

# Reimagining health care in America

August 2021

 **CVS**Health.



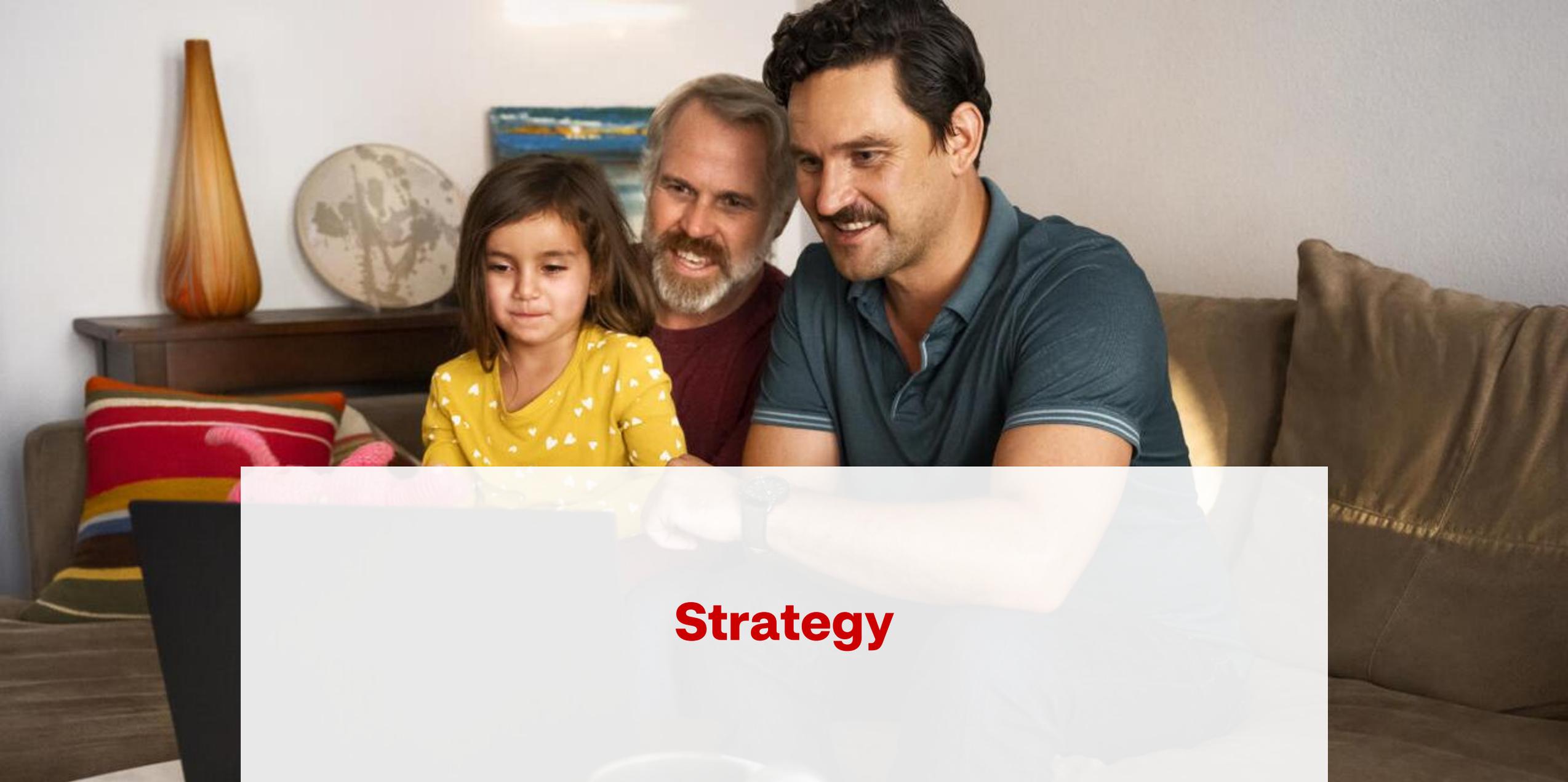
# Cautionary statement

concerning forward-looking statements

**This presentation includes 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 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 COVID-19 pandemic, 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, as well as the risks and uncertainties described in our Securities and Exchange Commission filings, including those set forth in the Risk Factors section and under the heading "Cautionary Statement Concerning Forward-Looking Statements" in our most recent Annual Report on Form 10-K and our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2021.

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](#)



# Strategy

# Multi-channel health solutions model

We play an integral role in connecting experiences across the health care system to deliver better health outcomes. Our consumer-centric model creates economic value for CVS Health and our shareholders



Improving the consumer experience



Driving healthier outcomes and lowering medical costs



Increasing utilization across company assets



# Expanding care delivery

through unique products and services that leverage our integrated capabilities

## Medical Benefit Designs

that offer a low-copay or no-copay benefit at MinuteClinic®

>7 million members enrolled

## Aetna Connected

utilizes our broad range of assets to provide a fully integrated, comprehensive, convenient and affordable plan

Live in nine markets and expect to more than double our footprint<sup>1</sup>

## HealthHUB™

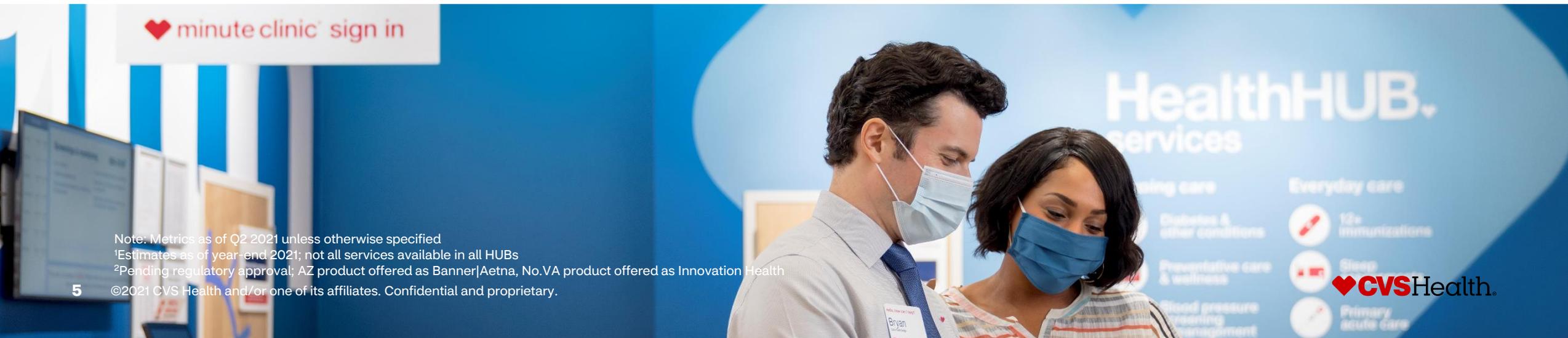
Expanding health services offerings to include chronic care management, such as Diabetes and behavioral health

>50% of Aetna/Caremark members and about 45% of the U.S. population will have access to a HealthHUB<sup>1</sup>

## Co-Branded Exchange Offering

leveraging our broad and unique portfolio of assets for January 2022 entrance

Eight new markets<sup>2</sup>: Arizona, Florida, Georgia, Missouri, Nevada, North Carolina, Texas and Virginia



Note: Metrics as of Q2 2021 unless otherwise specified

<sup>1</sup>Estimates as of year-end 2021; not all services available in all HUBs

<sup>2</sup>Pending regulatory approval; AZ product offered as Banner|Aetna, No.VA product offered as Innovation Health

# Enhancing our digital capabilities

to reinvent how consumers experience care

## Creating a superior consumer experience

### **Virtual First Primary Care**

offering dedicated virtual primary care and a traditional in-person national network including MinuteClinics and MinuteClinics in HealthHUBs

### **AI-Driven “Next Best Actions”**

delivering medical cost savings through behavior change nudges, driving the ‘Next Best Action’ for at-risk patients

## Reengineering our cost structure

### **Simplifying Operations**

leveraging blockchain; driving cloud migration and intelligent automation; and streamlining processes

### **Enhancing Claims Processing**

employing AI to yield better results more quickly by eliminating manual steps in areas such as benefit verification



# Delivering innovative consumer solutions

that address the most prevalent, costly and complex health conditions

## **Kidney Care**

bringing dialysis services into the home, with a focus on earlier education and management, to help improve outcomes

## **Transform Diabetes Care**

combining local points-of-care, remote biometric monitoring support, and access to health care professionals to provide personalized care and support for ~2.8 million members

## **Transform Oncology Care**

provide access to high-quality, evidence-based care that applies precision medicine at the time of care to help patients start on the best treatment; covering >50% of Aetna's insured oncology population

## **Behavioral Health**

offering in-store and virtual counseling services in >20 HealthHUBs and expect to be in 34 locations by Q3 2021

Note: Metrics as of Q2 2021 unless otherwise specified



CVS Health continues to  
**lead the nation's  
COVID-19 response**

**29M**

tests  
administered  
since program  
inception<sup>1</sup>; >6M  
tests during Q2  
2021

**30M**

vaccines  
administered  
at LTC and CVS Health  
locations since  
program inception<sup>1</sup>;  
~17M vaccines during  
Q2 2021

~**12%** of customers new to CVS Health through COVID-19 testing services are choosing to fill a new prescription or get their COVID-19 vaccine at CVS Health locations

>**93%** second dose compliance at CVS Health locations

~**40%** of vaccines administered over the last two months were to members of under-represented communities

<sup>1</sup> Vaccines and tests administered through July 31, 2021.



# Financials

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# Q2:2021 & FY 2021 highlights

Q2 results exceeded our expectations; raising FY 2021 guidance for Revenue, Adjusted EPS and Cash Flow from Operations

**\$2.42**

**Q2 adjusted EPS**

Reflects outperformance across all businesses

**11.1%**

**Q2 revenue growth**

Reflects growth across all businesses

**\$5.8 billion**

**cash flow from operations**

Committed to disciplined capital allocation priorities



## Evidence:

### our strategy and execution

is delivering value across the health care system for our customers, our communities, our people and our shareholders

## Raising FY guidance

Total company adjusted operating income raised to **\$16.1 – \$16.3B**

Total company 2021 adjusted EPS raised to **\$7.70 – \$7.80**

Cash flow from operations raised to **\$12.5 – \$13.0B**

Remain committed to **target leverage ratio of low 3x's**

Paid \$2.4B in debt in Q2 and \$5.4B YTD

# Total Company outlook

in billions, except per share data	AUG 4 FY21 Guidance <sup>2</sup>	MAY 4 FY21 Guidance
Total revenues <sup>1</sup>	\$280.7 to \$285.2 ↑ 4.50% to 6.25%	\$279.2 to \$283.7 4.00% to 5.75%
Adjusted operating income	\$16.1 to \$16.3 ↑ 0.75% to 2.00%	\$15.9 to \$16.1 (0.75%) to 0.50%
GAAP EPS	\$6.35 to \$6.45 ↑ 16.00% to 18.00%	\$6.24 to \$6.36 14.00% to 16.25%
Adjusted EPS	\$7.70 to \$7.80 ↑ 2.75% to 4.00%	\$7.56 to \$7.68 0.75% to 2.25%

**Guidance raise** reflects strong performance in Q2 and solid outlook

Q2 outperformance is partially offset in H2 due to expectations for FY COVID-19 vaccine volumes to be below the midpoint of our original guidance, investments in wages and increased investments to support growth in 2022 and beyond

Expect the combined impact of a reduced outlook for vaccines in Retail/LTC and a slightly higher MBR in Health Care Benefits to now make the COVID-19 pandemic a modest negative for 2021 adjusted EPS

**Note:** Percentages represent year-over-year growth from reported 2020 results.

<sup>1</sup> Growth rates for total revenues are calculated against 2020 adjusted revenues. 2020 adjusted revenues removes the receipt of \$313 million owed to CVS Health under the ACA's risk corridor program, net of MLR rebates of \$2 million in Q4 2020 that had been previously reserved.

<sup>2</sup> Guidance assumes consistent government regulations.

# Segment outlook

in billions, except MBR and membership	Health Care Benefits	Pharmacy Services	Retail / LTC
Total revenues <sup>1</sup>	<p>↑ \$79.9 to \$81.2 6.25% to 8.00%</p>	<p>↑ \$148.4 to \$150.9 4.50% to 6.25%</p>	<p>↑ \$94.3 to \$95.6 3.25% to 4.75%</p>
Adjusted operating income	<p>— \$5.25 to \$5.35 (15.25%) to (13.50%)</p>	<p>↑ \$6.45 to \$6.55 13.50% to 15.25%</p>	<p>— \$6.6 to \$6.7 7.50% to 9.00%</p>
Business metric	<p>Medical benefit ratio (MBR) — 84.7% +/- 60 bps</p> <p>Total Medical Membership (in millions) ↑ 23.3 to 23.7</p>	<p>Total pharmacy claims processed<sup>2</sup> — 2.18 to 2.21 3.25% to 4.50%</p>	<p>Prescriptions filled<sup>3</sup> — 1.57 to 1.60 7.25% to 9.25%</p>
<p><b>Note:</b> Percentages represent year-over-year growth from reported 2020 results.</p> <p>1. Growth rates for Health Care Benefits segment total revenues are calculated against 2020 Health Care Benefits segment adjusted revenues. 2020 Health Care Benefits segment adjusted revenues removes the receipt of \$313 million owed to CVS Health under the ACA's risk corridor program, net of MLR rebates of \$2 million in Q4 2020 that had been previously reserved.</p> <p>2. Total pharmacy claims processed includes an adjustment to convert 90-day prescriptions to the equivalent of three 30-day prescriptions.</p> <p>3. Prescriptions filled include an adjustment to convert 90-day prescriptions to the equivalent of three 30-day prescriptions and vaccinations administered.</p>	<ul style="list-style-type: none"> <li>• <b>Raised HCB segment total revenues</b> to reflect growth in Government Services</li> <li>• Guidance assumes slightly higher FY MBR, by 20 to 30bps, reflecting slightly higher COVID-19 costs continuing into H2 and non-COVID-19 utilization returning to normal baseline levels by Q4</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Raised total revenues and adjusted operating income</b> to reflect the strength in Q2 and visibility to the back half of the year</li> <li>• H2 year-over-year adjusted operating income growth expected to be lower relative to H1 given the launch of our group purchasing organization in Q2 2020 and generic specialty launches in H2 2020</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Raised Retail/LTC total revenues</b> to reflect the strength in Q2</li> <li>• Guidance reflects the reduced outlook for vaccines and the impact of the wage investment</li> </ul>

Guidance: raised ↑ no change —

# FY 2020 highlights

Advanced our consumer-centric vision to deliver health services making quality care more local, affordable, and connected



## Delivered strong financial performance

- Delivered Adjusted EPS of \$7.50, exceeding high end of guidance range
- Achieved run rate synergies of over \$900 million
- Generated strong cash flow from operations of \$15.9 billion
- Continued progress on our de-leveraging plan, exiting year with a low 4x's leverage ratio



## Strengthened core business

- Continued growth in our PBM and Government Services business, achieving solid results in Medicare Advantage
- Drove operational efficiencies and enhanced productivity while driving excellent service



## Expanded consumer health services

- Improved access to quality and holistic care with ~600 HealthHUB locations opened in 2020
- Delivered new market solutions for testing and vaccine administration, and virtual care in response to the COVID-19 pandemic
- Advanced targeted care management programs in the areas of diabetes, kidney care, and oncology



# Capital Allocation

# Capital allocation

commitment to our investment grade ratings and deleveraging

## Dividends

- ▶ Maintaining \$2.00 annual dividend until target leverage ratio achieved

## Share Repurchase

- ▶ Suspended the share repurchase program until target leverage ratio achieved

## M&A

- ▶ No additional major transactions contemplated

## Capitalization

- ▶ Insurance subsidiaries remain capitalized at existing strong investment grade financial strength ratings

**Deleveraging throughout 2021** driving toward target leverage ratio of low 3x's

# Cash flow and capital deployment

strong cash flow generation and continued progress on de-leveraging



## Strong cash generation

- In Q2 2021, generated **\$5.8 billion** of cash flow from operations and **\$8.7 billion** year to date
- In 2020, we generated **\$15.9 billion** of cash flow from operations; **~23%** growth over prior year
- Since 2015, generated **more than \$55 billion** in cash flow from operations<sup>1</sup>



## Prioritizing debt paydown

- **Repaid \$2.4 billion** of long-term debt during Q2 2021 and **\$5.4 billion** 2021 year to date
- **Repaid net \$17.6 billion** of long-term debt since the close of the Aetna transaction
- Exited 2020 at low 4x's leverage ratio



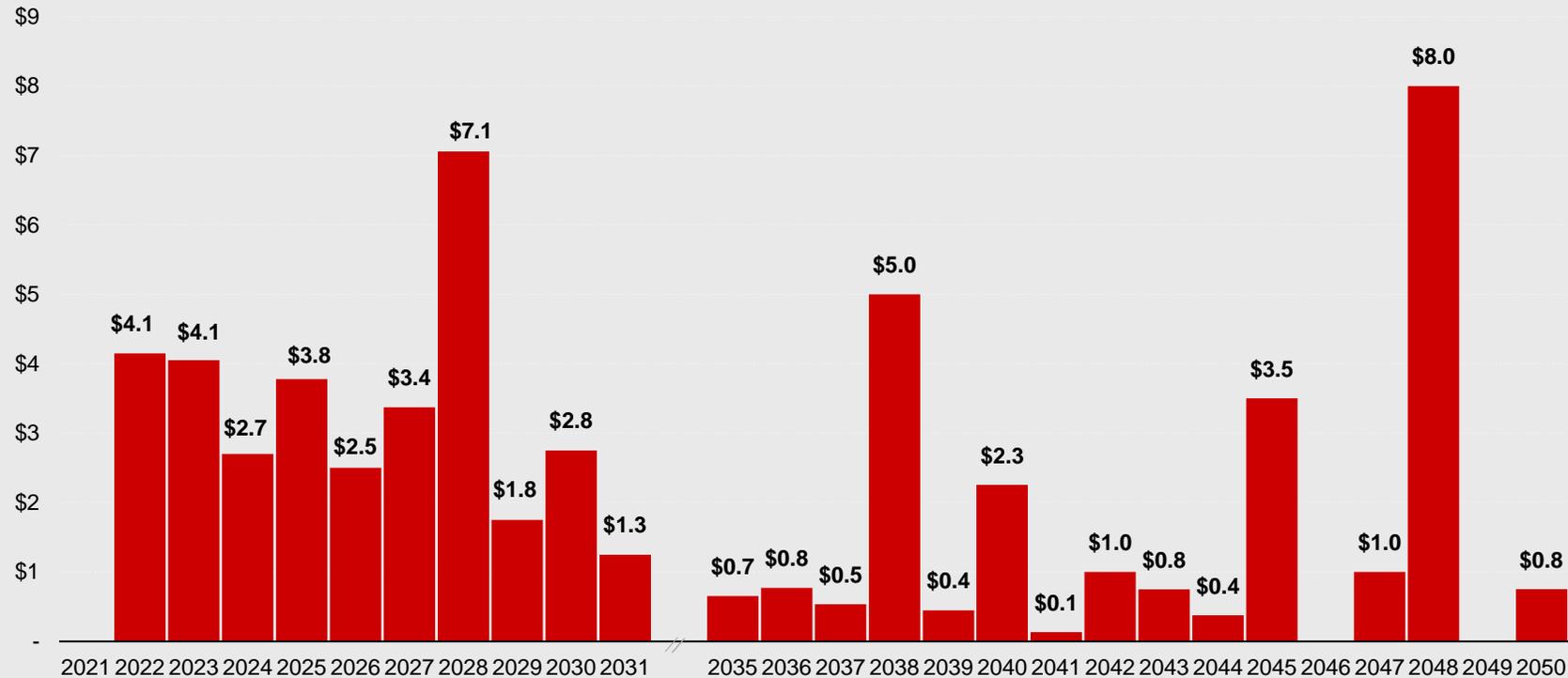
## Returning value to shareholders

- In Q2 2021, paid **\$650 million** in shareholder dividends and **~\$1.3 billion** year to date
- Paid **\$2.6 billion** in shareholder dividends in 2020
- Maintaining **\$2** per share dividend

<sup>1</sup> Calculation through year-end 2020.

# Long-term debt maturity profile

(\$ billions)



**Executed two successful tender offers** in 2020 taking advantage of favorable market conditions, smoothing out our debt towers and reducing interest expense

Note: Debt maturity chart excludes leases



# Sustainability

# Transform Health 2030

Grounded in four pillars, our CSR strategy reinforces our commitment to impacting the health of the people and communities we serve, our businesses and the planet



**Healthy People**



**Healthy Business**



**Healthy Community**



**Healthy Planet**

# ESG targets fully reflected in our governance

## Holistic set of ESG targets...



Provide **65 billion health care interactions** to individuals



Invest **\$85 billion** in inclusive wellness, economic development and advancement opportunities



Commit more than **\$1.5 billion in social impact investments** to build healthier communities



Reduce Scope 1 and 2 GHG **emissions by 67 percent** by 2030 from a 2014 base year

## Embedded in our operating model

### ▶ Thoroughly reviewed

Reviewed annually by our Nominating and Corporate Governance Committee of the Board of Directors along with our President and Chief Executive Officer

### ▶ Linked to compensation

Tying executive compensation to improving diverse representation

Compensation for colleagues with direct oversight to our CSR pillars and climate strategy tied to performance

### ▶ Transparently disclosed

Included in our annual CSR report, providing full disclosure on our goals and progress

# Healthy People

**29M**

COVID-19 tests administered since program inception<sup>1</sup>

**20M**

flu vaccines administered

**Here 4 U**

Piloted In November 2020 to provide much-needed mental health resources and education to young adults

**\$114M**

Invested in the construction and rehabilitation of >2,800 affordable housing units across 30 cities



Note: Metrics as of 2020 unless otherwise noted

<sup>1</sup>Tests administered through July 31, 2021

# Healthy Business ♥

**\$100M**

Investment in benefits to make health care more affordable for our colleagues

**\$5M**

Five-year scholarship program for Black and Latinx colleagues in collaboration with UNCF<sup>1</sup>

**\$3B**

Spent with small and diverse Tier I suppliers

**\$1.5 B**

Spent with diverse Tier II suppliers

Note: Metrics as of 2020 unless otherwise noted

<sup>1</sup>UNCF (formerly the United Negro College Fund)

# Healthy Community ♡

**~\$2M**

Committed to support the mental well-being of health care professionals across the country

**~\$600M**

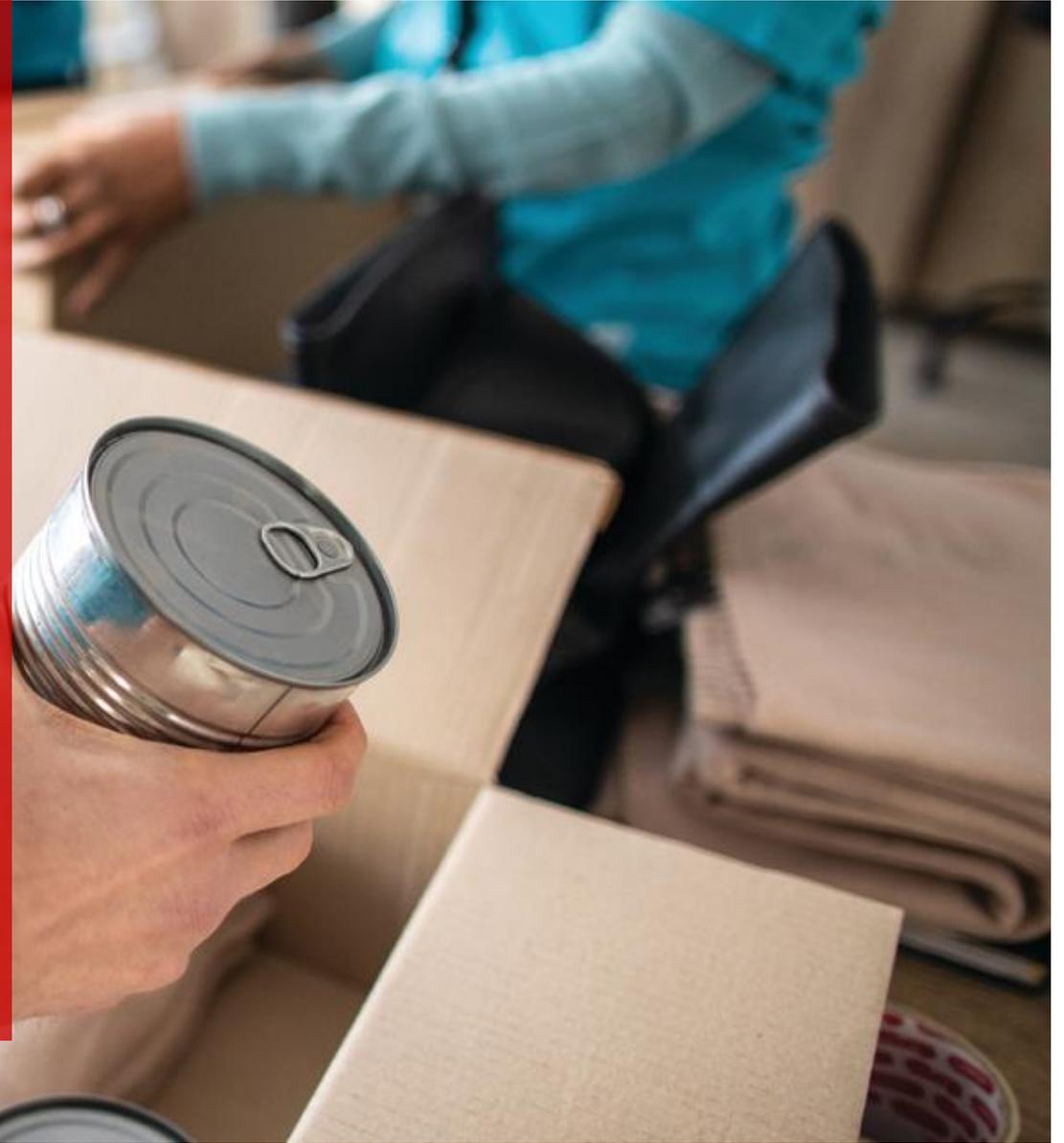
Committed over 5 years to advance employee, community and public policy initiatives that address racial inequality

**>15M**

Young people reached through “Be The First”

**>\$5M**

Support provided to Feeding America to reduce food insecurity among vulnerable populations



Note: Metrics as of 2020 unless otherwise noted

# Healthy Planet ♡

**57%**

Reduction in Scope 1 and 2 emissions versus our 2014 baseline

**>66%**

Of waste was diverted to recycling or reuse

**20%**

Increase in organic offering of Store Brand products

**~\$32M**

In energy savings realized since transition to LED interior retrofits in 2015

Note: Metrics as of 2020 unless otherwise noted

# CSR Awards & Recognition



2020 Points of Light Institute— **50 most community-minded companies** in the U.S. for the **4<sup>th</sup> year in a row**



**2021 Forbes Just 100 list** – on issues that matter most to the American public



**#26** on top 50 companies for diversity, up from **#50** in 2017



**8th straight year** on North American list and **2<sup>nd</sup> straight year** on World List



**#32** World's Most Admired Companies, up 6 spots from 2020



One of only 55 companies to be honored with this recognition for **climate change leadership in the US**



Member of group that is spending more than **\$1 billion** annually with **diverse suppliers**



## Our commitment to shareholders

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Focused on creating value through our consumer-centric vision

Continued strong execution across the company

Disciplined investment decisions and thoughtful portfolio evaluation

Delivering connected and seamless experiences across our company assets

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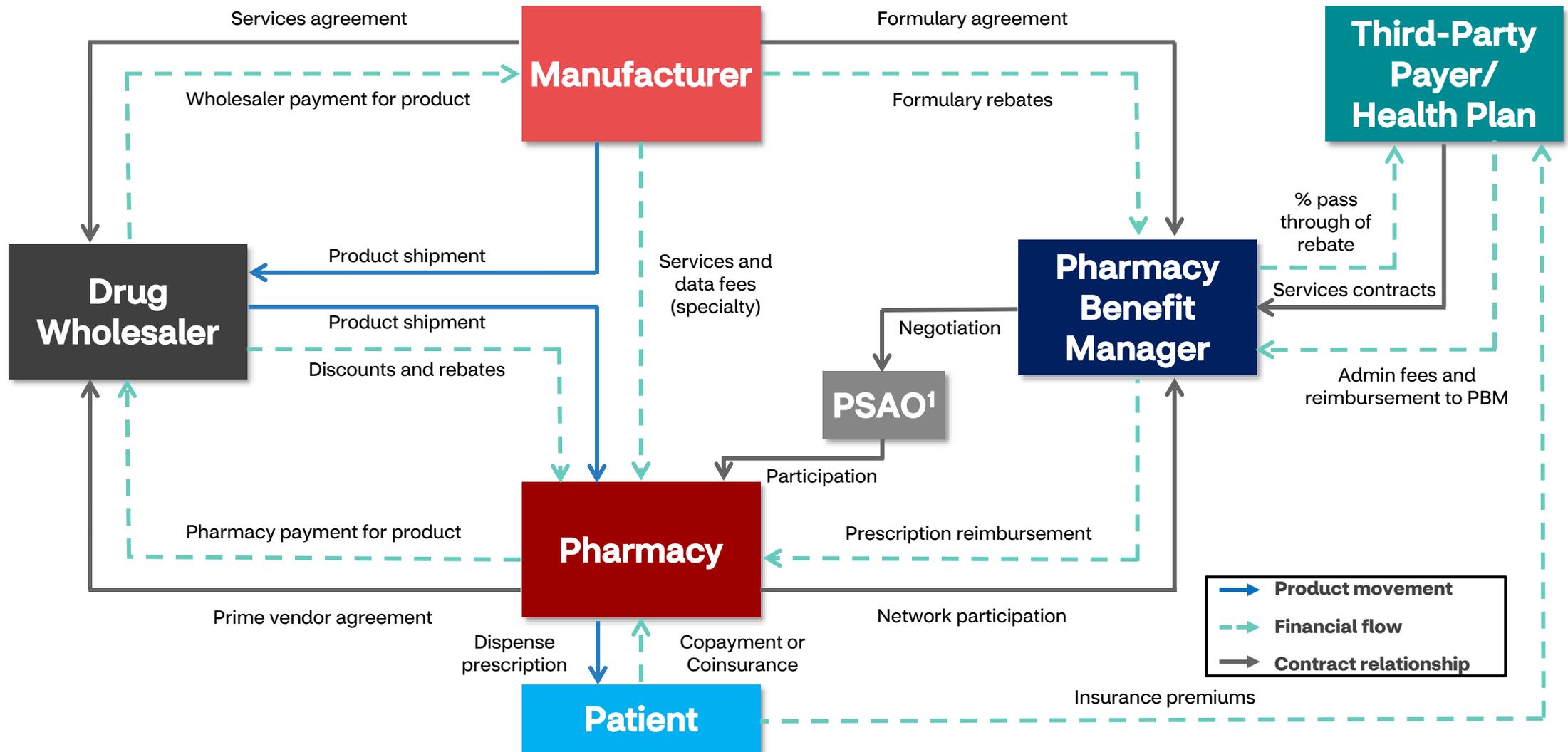
**Focused on long-term value creation**

# Appendix

# | Industry Backgrounder

The following flow chart is intended to be illustrative of the industry dynamics involving our Pharmacy, Pharmacy Services, and Health Care Benefits businesses with respect to the distribution and reimbursement of pharmaceutical products for our customers and members.

# U.S. Pharmacy Distribution & Reimbursement System



<sup>1</sup>Only if applicable. Not all pharmacies participate in a pharmacy services administrator organization (PSAO).

Note: Chart reflects patient-administered, outpatient prescriptions drugs. This chart is illustrative. It is not intended to be a complete representation of every type of financial, product flow, or contractual relationship in the marketplace.

