Q1 2022 Earnings
Reconciliation of Non-GAAP Financial Measures to the Most Directly Comparable GAAP Financial Measures

Q1 2022 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) and adjusted income attributable to CVS Health 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.

The Company's Non-GAAP adjusted effective income tax rate excludes from the relevant GAAP metric the corresponding tax benefit or expense related to the 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 and certain discrete tax items.

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 2 to 8 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 Annual Report on Form 10-K for the fiscal year ended December 31, 2021, in its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2022 and its Current Reports on Form 8-K.

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 net income attributable to CVS Health, adjusted income attributable to CVS Health and baseline adjusted income attributable to CVS Health by the Company's weighted average diluted shares outstanding. The Company defines adjusted income attributable to CVS Health as net income 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 the establishment of certain legal settlement accruals, losses on assets held for sale, acquisition-related integration costs, store impairments, goodwill 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 attributable to CVS Health, and any other items specifically identified herein. Baseline adjusted income attributable to CVS Health also excludes from net income 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 from or included in baseline Adjusted EPS above.

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

	2022E				2021	
	Low		High		Actual	
In millions, except per share amounts	**Total Company**	**Per Common Share**	**Total Company**	**Per Common Share**	Total Company	Per Common Share
Net income attributable to CVS Health (GAAP measure)	$ 9,214	6.93	$ 9,484	7.13	$ 7,910	$ 5.95
Non-GAAP adjustments:						
Amortization of intangible assets	1,870	$ 1.41	1,870	$ 1.41	2,259	1.70
Legal settlement accrual [1]	484	0.36	484	0.36	—	—
Loss on assets held for sale [2]	41	0.03	41	0.03	—	—
Acquisition-related integration costs [3]	—	—	—	—	132	0.10
Store impairments [4]	—	—	—	—	1,358	1.02
Goodwill impairment [5]	—	—	—	—	431	0.33
Acquisition purchase price adjustment outside of measurement period [6]	—	—	—	—	(61)	(0.05)
Loss on early extinguishment of debt [7]	—	—	—	—	452	0.34
Tax impact of non-GAAP adjustments [8]	(709)	(0.53)	(709)	(0.53)	(1,316)	(0.99)
Adjusted income attributable to CVS Health	$ 10,900	$ 8.20	$ 11,170	$ 8.40	$ 11,165	$ 8.40
Total baseline adjustments [9]						(0.48)
Baseline adjusted EPS [9]						$ 7.92
Weighted average diluted shares outstanding		1,330		1,330		1,329

(1) During 2022, the legal settlement accrual relates to the pending agreement with the State of Florida, entered into in March 2022, to resolve opioid claims dating back more than a decade. Under this agreement, CVS Health Corporation will settle all opioid claims against it and its subsidiaries by the State of Florida for $484 million, inclusive of certain legal fees, to be paid over a period of 18 years.

(2) During 2022, the loss on assets held for sale relates to the Commercial Business reporting unit within the Health Care Benefits segment. In March 2022, the Company reached an agreement to sell its international health care business domiciled in Thailand ("Thailand business"), which is included in the Commercial Business reporting unit. At that time, a portion of the Commercial Business goodwill was specifically allocated to the Thailand business. The carrying value of the Thailand business was determined to be greater than its fair value and a loss on assets held for sale was recorded. The sale is expected to close in the second quarter of 2022.

(3) During 2021, acquisition-related integration costs relate to the acquisition of Aetna Inc. (“Aetna”).

(4) 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.

(5) During 2021, the goodwill impairment charge relates to the LTC reporting unit within the Retail/LTC segment.

(6) 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.

(7) During 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.

(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. During 2022, the Company’s non-GAAP tax provision also excludes the impact of certain discrete tax items concluded in the first quarter of 2022. During 2021, the Company’s non-GAAP tax provision also excludes certain tax benefits primarily related to the U.S. Internal Revenue Service (“IRS”) approval of a prior year tax refund claim.

(9) 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.

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 the establishment of certain legal settlement accruals, losses on assets held for sale, acquisition-related integration costs, store impairments, goodwill 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:

FULL-YEAR 2022

CONSOLIDATED

	Year Ending December 31,		
	2022E		2021
In millions	**Low**	**High**	Actual
Operating income (GAAP measure)	**$ 14,525**	**$ 14,875**	$ 13,193
Amortization of intangible assets	**1,870**	**1,870**	2,259
Legal settlement accrual [1]	**484**	**484**	—
Loss on assets held for sale [2]	**41**	**41**	—
Acquisition-related integration costs [3]	**—**	**—**	132
Store impairments [4]	**—**	**—**	1,358
Goodwill impairment [5]	**—**	**—**	431
Acquisition purchase price adjustment outside of measurement period [6]	**—**	**—**	(61)
Adjusted operating income	**$ 16,920**	**$ 17,270**	$ 17,312

(1) During 2022, the legal settlement accrual relates to the pending agreement with the State of Florida, entered into in March 2022, to resolve opioid claims dating back more than a decade. Under this agreement, CVS Health Corporation will settle all opioid claims against it and its subsidiaries by the State of Florida for $484 million, inclusive of certain legal fees, to be paid over a period of 18 years.

(2) During 2022, the loss on assets held for sale relates to the Commercial Business reporting unit within the Health Care Benefits segment. In March 2022, the Company reached an agreement to sell its Thailand business, which is included in the Commercial Business reporting unit. At that time, a portion of the Commercial Business goodwill was specifically allocated to the Thailand business. The carrying value of the Thailand business was determined to be greater than its fair value and a loss on assets held for sale was recorded. The sale is expected to close in the second quarter of 2022.

(3) During 2021, acquisition-related integration costs relate to the Aetna acquisition.

(4) 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.

(5) During 2021, the goodwill impairment charge relates to the LTC reporting unit within the Retail/LTC segment.

(6) 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.

HEALTH CARE BENEFITS SEGMENT

	Year Ending December 31,		
	2022E		2021
In millions	Low	High	Actual
Operating income (GAAP measure)	$ 4,689	$ 4,789	$ 3,521
Amortization of intangible assets	1,210	1,210	1,552
Loss on assets held for sale [1]	41	41	—
Acquisition purchase price adjustment outside of measurement period [2]	—	—	(61)
Adjusted operating income	$ 5,940	$ 6,040	$ 5,012

(1) During 2022, the loss on assets held for sale relates to the Commercial Business reporting unit within the Health Care Benefits segment. In March 2022, the Company reached an agreement to sell its Thailand business, which is included in the Commercial Business reporting unit. At that time, goodwill was allocated to the Thailand business. The carrying value of the Thailand business was determined to be greater than its fair value and a loss on assets held for sale was recorded. The sale is expected to close in the second quarter of 2022.

(2) 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.

PHARMACY SERVICES SEGMENT

	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/LTC SEGMENT

	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 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) During 2021, 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 the projected effective income tax rate to the projected adjusted effective income tax rate:

CONSOLIDATED

	Year Ending December 31,	
	2022	2021
	Estimated	Actual
Effective income tax rate (GAAP measure)	**24.8 %**	24.2 %
Impact of non-GAAP adjustments [(1)]	**0.8**	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 attributable to CVS Health for the year ended December 31, 2021 in the Company's fourth quarter 2021 earnings press release and projected adjusted income attributable to CVS Health for the year ending December 31, 2022 in the Company's first quarter 2022 earnings press release that neither relate to the ordinary course of the Company's business nor reflect the Company's underlying business performance, such as amortization of intangible assets, the establishment of certain legal settlement accruals, losses on assets held for sale, acquisition-related integration costs, store impairments, 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 2022, the Company's adjusted effective income tax rate also excludes the impact of certain discrete tax items concluded in the first quarter of 2022. During 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

Effective for the first quarter of 2022, the Company modified the definition of its Leverage Ratio to be defined as Adjusted Net Debt divided by adjusted earnings before interest, tax, depreciation and amortization (Adjusted EBITDA). Adjusted Net Debt is defined as short-term debt and total long-term debt, including the current portion of long-term debt (GAAP measure), plus the current and long-term portion of operating lease liabilities (GAAP measure) reported on the Company's unaudited condensed consolidated balance sheets, less cash and cash equivalents held by the parent Company or nonrestricted subsidiaries. Adjusted EBITDA is defined as the trailing twelve months of (i) net income (GAAP measure) plus interest, income taxes, depreciation and amortization, plus (ii) operating lease costs, and (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 the establishment of certain legal settlement accruals, losses on assets held for sale, store impairments, goodwill impairments, acquisition purchase price adjustments outside of measurement period, losses on early extinguishment of debt, and any other items specifically identified herein. The following are reconciliations of total debt to Adjusted Net Debt and net income to Adjusted EBITDA as well as a calculation of Adjusted Net Debt to Adjusted EBITDA as of March 31, 2022 and December 31, 2021:

Adjusted Net Debt-to-EBITDA (Effective First Quarter of 2022)

Adjusted Net Debt

In millions	As of March 31, 2022	As of December 31, 2021
Total debt (GAAP Measure) [1]	**$ 56,280**	$ 56,176
Operating lease liabilities (GAAP Measure) [2]	**19,635**	19,823
Less: Cash & cash equivalents held by the parent Company or nonrestricted subsidiaries	**(3,038)**	(3,838)
Adjusted Net Debt	**$ 72,877**	$ 72,161

(1) Represents short-term debt and total long-term debt, including the current portion of long-term debt, as of March 31, 2022 and December 31, 2021.

(2) Represents the current and long-term portion of operating lease liabilities reported on the Company's unaudited condensed consolidated balance sheets, as of March 31, 2022 and December 31, 2021.

Adjusted EBITDA

In millions	Trailing Twelve Months Ending March 31, 2022	Trailing Twelve Months Ending December 31, 2021
Net income (GAAP Measure)	**$ 7,987**	$ 7,898
Income tax provision	**2,409**	2,522
Interest expense	**2,432**	2,503
Loss on early extinguishment of debt [1]	**452**	452
Depreciation and amortization	**4,441**	4,512
EBITDA	**17,721**	17,887
Operating lease cost [2]	**2,601**	2,633
Legal settlement accrual [3]	**484**	—
Loss on assets held for sale [4]	**41**	—
Store impairments [5]	**1,358**	1,358
Goodwill impairment [6]	**431**	431
Acquisition purchase price adjustment outside of measurement period [7]	**(61)**	(61)
Adjusted EBITDA	**$ 22,575**	$ 22,248

(1) 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. The loss on early extinguishment of debt also relates to the Company's repayment of approximately $2.0 billion of its outstanding senior notes pursuant to its tender offer for such notes in August 2021.

(2) Represents operating lease cost for the trailing twelve month period ending March 31, 2022 and the trailing twelve month period ending December 31, 2021, respectively.

(3) The legal settlement accrual relates to the pending agreement with the State of Florida, entered into in March 2022, to resolve claims dating back more than a decade related to opioid medications. Under this agreement, CVS Health Corporation will settle all opioid claims against it and its subsidiaries by the State of Florida for $484 million, inclusive of certain legal fees, to be paid over a period of 18 years.

(4) The loss on assets held for sale relates to the Commercial Business reporting unit within the Health Care Benefits segment. In March 2022, the Company reached an agreement to sell its Thailand business, which is included in the Commercial Business reporting unit. At that time, a portion of the Commercial Business goodwill was specifically allocated to the Thailand business. The carrying value of the Thailand business was determined to be greater than its fair value and a loss on assets held for sale was recorded. The sale is expected to close in the second quarter of 2022.

(5) 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.

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

(7) 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.

Adjusted Net Debt-to-EBITDA

In millions (except leverage ratio)	As of **March 31, 2022**	As of December 31, 2021
Adjusted Net Debt	**$ 72,877**	$ 72,161
Adjusted EBITDA	**$ 22,575**	$ 22,248
Adjusted Net Debt-to-EBITDA	**~3.23x**	~3.24x

Prior to the first quarter of 2022, the Company defined its Leverage Ratio as Adjusted Debt divided by adjusted earnings before interest, tax, depreciation and amortization (Adjusted EBITDA). Adjusted Debt was 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 occurred at the end of the year. Adjusted EBITDA was defined as (i) net income (GAAP measure) plus income taxes, interest, depreciation and amortization, plus (ii) implied interest expense on future operating lease payments at a discount rate of 8.5% assuming lease payments occurred at the end of the year, less (iii) other items, if any, that neither related to the ordinary course of the Company's business nor reflected the Company's underlying business performance such as store impairments, goodwill impairments, acquisition purchase price adjustments outside of measurement period and losses on early extinguishment of debt.