

# Q1 2025 Earnings

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

### Q1 2025 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”) and adjusted income attributable to CVS Health exclude from the relevant GAAP metrics, as applicable: amortization of intangible assets, net realized capital gains or losses 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.

### 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), less a fifty percent equity credit for junior subordinated notes outstanding, plus the current and long-term portion of operating lease liabilities (GAAP measure) reported on the Company’s unaudited condensed consolidated balance sheets, plus the present value of payments related to agreements to resolve substantially all opioid claims against the Company (the “opioid litigation liabilities”), 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 income taxes, interest, 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 acquisition-related integration costs, losses on Accountable Care assets, an Omnicare litigation charge, restructuring charges, office real estate optimization charges, opioid litigation charges, gains 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, 2025 and December 31, 2024:

### Adjusted Net Debt-to-EBITDA

#### Adjusted Net Debt

<i>In millions</i>	As of	
	March 31, 2025	December 31, 2024
Total debt (GAAP Measure) <sup>(1)</sup>	\$ 64,710	\$ 66,270
Equity credit for junior subordinated notes <sup>(2)</sup>	(1,500)	(1,500)
Operating lease liabilities (GAAP Measure) <sup>(3)</sup>	16,503	16,650
Opioid litigation liabilities <sup>(4)</sup>	3,145	3,103
Less: Cash & cash equivalents held by the parent company or nonrestricted subsidiaries	(1,535)	(3,750)
<b>Adjusted Net Debt</b>	<b>\$ 81,323</b>	<b>\$ 80,773</b>

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**Adjusted EBITDA**

<i>In millions</i>	Trailing Twelve Months Ended	
	March 31, 2025	December 31, 2024
Net income (GAAP Measure)	\$ 5,244	\$ 4,586
Income tax provision	1,941	1,562
Interest expense	3,027	2,958
Depreciation and amortization	4,613	4,597
<b>EBITDA</b>	<b>14,825</b>	<b>13,703</b>
Operating lease cost <sup>(5)</sup>	2,423	2,423
Acquisition-related integration costs <sup>(6)</sup>	228	243
Loss on Accountable Care assets <sup>(7)</sup>	247	—
Omnicare litigation charge <sup>(8)</sup>	387	—
Restructuring charges <sup>(9)</sup>	1,179	1,179
Office real estate optimization charges <sup>(10)</sup>	36	30
Opioid litigation charge <sup>(11)</sup>	—	100
Gain on early extinguishment of debt <sup>(12)</sup>	(491)	(491)
<b>Adjusted EBITDA</b>	<b>\$ 18,834</b>	<b>\$ 17,187</b>

**Adjusted Net Debt-to-EBITDA**

<i>In millions (except leverage ratio)</i>	As of	
	March 31, 2025	December 31, 2024
Adjusted Net Debt	\$ 81,323	\$ 80,773
Adjusted EBITDA	\$ 18,834	\$ 17,187
<b>Adjusted Net Debt-to-EBITDA</b>	<b>~4.32x</b>	<b>~4.70x</b>

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### 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 the following pages 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 described in our 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, its most recently filed Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2025 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.

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

### FULL-YEAR 2025

#### ADJUSTED EARNINGS PER SHARE

GAAP diluted EPS and Adjusted EPS, respectively, are calculated by dividing net income attributable to CVS Health and 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, net realized capital gains or losses 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, losses on Accountable Care assets, the Omnicare litigation charge, restructuring charges, office real estate optimization charges, opioid litigation charges, gains on early extinguishment of debt and the corresponding tax benefit or expense related to the items excluded from adjusted income attributable to CVS Health, as well as any other items specifically identified herein.

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

	2025E		2024
	Low	High	Actual
	Per Common Share		
<i>In millions, except per share amounts</i>			
Net income attributable to CVS Health (GAAP measure)	\$ 4.23	\$ 4.43	\$ 3.66
<i>Non-GAAP adjustments:</i>			
Amortization of intangible assets	1.57	1.57	1.61
Net realized capital (gains) losses	0.02	0.02	(0.09)
Acquisition-related integration costs <sup>(6)</sup>	0.11	0.11	0.19
Loss on Accountable Care assets <sup>(7)</sup>	0.19	0.19	—
Omnicare litigation charge <sup>(8)</sup>	0.30	0.30	—
Restructuring charges <sup>(9)</sup>	—	—	0.93
Office real estate optimization charges <sup>(10)</sup>	0.01	0.01	0.02
Opioid litigation charge <sup>(11)</sup>	—	—	0.08
Gain on early extinguishment of debt <sup>(12)</sup>	—	—	(0.39)
Tax impact of non-GAAP adjustments <sup>(13)</sup>	(0.43)	(0.43)	(0.59)
Adjusted income attributable to CVS Health	<u>\$ 6.00</u>	<u>\$ 6.20</u>	<u>\$ 5.42</u>
Weighted average diluted shares outstanding	1,270	1,270	1,262

# Q1 2025 Earnings

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

### ADJUSTED OPERATING INCOME

The Company defines adjusted operating income as operating income (GAAP measure) excluding the impact of amortization of intangible assets, net realized capital gains or losses 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, losses on Accountable Care assets, the Omnicare litigation charge, restructuring charges, office real estate optimization charges and opioid litigation charges. The Company's chief operating decision maker ("CODM") uses adjusted operating income as its principal measure of segment performance as it enhances the CODM'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 2025

#### CONSOLIDATED

<i>In millions</i>	Year Ending December 31,		
	2025E		2024
	Low	High	Actual
Operating income (GAAP measure)	\$ 10,510	\$ 10,850	\$ 8,516
Amortization of intangible assets	2,000	2,000	2,025
Net realized capital (gains) losses	21	21	(117)
Acquisition-related integration costs <sup>(6)</sup>	135	135	243
Loss on Accountable Care assets <sup>(7)</sup>	247	247	—
Omnicare litigation charge <sup>(8)</sup>	387	387	—
Restructuring charges <sup>(9)</sup>	—	—	1,179
Office real estate optimization charges <sup>(10)</sup>	15	15	30
Opioid litigation charge <sup>(11)</sup>	—	—	100
Adjusted operating income	<b>\$ 13,315</b>	<b>\$ 13,655</b>	<b>\$ 11,976</b>

#### HEALTH CARE BENEFITS SEGMENT

<i>In millions</i>	Year Ending December 31,		
	2025E		2024
	Low	High	Actual
Operating income (GAAP measure)	\$ 703	\$ 1,043	\$ (984)
Amortization of intangible assets	1,178	1,178	1,175
Net realized capital losses	21	21	97
Office real estate optimization charges <sup>(10)</sup>	13	13	19
Adjusted operating income	<b>\$ 1,915</b>	<b>\$ 2,255</b>	<b>\$ 307</b>

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**HEALTH SERVICES SEGMENT**

<i>In millions</i>	Year Ending December 31,	
	2025E	2024
	At Least	Actual
Operating income (GAAP measure)	\$ 6,735	\$ 6,937
Amortization of intangible assets	573	595
Net realized capital gains	(15)	(289)
Loss on Accountable Care assets <sup>(7)</sup>	247	—
Adjusted operating income	\$ 7,540	\$ 7,243

**PHARMACY & CONSUMER WELLNESS SEGMENT**

<i>In millions</i>	Year Ending December 31,	
	2025E	2024
	At Least	Actual
Operating income (GAAP measure)	\$ 4,845	\$ 4,770
Amortization of intangible assets	246	253
Omnicare litigation charge <sup>(8)</sup>	387	—
Restructuring charges <sup>(9)</sup>	—	747
Office real estate optimization charges <sup>(10)</sup>	2	4
Adjusted operating income	\$ 5,480	\$ 5,774

**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,	
	2025	2024
	Estimated	Actual
Effective income tax rate (GAAP measure)	28.1 %	25.4 %
Impact of non-GAAP adjustments <sup>(13)</sup>	(2.2)	(0.1)
Adjusted effective income tax rate	25.9 %	25.3 %

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### Endnotes

- (1) Represents short-term debt and total long-term debt as of March 31, 2025 and December 31, 2024.
- (2) Represents a 50% equity credit related to the Company's issuance of \$3.0 billion of junior subordinated notes in December 2024.
- (3) 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, 2025 and December 31, 2024.
- (4) Represents the net present value of payments related to agreements to resolve substantially all opioid claims against the Company by certain states and governmental entities as of March 31, 2025 and December 31, 2024.
- (5) Represents operating lease cost for the trailing twelve-month periods ended March 31, 2025 and December 31, 2024, respectively.
- (6) The acquisition-related integration costs relate to the acquisitions of Signify Health, Inc. and Oak Street Health, Inc.
- (7) The loss on Accountable Care assets represents the pre-tax loss on the divestiture of the Company's Medicare Shared Savings Program ("MSSP") operations, which the Company sold in March 2025, as well as costs incurred in connection with the commencement of the wind down of the Company's Accountable Care Organization Realizing Equity, Access, and Community Health ("ACO REACH") operations during the first quarter of 2025.
- (8) The Omnicare litigation charge relates to an April 2025 jury verdict finding Omnicare, L.L.C. (f/k/a Omnicare, Inc. "Omnicare") and CVS Health Corporation liable for damages in connection with alleged violations of the federal False Claims Act related to dispensing practices by Omnicare from 2010, prior to its acquisition by the Company in 2015, through 2018. Damages were found only with respect to Omnicare. The judgment will not be final until the Court enters penalties at a later date. The Company intends to appeal the verdict once the judgment is entered.
- (9) The restructuring charges are primarily comprised of a store impairment charge, corporate workforce optimization costs, including severance and employee-related costs, a stock-based compensation charge and other asset impairment and related charges associated with the discontinuation of certain non-core assets. During the third quarter of 2024, the Company finalized an enterprise-wide restructuring plan intended to streamline and simplify the organization, improve efficiency and reduce costs. In connection with this restructuring plan, the Company completed a strategic review of its retail business and determined that it plans to close additional retail stores in 2025, and, accordingly, it recorded a store impairment charge to write down the associated operating and financing lease right-of-use assets and property and equipment. In addition, during the third quarter of 2024, the Company also conducted a review of its various strategic assets and determined that it would discontinue the use of certain non-core assets, at which time impairment losses were recorded to write down the carrying value of these assets to the Company's best estimate of their fair value.
- (10) 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 Company's evaluation of corporate office real estate space in response to its ongoing flexible work arrangement.
- (11) The opioid litigation charge relates to a change in the Company's accrual related to ongoing opioid litigation matters.
- (12) The gain on early extinguishment of debt relates to the Company's repayment of approximately \$2.6 billion of its outstanding senior notes in December 2024, pursuant to its tender offer for such senior notes.
- (13) 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.