Q4 and Full-Year 2021 Earnings
Reconciliation of Non-GAAP Financial Measures to the Most Directly Comparable GAAP Financial Measure

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), baseline adjusted earnings per share (Baseline Adjusted EPS), adjusted income from continuing operations attributable to CVS Health, adjusted medical benefit ratio (MBR), adjusted effective income tax rate and adjusted revenues 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 REVENUES

The following are reconciliations of revenues to adjusted revenues:

CONSOLIDATED

In millions	(Unaudited) Quarter Ended December 31, **2021**	2020	(Unaudited) Year to Date December 31, **2021**	2020
Revenues (GAAP measure)	**$ 76,604**	$ 69,554	**$ 292,111**	$ 268,706
Non-GAAP adjustments:				
Receipt of fully reserved ACA risk corridor receivable [(1)]	**-**	(311)	**-**	(311)
Adjusted revenues	**$ 76,604**	$ 69,243	**$ 292,111**	$ 268,395

(1) During the three months and year ended December 31, 2020, the Company received $313 million owed to it under the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the "ACA") risk corridor program, net of minimum loss ratio ("MLR") rebates of $2 million that was previously fully reserved for as payment was uncertain.

HEALTH CARE BENEFITS

In millions	(Unaudited) Quarter Ended December 31, **2021**	2020	(Unaudited) Year to Date December 31, **2021**	2020
Revenues (GAAP measure)	**$ 20,699**	$ 19,103	**$ 82,186**	$ 75,467
Non-GAAP adjustments:				
Receipt of fully reserved ACA risk corridor receivable [(1)]	**-**	(311)	**-**	(311)
Adjusted revenues	**$ 20,699**	$ 18,792	**$ 82,186**	$ 75,156

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

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ADJUSTED MEDICAL BENEFIT RATIO ("MBR")

The following are reconciliations of MBR to adjusted MBR:

HEALTH CARE BENEFITS

	(Unaudited) Quarter Ended December 31,		(Unaudited) Year to Date December 31,	
	2021	2020	**2021**	2020
MBR (GAAP measure)	**87.0%**	86.7%	**85.0%**	80.9%
Non-GAAP adjustments:				
Receipt of fully reserved ACA risk corridor receivable [(1)]	**-**	**1.6**	**-**	0.4
Adjusted MBR	**87.0%**	88.3%	**85.0%**	81.3%

(1) During the three months and year ended December 31, 2020, the Company received $313 million owed to it under the ACA 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 are reconciliations of the effective income tax rate to the adjusted effective income tax rate:

CONSOLIDATED

	(Unaudited) Quarter Ended December 31,		(Unaudited) Year to Date December 31,	
	2021	2020	**2021**	2020
Effective income tax rate (GAAP measure)	**17.5%**	19.7%	**24.2%**	26.3%
Impact of non-GAAP adjustments [(1)]	**9.0**	7.1	**1.4**	(0.4)
Adjusted effective income tax rate	**26.5%**	26.8%	**25.6%**	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 in the Company's fourth 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, store and goodwill impairments, acquisition purchase price adjustments outside of measurement period, gains/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. During the three months and year ended December 31, 2021, the Company's non-GAAP tax provision also excludes certain tax benefits primarily related to Internal Revenue Service ("IRS") approval of a prior year tax refund claim. During the three months ended December 31, 2020, the Company realized certain tax losses that were able to be used to offset a portion of the taxable gain related to the July 2020 sale of the Company's Coventry Health Care Workers' Compensation business ("Workers' Compensation business"), which reduced total tax expense for the three months and year ended December 31, 2020.

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. Some of 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, including the potential emergence of additional variants, vaccine and testing protocols, government testing initiatives, 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 Current Report on Form 8-K for the three months and fiscal year ended December 31, 2021 and Annual Report on Form 10-K for the fiscal year ended December 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.

FULL-YEAR 2022

ADJUSTED EARNINGS PER SHARE & BASELINE ADJUSTED EARNINGS PER SHARE

GAAP diluted 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, goodwill impairments, store impairments, acquisition purchase price adjustments outside of measurement period, 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, 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 the impact of items that the Company cannot project for future periods such as realized capital gains and losses and changes in prior years' health care costs estimates, includes an estimate of the annualized impact from our increase to minimum wage and the corresponding tax benefit or expense per share related to the items excluded or included from baseline Adjusted EPS above.

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The following are reconciliations of projected GAAP diluted EPS to projected Adjusted EPS and Baseline Adjusted EPS:

	2022E Low		2022E High		2021 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)	$ 9,373		$ 9,633		$ 7,898	
Net (income) loss attributable to noncontrolling interests (GAAP measure)	(3)		(3)		12	
Income from continuing operations attributable to CVS Health (GAAP measure)	$ 9,370	$ 7.04	$ 9,630	$ 7.24	**$ 7,910**	$ 5.95
Non-GAAP adjustments:						
Amortization of intangible assets	1,870	1.41	1,870	1.41	2,259	1.70
Acquisition-related integration costs [(1)]	-	-	-	-	132	0.10
Store impairments [(2)]	-	-	-	-	1,358	1.02
Goodwill impairment [(3)]	-	-	-	-	431	0.33
Acquisition purchase price adjustment outside of measurement period [(4)]	-	-	-	-	(61)	(0.05)
Loss on early extinguishment of debt [(5)]	-	-	-	-	452	0.34
Tax impact of non-GAAP adjustments [(6)]	(470)	(0.35)	(470)	(0.35)	(1,316)	(0.99)
Adjusted income from continuing operations attributable to CVS Health	**$ 10,770**	**$ 8.10**	**$ 11,030**	**$ 8.30**	$ 11,165	$ 8.40
Total baseline adjustments [(7)]						(0.48)
Baseline adjusted EPS [(7)]						$ 7.92
Weighted average diluted shares outstanding		1,330		1,330		1,329

(1) Acquisition-related integration costs relate to the acquisition of Aetna Inc. (“Aetna”).

(2) During 2021, the store impairments charge relates to the write down of operating lease right-of-use assets and property and equipment in connection with the planned closure of approximately 900 retail stores between 2022 and 2024.

(3) The goodwill impairment charge relates to the LTC reporting unit within the Retail/LTC segment.

(4) During 2021, the acquisition purchase price adjustment outside of measurement period relates 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.

(5) During the year ended December 31, 2021, the loss on early extinguishment of debt relates to the Company’s repayment of approximately $2.3 billion of its outstanding senior notes in December 2021 pursuant to its early redemption make-whole provision for such senior notes. During the year ended December 31, 2021, the loss on early extinguishment of debt also relates to the Company’s repayment of approximately $2.0 billion of its outstanding senior notes in August 2021 pursuant to its tender offer for such senior notes.

(6) 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. During the three months and year ended December 31, 2021, the Company’s non-GAAP tax provision also excludes certain tax benefits primarily related to IRS approval of a prior year tax refund claim.

(7) In order to enhance the Company’s and investors’ ability to set Adjusted EPS growth expectations for future periods, the Company adjusted its full-year 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) includes 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. For comparability, 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 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.

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

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, goodwill impairments, store impairments and acquisition purchase price adjustments outside of measurement period. 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:

CONSOLIDATED

	Year Ending December 31,		
	2022E		2021
In millions	**Low**	**High**	Actual
Operating income (GAAP measure)	**$ 14,870**	**$ 15,220**	$ 13,193
Amortization of intangible assets	**1,870**	**1,870**	2,259
Acquisition-related integration costs [(1)]	**-**	**-**	132
Store impairments [(2)]	**-**	**-**	1,358
Goodwill impairment [(3)]	**-**	**-**	431
Acquisition purchase price adjustment outside of measurement period [(4)]	**-**	**-**	(61)
Adjusted operating income	**$ 16,740**	**$ 17,090**	$ 17,312

(1) Acquisition-related integration costs relate to the Aetna acquisition.
(2) During the year ended December 31, 2021, the store impairments charge relates to the write down of operating lease right-of-use assets and property and equipment in connection with the planned closure of approximately 900 retail stores between 2022 and 2024.
(3) The goodwill impairment charge relates to the LTC reporting unit within the Retail/LTC segment.
(4) During the year ended December 31, 2021, the acquisition purchase price adjustment outside of measurement period relates 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.

HEALTH CARE BENEFITS

	Year Ending December 31,		
	2022E		2021
In millions	**Low**	**High**	Actual
Operating income (GAAP Measure)	**$ 4,550**	**$ 4,650**	$ 3,521
Amortization of intangible assets	**1,210**	**1,210**	1,552
Acquisition purchase price adjustment outside of measurement period [(1)]	**-**	**-**	(61)
Adjusted operating income	**$ 5,760**	**$ 5,860**	$ 5,012

(1) During the year ended December 31, 2021, the acquisition purchase price adjustment outside of measurement period relates 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.

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PHARMACY SERVICES

	Year Ending December 31,		
	2022E		2021
In millions	**Low**	**High**	Actual
Operating income (GAAP Measure)	**$ 7,150**	**$ 7,290**	$ 6,667
Amortization of intangible assets	**160**	**160**	192
Adjusted operating income	**$ 7,310**	**$ 7,450**	$ 6,859

RETAIL

	Year Ending December 31,		
	2022E		2021
In millions	**Low**	**High**	Actual
Operating income (GAAP Measure)	**$ 5,475**	**$ 5,575**	$ 5,322
Amortization of intangible assets	**485**	**485**	512
Store impairments [(1)]	**-**	**-**	1,358
Goodwill impairment [(2)]	**-**	**-**	431
Adjusted operating income	**$ 5,960**	**$ 6,060**	$ 7,623

(1) During the year ended December 31, 2021, the store impairments charge relates to the write down of operating lease right-of-use assets and property and equipment in connection with the planned closure of approximately 900 retail stores between 2022 and 2024.

(2) The goodwill impairment charge relates to the LTC reporting unit within the Retail/LTC segment.

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,	
	2022	2021
	Estimated	Actual
Effective income tax rate (GAAP measure)	**25.7%**	24.2%
Impact of non-GAAP adjustments [(1)]	**(0.1)**	1.4
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 in the Company's fourth 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, store and goodwill impairments, acquisition purchase price adjustments outside of measurement period 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. During the three months and year ended December 31, 2021, the Company's non-GAAP tax provision also excludes certain tax benefits primarily related to IRS approval of a prior year tax refund claim.

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 acquisition purchase price adjustments outside of measurement period and losses on early extinguishment of debt. The Company is not able to project the amount of any such other items for its targeted leverage ratio at this time and therefore cannot reconcile projected Adjusted EBITDA to projected income from continuing operations for periods subsequent to the year ending December 31, 2021. The Company is unable at this time to accurately quantify the significance of any item of unavailable information.