Q4 and Full-Year 2022 Earnings
Reconciliation of Non-GAAP Financial Measures to the Most Directly Comparable GAAP Financial Measures

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.

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,	
	2022	2021	**2022**	2021
Effective income tax rate (GAAP measure)	**26.0%**	17.5%	**26.0%**	24.2%
Impact of non-GAAP adjustments [(1)]	**(0.8)**	9.0	**(0.7)**	1.4
Adjusted effective income tax rate	**25.2%**	26.5%	**25.3%**	25.6%

(1) Removes the corresponding tax benefit or expense related to the items excluded from adjusted income attributable to CVS Health in the Company's fourth 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, office real estate optimization charges, gains/losses on divestitures, opioid litigation charges, losses on assets held for sale, acquisition-related integration costs, store impairments, goodwill impairments and acquisition purchase price adjustments outside of the acquisition accounting measurement period. 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 year ended December 31, 2022, the Company's adjusted income tax provision also excludes the impact of certain discrete tax items concluded in the first quarter of 2022. During the year ended December 31, 2021, the Company's adjusted income tax provision also excludes certain tax benefits primarily related to a prior year refund claim.

LEVERAGE RATIO CALCULATION

The Company defines Leverage Ratio 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 (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 office real estate optimization charges, gains/losses on divestitures, opioid litigation charges, losses on assets held for sale, acquisition-related integration costs, store impairments, goodwill impairments and acquisition purchase price adjustments outside of the acquisition accounting 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 December 31, 2022 and 2021:

Adjusted Net Debt-to-EBITDA

Adjusted Net Debt

	As of December 31,	
In millions	**2022**	2021
Total debt (GAAP Measure) [1] [3]	**$ 52,257**	$ 56,176
Operating lease liabilities (GAAP Measure) [2] [3]	**18,538**	19,823
Less: Cash & cash equivalents held by the parent Company or nonrestricted subsidiaries	**(5,430)**	(3,838)
Adjusted Net Debt	**$ 65,365**	$ 72,161

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

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

(3) Includes long-term debt of $3 million and operating lease liabilities of $60 million which have been accounted for as liabilities held for sale and are included in liabilities held for sale on the Company's consolidated balance sheet as of December 31, 2022.

Q4 and Full-Year 2022 Earnings
Reconciliation of Non-GAAP Financial Measures to the Most Directly Comparable GAAP Financial Measures

Adjusted EBITDA

In millions	Year Ended December 31, 2022	2021
Net income (GAAP Measure)	**$ 4,165**	$ 7,898
Income tax provision	**1,463**	2,522
Interest expense	**2,287**	2,503
Loss on early extinguishment of debt [(1)]	**—**	452
Depreciation and amortization	**4,247**	4,512
EBITDA	**12,162**	17,887
Operating lease cost [(2)]	**2,579**	2,633
Office real estate optimization charges [(3)]	**117**	—
Gain on divestiture of subsidiaries [(4)]	**(475)**	—
Opioid litigation charges [(5)]	**5,803**	—
Loss on assets held for sale [(6)]	**2,533**	—
Store impairments [(7)]	**—**	1,358
Goodwill impairment [(8)]	**—**	431
Acquisition purchase price adjustment outside of measurement period [(9)]	**—**	(61)
Adjusted EBITDA	**$ 22,719**	$ 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 years ended December 31, 2022 and 2021, respectively.

(3) The office real estate optimization charges primarily relate to the abandonment of leased real estate and the related right-of-use assets and property and equipment in connection with the planned reduction of corporate office real estate space in response to the Company's new flexible work arrangement.

(4) The gain on divestiture of subsidiaries represents the pre-tax gain on the sale of the Company's wholly-owned subsidiary bswift LLC ("bswift"), which the Company sold in November 2022, and the pre-tax gain on the sale of PayFlex Holdings, Inc. ("PayFlex"), which the Company sold in June 2022.

(5) The opioid litigation charges relate to agreements to resolve substantially all opioid claims against the Company by certain states and governmental entities.

(6) The loss on assets held for sale relates to the long-term care ("LTC") reporting unit within the Retail/LTC segment. During the third quarter of 2022 committed to a plan to sell the LTC business. The LTC business met the criteria for held-for-sale accounting and its net assets were accounted for as assets held for sale. The carrying value of the LTC business was determined to be greater than its estimated fair value less costs to sell and a loss on assets held for sale was recorded. The loss on assets held for sale also relates to the Company's international health care business domiciled in Thailand ("Thailand business"), which was included in the Commercial Business reporting unit. The net assets of the Thailand business were accounted for as assets held for sale at March 31, 2022. The carrying value of the Thailand business was determined to be greater than its estimated fair value less costs to sell and a loss on assets held for sale was recorded during the first quarter of 2022. The sale of the Thailand business closed in the second quarter of 2022, and the ultimate loss on the sale was not material.

(7) 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.

(8) The goodwill impairment charge relates to an impairment of the remaining goodwill of the LTC reporting unit within the Retail/LTC segment.

(9) 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

	As of December 31,	
In millions (except leverage ratio)	**2022**	2021
Adjusted Net Debt	**$ 65,365**	$ 72,161
Adjusted EBITDA	**$ 22,719**	$ 22,248
Adjusted Net Debt-to-EBITDA	**~2.88x**	~3.24x

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 5 to 9 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 CVS Health's proposed acquisition of Oak Street Health, Inc. and pending acquisition of Signify Health, Inc. ("Signify Health"), and the coronavirus disease 2019 ("COVID-19") pandemic, including the potential emergence of additional variants, vaccine and testing protocols, government testing initiatives, the geographies impacted by 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.

Certain additional risks and uncertainties are 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 its other filings with the SEC.

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 2023

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 office real estate optimization charges, gains/losses on divestitures, opioid litigation charges, losses on assets held for sale, the corresponding tax benefit or expense related to the items excluded from adjusted income attributable to CVS Health and certain discrete tax items, as well as 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, or items not expected to reoccur in future periods, such as reserve adjustments to the Company's long-term care insurance business, the earnings impact of divested businesses, the impact of anticipated declines in COVID-19 related economics in the Retail/LTC segment following the expiration of the public health emergency and the impact of discretionary bonus made to front-line colleagues in 2022, as well as the corresponding tax benefit or expense per share related to the items excluded from or included in baseline Adjusted EPS above. The Company's full-year 2023 projections do not include any impact, including acquisition-related transaction and integration costs, related to the pending acquisition of Signify Health.

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

	2023E			2022
	Low	Mid	High	Actual
In millions, except per share amounts	Per Common Share			
Net income attributable to CVS Health (GAAP measure)	$ 7.73	$ 7.83	$ 7.93	$ 3.14
Non-GAAP adjustments:				
Amortization of intangible assets	1.25	1.25	1.25	1.37
Office real estate optimization charges [(1)]	0.05	0.05	0.05	0.09
Gain on divestiture of subsidiaries [(2)]	—	—	—	(0.36)
Opioid litigation charges [(3)]	—	—	—	4.39
Loss on assets held for sale [(4)]	—	—	—	1.91
Tax impact of non-GAAP adjustments [(5)]	(0.33)	(0.33)	(0.33)	(1.85)
Adjusted income attributable to CVS Health	$ 8.70	$ 8.80	$ 8.90	$ 8.69
Total baseline adjustments [(6)]				(0.44)
Baseline adjusted EPS [(6)]				$ 8.25
Weighted average diluted shares outstanding	1,298	1,298	1,298	1,323

(1) During 2022, the office real estate optimization charges primarily relate to the abandonment of leased real estate and the related right-of-use assets and property and equipment in connection with the planned reduction of corporate office real estate space in response to the Company's new flexible work arrangement. The Company anticipates additional office real estate optimization charges will be recorded in 2023.

(2) During 2022, the gain on divestiture of subsidiaries represents the pre-tax gain on the sale of bswift, which the Company sold in November 2022, and the pre-tax gain on the sale of PayFlex, which the Company sold in June 2022.

(3) During 2022, the opioid litigation charges relate to agreements to resolve substantially all opioid claims against the Company by certain states and governmental entities.

(4) During 2022, the loss on assets held for sale relates to the LTC reporting unit within the Retail/LTC segment. During the third quarter of 2022 committed to a plan to sell the LTC business. The LTC business met the criteria for held-for-sale accounting and its net assets were accounted for as assets held for sale. The carrying value of the LTC business was determined to be greater than its estimated fair value less costs to sell and a loss on assets held for sale was recorded. During 2022, the loss on assets held for sale also relates to the Thailand business, which was included in the Commercial Business reporting unit. The net assets of the Thailand business were accounted for as assets held for sale at March 31, 2022. The carrying value of the Thailand business was determined to be greater than its estimated fair value less costs to sell and a loss on assets held for sale was recorded during the first quarter of 2022. The sale of the Thailand business closed in the second quarter of 2022, and the ultimate loss on the sale was not material.

(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. During 2022, the Company's adjusted income tax provision also excludes the impact of certain discrete tax items concluded in the first quarter of 2022.

(6) 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 2022 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, and items not expected to reoccur in future periods such as (ii) reserve adjustments to the Company's long-term care insurance business, (iii) the earnings impact of divested businesses, (iv) the impact of anticipated declines in COVID-19 related economics in the Retail/LTC segment following the expiration of the public health emergency, (v) discretionary bonuses made to front-line colleagues and (vi) 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 excluding the impact of the reserve strengthening in the Company's long-term care insurance business, which it does not currently plan to make additional adjustments to, excluding the earnings impact of businesses divested, reducing the economic impact of COVID-19 on the Retail/LTC Segment as a result of the anticipated declines following the expiration of the public health emergency to make it comparable to future periods and excluding the impact of the discretionary bonus made to front-line colleagues in 2022. 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 office real estate optimization charges, gains/losses on divestitures, opioid litigation charges and losses on assets held for sale. 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 2023

CONSOLIDATED

	Year Ending December 31,		
	2023E		2022
In millions	**Low**	**High**	Actual
Operating income (GAAP measure)	**$ 15,640**	**$ 15,995**	$ 7,746
Amortization of intangible assets	**1,620**	**1,620**	1,808
Office real estate optimization charges [(1)]	**60**	**60**	117
Gain on divestiture of subsidiaries [(2)]	**—**	**—**	(475)
Opioid litigation charges [(3)]	**—**	**—**	5,803
Loss on assets held for sale [(4)]	**—**	**—**	2,533
Adjusted operating income	**$ 17,320**	**$ 17,675**	$ 17,532

(1) During 2022, the office real estate optimization charges primarily relate to the abandonment of leased real estate and the related right-of-use assets and property and equipment in connection with the planned reduction of corporate office real estate space in response to the Company's new flexible work arrangement. The Company anticipates additional office real estate optimization charges will be recorded in 2023.

(2) During 2022, the gain on divestiture of subsidiaries represents the pre-tax gain on the sale of bswift, which the Company sold in November 2022, and the pre-tax gain on the sale of PayFlex, which the Company sold in June 2022.

(3) During 2022, the opioid litigation charges relate to agreements to resolve substantially all opioid claims against the Company by certain states and governmental entities.

(4) During 2022, the loss on assets held for sale relates to the LTC reporting unit within the Retail/LTC segment. During the third quarter of 2022 committed to a plan to sell the LTC business. The LTC business met the criteria for held-for-sale accounting and its net assets were accounted for as assets held for sale. The carrying value of the LTC business was determined to be greater than its estimated fair value less costs to sell and a loss on assets held for sale was recorded. The loss on assets held for sale also relates to the Thailand business, which was included in the Commercial Business reporting unit. The net assets of the Thailand business were accounted for as assets held for sale at March 31, 2022. The carrying value of the Thailand business was determined to be greater than its estimated fair value less costs to sell and a loss on assets held for sale was recorded during the first quarter of 2022. The sale of the Thailand business closed in the second quarter of 2022, and the ultimate loss on the sale was not material.

HEALTH CARE BENEFITS SEGMENT

	Year Ending December 31,		
	2023E		2022
In millions	**Low**	**High**	Actual
Operating income (GAAP measure)	**$ 4,855**	**$ 4,985**	$ 5,118
Amortization of intangible assets	**1,200**	**1,200**	1,203
Office real estate optimization charges [(1)]	**55**	**55**	97
Gain on divestiture of subsidiaries [(2)]	**—**	**—**	(475)
Loss on assets held for sale [(3)]	**—**	**—**	41
Adjusted operating income	**$ 6,110**	**$ 6,240**	$ 5,984

(1) During 2022, the office real estate optimization charges primarily relate to the abandonment of leased real estate and the related right-of-use assets and property and equipment in connection with the planned reduction of corporate office real estate space in response to the Company's new flexible work arrangement. The Company anticipates additional office real estate optimization charges will be recorded in 2023.

(2) During 2022, the gain on divestiture of subsidiaries represents the pre-tax gain on the sale of bswift, which the Company sold in November 2022, and the pre-tax gain on the sale of PayFlex, which the Company sold in June 2022.

(3) During 2022, the loss on assets held for sale also relates to the Thailand business, which was included in the Commercial Business reporting unit. The net assets of the Thailand business were accounted for as assets held for sale at March 31, 2022. The carrying value of the Thailand business was determined to be greater than its estimated fair value less costs to sell and a loss on assets held for sale was recorded during the first quarter of 2022. The sale of the Thailand business closed in the second quarter of 2022, and the ultimate loss on the sale was not material.

PHARMACY SERVICES SEGMENT

	Year Ending December 31,		
	2023E		2022
In millions	**Low**	**High**	Actual
Operating income (GAAP measure)	**$ 7,445**	**$ 7,565**	$ 7,187
Amortization of intangible assets	**165**	**165**	167
Office real estate optimization charges [(1)]	**5**	**5**	2
Adjusted operating income	**$ 7,615**	**$ 7,735**	$ 7,356

(1) During 2022, the office real estate optimization charges primarily relate to the abandonment of leased real estate and the related right-of-use assets and property and equipment in connection with the planned reduction of corporate office real estate space in response to the Company's new flexible work arrangement. The Company anticipates additional office real estate optimization charges will be recorded in 2023.

RETAIL/LTC SEGMENT

	Year Ending December 31,		
	2023E		2022
In millions	**Low**	**High**	Actual
Operating income (GAAP measure)	**$ 5,695**	**$ 5,795**	$ 3,778
Amortization of intangible assets	**255**	**255**	435
Loss on assets held for sale [(1)]	**—**	**—**	2,492
Adjusted operating income	**$ 5,950**	**$ 6,050**	$ 6,705

(1) During 2022, the loss on assets held for sale relates to the LTC reporting unit within the Retail/LTC segment. During the third quarter of 2022 committed to a plan to sell the LTC business. The LTC business met the criteria for held-for-sale accounting and its net assets were accounted for as assets held for sale. The carrying value of the LTC business was determined to be greater than its estimated fair value less costs to sell and a loss on assets held for sale was recorded.

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,	
	2023	2022
	Estimated	Actual
Effective income tax rate (GAAP measure)	**25.6 %**	26.0 %
Impact of non-GAAP adjustments [(1)]	**(0.1)**	(0.7)
Adjusted effective income tax rate	**25.5 %**	25.3 %

(1) Removes the corresponding tax benefit or expense related to the items excluded from adjusted income attributable to CVS Health for the year ending December 31, 2022 in the Company's fourth 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, office real estate optimization charges, gains/losses on divestitures, opioid litigation charges and losses on assets held for sale. 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.

FULL-YEAR 2024 AND 2025

ADJUSTED EARNINGS PER SHARE

As there is uncertainty in connection with calculating the adjustments necessary to prepare reconciliations from the non-GAAP financial measures to the comparable GAAP financial measures, including the inability to calculate acquisition-related transaction and integration costs, the Company is unable to reconcile the non-GAAP financial measures without unreasonable efforts. Therefore, no reconciliation is being provided at this time. These items could result in significant adjustments from the most comparable GAAP measure.