15,017	7,111
Total future lease payments [5]	$ 27,142	$ 16,763

(1) Source: CVS Health Form 10-K for fiscal year 2020, Notes to Consolidated Financial Statements, Note 6: "Leases"
(2) Future operating lease payments have not been reduced by minimum sublease rentals of $306 million due in the future under noncancelable subleases.
(3) Discount rate = 8.5%. Operating lease payments are assumed to occur at year-end.
(4) To capitalize these leases, divide the Thereafter operating lease payments by the 2025 operating lease payments to give the approximate number of years left, at the 2025 level, of lease payments. In this case, 15,017/2,089 = approximately seven years. Then, use seven years worth of operating lease payments of $2,089 million (the 2025 level) to calculate the associated present value.
(5) The Company leases pharmacy and clinic space from Target Corporation. Amounts related to such finance and operating leases are reflected above. Pharmacy lease amounts due in excess of the remaining estimated economic life of the buildings of approximately $2.3 billion are not reflected in this table since the estimated economic life of the buildings is shorter than the contractual term of the pharmacy lease arrangement.

Implied Interest Expense on Operating Leases

in millions	Year Ending December 31, 2020	2021E
Present value of operating leases [1]	$ 16,763	$ 16,645
Average present value of operating leases		16,704
Implied interest expense on operating leases [2]		$ 1,420

(1) See information under "2021 Present Value of Operating Leases" and "2020 Present Value of Operating Leases" above
(2) Interest rate = discount rate = 8.5%.