

Third Quarter 2019 Earnings Conference Call

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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 CVS Health Corporation. By their nature, all forward-looking statements involve risks and uncertainties. Actual results may differ materially from those contemplated by the forward-looking statements for a number of reasons as described in our Securities and Exchange Commission filings, including those set forth in the Risk Factors section and under the section entitled “Cautionary Statement Concerning Forward-Looking Statements” in our most recently filed Annual Report on Form 10-K and in our most recently filed Quarterly Report on Form 10-Q.

This presentation includes non-GAAP financial measures that we use to describe our company’s performance. In accordance with SEC regulations, you can find the definitions of these non-GAAP measures, as well as reconciliations to the most directly comparable GAAP measures, on the Investor Relations portion of our website.

[Link to our non-GAAP reconciliations.](#)

Strong Execution Across Our Businesses Yields Guidance Beat, Raise and Narrow

- Exceeded our financial expectations
 - Q3 Adjusted EPS of **\$1.84, 5 cents** above the high end of our guidance range
 - **4 cents** attributed to net realized capital gains and favorable prior years' development
 - Performance driven by strong operating execution across our enterprise with Health Care Benefits exceeding expectations, and Retail/LTC and Pharmacy Services performing in line with expectations
 - Strong revenue and script growth outpacing the marketplace, driving **~110 basis point** increase in retail script share to **26.6%**
- Raising and narrowing 2019 full-year Adjusted EPS guidance to **\$6.97 to \$7.05**
 - Previous guidance of **\$6.89 to \$7.00**

Enterprise priorities to accelerate growth

Consumer obsessed –
be local, make it simple, improve health



1.

Grow and
differentiate our
businesses



2.

Deliver
transformational
products and services



3.

Create a consumer-
centric technology
infrastructure



4.

Modernize enterprise
functions and
capabilities

Continued Progress on Strategic Priorities

1.



Grow and differentiate our businesses

- A. HealthHUB® Conversions
 - 16 HUBS open in 4 metro areas: FL, GA, TX, NJ/PA
 - ~50 HealthHUBs to open by end of 2019
 - 14 metro areas by mid-2020
 - 1,500 locations by end of 2021
- B. MinuteClinic® health professionals first and only retail clinic awarded Pathway to Excellence designation by ANCC
- C. HCB
 - 76% of Medicare members enrolled in plans rated 4.5 Stars or higher for 2021
 - Awarded Medicaid lives in TX STAR+PLUS program with expected implementation in 2H 2020; also awarded West Virginia Specialized Managed Care for Children and Youth
- D. PBM
 - IngenioRx onboarding progressing well
 - FEHBP contract renewal through 2021
- E. Retail script growth continues to outpace the marketplace with 26.6% retail script share

2.



Deliver transformational products and services

- A. Oncology solution pilot rolled out in 11 states including: FL, NC, CT and GA
- B. Chronic Kidney Disease (CKD) care management program signed 15 clients through Accordant
- C. Successfully launched our joint replacement transitions of care pilot, 'Healing Better'

3.



Create consumer-centric technology infrastructure

- A. CarePass subscription program has >1M enrolled members
- B. >82M enrolled in text messaging program, up from 77M in Q2
- C. ~80% of specialty patients digitally connected
- D. Expanded Novologix for prior authorizations and claims management to reduce costs for Commercial business

4.

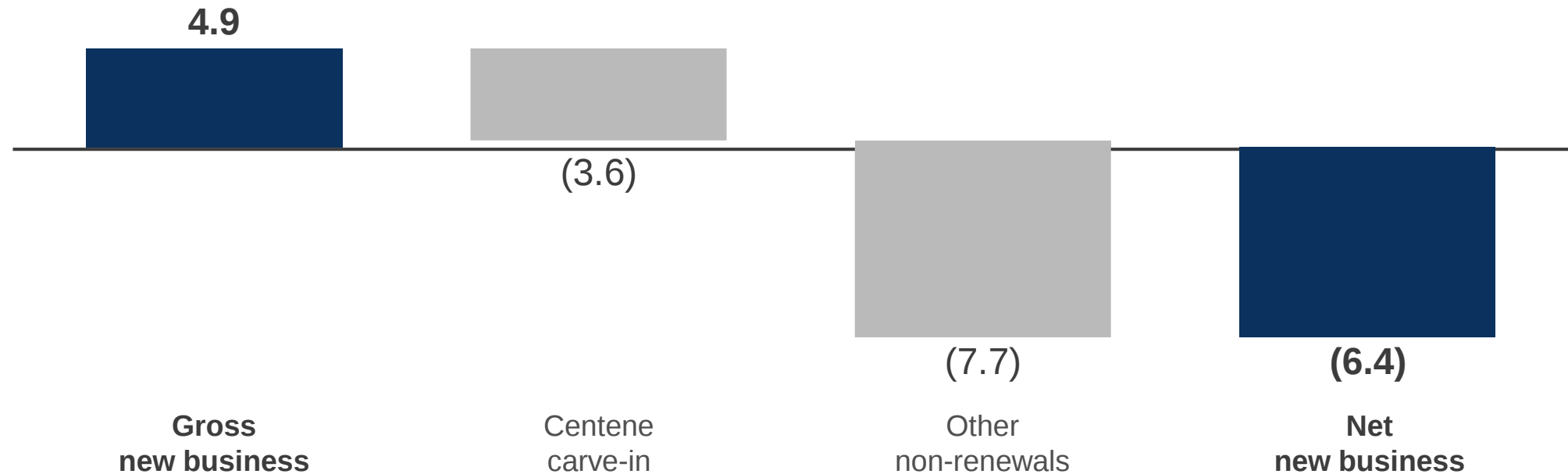


Modernize enterprise functions and capabilities

- A. Investing in improving client service delivery with progress towards delivering net savings
 - Technology and application rationalization and cloud strategy implementation underway
 - Continuing rollout of intelligent automation and robotic process automation of routine processes
 - Increasing digitization to drive reduction of incoming calls and outgoing member communications

2020 PBM Selling Season Revenue Improved As of October 2019

(\$, *billions*)



Net New Business improved ~\$1 billion since 2Q update

Note: IngenioRx network revenue recorded on a net basis

Third Quarter 2019 Financial Review



Strong Q3 Consolidated Results

<i>in millions, except per share data</i>	Q3 2019	Q3 2018	Change %
Adjusted Revenues	\$64,810	\$47,281	37.1%
Adjusted Operating Income	\$3,947	\$2,650	48.9%
GAAP EPS	\$1.17	\$1.36	-14.0%
Adjusted EPS	\$1.84	\$1.73	6.4%
Cash Flow from Operations	\$2,928	\$1,097	166.9%

- Interest expense of **\$747 million**, up ~ **\$73 million**, year-over-year
- Adjusted effective tax rate of **25.5%**
- Weighted-average share count of **1,305 million** shares
- Q3 recorded **\$0.04** of net realized capital gains and prior years' development; ~**\$0.20** recorded year-to-date

Q3 Results: Pharmacy Services Segment

<i>in millions</i>	Q3 2019	Q3 2018	Change %
Total Revenues	\$36,018	\$33,864	6.4%
Adjusted Operating Income	\$1,439	\$1,362	5.7%
Total Pharmacy Claims Processed⁽¹⁾	509.5	466.3	9.3%

- Revenue drivers include:
 - Benefits from net new business and our Maintenance Choice program, partially offset by continued price compression and increased generic dispensing rate
 - Generic Dispensing Rate (GDR) of **88.1%**⁽¹⁾, up ~ **90 bps**, year-over-year primarily due to the impact of new generic drug introductions and increased use of generic drugs
- Increase in adjusted operating income driven by increased claims volume, the shift of Aetna mail order and specialty operations into PSS, and improved purchasing economics, partially offset by continued price compression
- Growth in total pharmacy claims processed⁽¹⁾ primarily driven by net new business and continued adoption of Maintenance Choice®

Note: IngenioRx network revenue recorded on a net basis

1. Total pharmacy claims processed and the generic dispensing rate for all periods presented are adjusted to reflect 90-day prescriptions as the equivalent of three 30-day prescriptions. This adjustment reflects the fact that these prescriptions include approximately three times the amount of product days supplied compared to a normal 30-day prescription.



Q3 Results: Retail / LTC Segment

<i>in millions</i>	Q3 2019	Q3 2018	Change %
Total Revenues	\$21,466	\$20,856	2.9%
Adjusted Operating Income	\$1,516	\$1,622	(6.5%)
Prescriptions Filled⁽¹⁾	352.3	331.2	6.4%

- Revenue growth includes increased prescription volume, partially offset by continued reimbursement pressure and increased generic dispensing rate (which includes the impact of new generic drug introductions and increased use of generic drugs)
 - Generic Dispensing Rate (GDR)⁽¹⁾ of **88.2%**, up ~ **90 bps**, year-over-year
- Adjusted operating income declined due to continued reimbursement pressure, partially offset by script growth and Front Store margin improvement, as well as the benefit of generics where we have seen some improvement
- Ongoing review of asset portfolio to enhance long-term performance resulted in decision to close approximately 75 retail pharmacy stores during 2020; the majority were nearing the end of their lease term, resulting in a **\$96 million** GAAP charge in Q3; our real estate footprint remains productive

Q3 Results: Retail Pharmacy

	Change vs. Q3 2018
Same Store Sales⁽¹⁾	3.6%
Pharmacy Sales	4.5%
Pharmacy Prescription Volume⁽²⁾	7.8%
Front Store Sales	0.6%
Retail Pharmacy Script Share of 26.6%⁽²⁾⁽³⁾	Up 110 bps

- Retail pharmacy script share increase driven primarily by continued adoption of patient care programs
- Growth in Front Store sales driven primarily by continued growth in health and beauty product sales, including continued strength in cough and cold products
- Approximately **9,900** retail locations and **1,100** MinuteClinics in operation as of Q3

1. Same store sales, pharmacy sales and pharmacy prescription volume exclude revenues from MinuteClinic, revenue and prescriptions from stores in Brazil, and long-term care operations; 2. Includes an adjustment to convert 90-day prescriptions to the equivalent of three 30-day prescriptions. This adjustment reflects the fact that these prescriptions include approximately three times the amount of product days supplied compared to a normal 30-day prescription; 3. Retail pharmacy script share data for Q3 2019. Source: IQVIA

Q3 Results: Health Care Benefits Segment

<i>in millions, except MBR</i>	Q3 2019
Total Revenues	\$17,181
Adjusted Operating Income	\$1,423
Medical Membership	22.8
Medical Benefit Ratio (MBR)	83.3%

- Medical membership comparable to June 30, 2019; up ~ **708,000** members from December 31, 2018
- MBR reflects moderate medical cost trends and favorable prior period reserve development in Commercial and Government business
 - Results reflect actions taken to mitigate utilization pressure that emerged in Q2 in a specific portion of the lower end of the middle market Commercial book
- Days Claims Payable (DCP) was **51** as of September 30, 2019
 - On a sequential basis, DCP increased by **three days** versus Q2 due to the typical seasonality of our PDP business
- We remain confident in the adequacy of our reserves and our reserving process

Q3 Results: Cash Flow & Capital Allocation

- Remain committed to disciplined capital allocation priorities; on track with deleveraging plans outlined at Investor Day in June
- In Q3, generated **\$2.9 billion** in cash flow from operations
 - Using available, unrestricted cash to pay down debt; projected full-year 2019 cash available to repay debt increased
- Focused on continued deleveraging with a target leverage ratio in the low 3x's in 2022
 - Reduced net debt by **\$2.9 billion** in Q3; paid off **\$1.5 billion** term loan and **\$850 million** in maturities
 - Completed a **\$4 billion** cash tender offer for outstanding senior debt
 - Issued **\$3.5 billion** of new senior debt at favorable rates
 - Extended maturities and reduced interest expense
 - Incurred a Q3 net loss of **\$79 million** on the early extinguishment of debt
 - Repaid ~ **\$8.0 billion** of net debt since the close of Aetna transaction, ahead of the \$7.5 billion Investor Day target by year-end 2019
- Paid more than **\$600 million** in Q3 shareholder dividends
 - Maintaining current dividend payments to shareholders
- Continuing to reinvest in the business and growth opportunities

2019 Guidance

Guidance: Full-Year 2019

Enterprise Outlook

in millions, except per share data

Full-Year 2019

Consolidated Total Revenues

\$251,600 to \$254,180

Adjusted Operating Income

\$15,220 to \$15,400

GAAP EPS

\$4.90 to \$4.98

Adjusted EPS

\$6.97 to \$7.05

- Narrowing and raising consolidated full year Adjusted Operating Income and Adjusted EPS guidance, reflecting Q3 performance
- Guidance reflects 9 months year-to-date prior-years' development and net realized capital gains of ~\$0.20
- Lower interest expense given continued strong cash flows and impact from net pay down of debt

Guidance: Full-Year 2019

Pharmacy Services Outlook

<i>in millions</i>	Full-Year 2019
Total Revenues⁽¹⁾	\$137,600 to \$139,150
Adjusted Operating Income	\$5,100 to \$5,160
Total Pharmacy Claims⁽²⁾	1,960 to 1,980

- Increased Revenue, Adjusted Operating Income and Pharmacy Claims guidance, reflecting momentum in the business
- Brand name drug price inflation remains consistent with prior expectations

1. IngenioRx network revenue recorded on a net basis

2. Total pharmacy claims are adjusted to reflect 90-day prescriptions as the equivalent of three 30-day prescriptions.

Guidance: Full-Year 2019 Retail / LTC Outlook

<i>in millions</i>	Full-Year 2019
Total Revenues	\$85,640 to \$86,410
Adjusted Operating Income	\$6,680 to \$6,740
Prescriptions Filled⁽¹⁾	1,420 to 1,425

- Narrowing full-year guidance range
 - Business performing in-line with expectations
 - Maintaining strong script growth expectations at CVS Pharmacy

1. Prescriptions filled are adjusted to reflect 90-day prescriptions as the equivalent of three 30-day prescriptions.

Health Care Benefits Outlook

in millions, except medical cost trend and MBR

Full-Year 2019

Total Revenues	\$68,880 to \$69,470
Adjusted Operating Income	\$5,180 to \$5,240
Core Commercial Medical Cost Trend	6.0% +/- 50 bps
Medical Membership	22.7 to 23.0
Medical Benefit Ratio (MBR)	84% +/- 50 bps

- No change to guidance
- Continue to expect our MBR for the full-year 2019 to be above the mid-point of our guidance range
- Suspension of the Health Insurer Fee (HIF) in 2019 will impact certain operating ratios, while the after-tax impact of the suspension compared to 2018 is immaterial

Guidance: Full-Year 2019

Other Items

in millions, except tax rate and shares

Full-Year 2019

Net Synergies

At least \$400

Incremental Investment Spending

\$325 to \$350

Interest Expense

\$3,050 to \$3,060

Effective Tax Rate

~ 26%

Weighted-Average Share Count

1,305

Cash Flow from Operations

\$10,100 to \$10,600

Net Capital Expenditures

\$2,300 to \$2,600

Cash Available for Debt Repayment

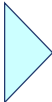
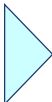
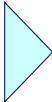
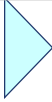
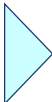
\$4,700 to \$5,100

Guidance: Q4 2019

Considerations

- The first three quarters had the highest year-over-year earnings growth as we lap the addition of Aetna
- Adjusted operating income for HCB expected to be lowest in Q4 due to typical seasonality of the business and spending to support January 1 readiness for Medicare business, consistent with prior years
- Q4 will include higher sequential spending on our Transformation programs
- Given the timing of the Aetna transaction close, Q4 2018 does not include the full impact of share dilution and interest expense from the transaction, affecting the year-over-year comparability

Performance Against Our Scorecard

		Timing	Target	Update as of Q3 2019
Adjusted EPS Growth		2019	\$6.75 - \$6.90	✓ New guidance of \$6.97 to \$7.05
		2020	\$7.00+ (Low single digits%)	✓ On Track
		2021	Mid single digits %	
		2022+	Low double digits %	
Integration Synergies		2019	\$300M - \$350M	✓ Fully integrated mail operations ahead of plan
		2020	~ \$800M	✓ Expect at least \$400M of synergies in 2019
		2021+	~ \$900M	
Enterprise Modernization		Run-rate 2022	~\$1.5B - \$2B	✓ On Track
Transformation		2022	~ \$850M	✓ On Track
		Run-rate	~ \$2.5B	
Leverage Ratio		2022	Low 3x's	✓ Repaid \$4.7B , net, year-to-date
Cash Available for Enhancing Shareholder Value		Annually Long-Term	~\$10B - \$12B	✓ Remain committed to repaying debt and reducing leverage
Inventory Reduction		2022	~ \$1.5B	✓ On Track

Appendix

Debt Maturity Schedule as of September 30, 2019

