

SECOND QUARTER 2021

Earnings conference call

Karen S. Lynch

President & Chief
Executive Officer

Shawn Guertin

Executive Vice President
& Chief Financial Officer

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 **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](#)

Q2 & Full-Year 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

Advancing our care delivery strategy

making health care local, affordable, and connected

Expanding our role in care delivery

Offering health services

to address critical areas of need including chronic care management and behavioral health

Integrating benefit designs

seeing Aetna commercial members in the low-copay or no-copay product utilizing our MinuteClinics in our HealthHUBs more than twice as often as members without these benefits

Entering eight new markets¹

with our first CVS-Aetna co-branded individual exchange offerings: Arizona, Florida, Georgia, Missouri, Nevada, North Carolina, Texas and Virginia

Enhancing the consumer experience through our digital capabilities

>35M unique digital customers

served across our CVS Health assets

Reengineering our cost structure

– simplifying operations to benefit both customers and our colleagues



¹ Pending regulatory approval



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

29M

tests
administered
since program
inception¹; >6M
tests during Q2
2021

30M

vaccines
administered
at LTC and CVS Health
locations since
program inception¹;
~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

¹ Vaccines and tests administered through July 31, 2021.



Q2 2021 financial review

Consolidated results

Delivered strong results with all businesses exceeding our expectations

in millions, except per share data	Q2 2021	Q2 2020	Change %
Total revenues	\$72,616	\$65,341	11.1%
Adjusted operating income	\$4,887	\$5,328	(8.3%)
GAAP EPS	\$2.10	\$2.26	(7.1%)
Adjusted EPS	\$2.42	\$2.64	(8.3%)
Cash flow from operations	\$5,847	\$7,119	(17.9%)
Enterprise prescriptions	774.2	690.3	12.2%

Interest expense
of **\$636 million**

Adjusted effective
tax rate of **25.2%**

Weighted-average
diluted share count:
1,327 million shares

| Capital and cash flow allocation

Generated strong cash flow from operations and continue our commitment to meeting leverage target

Strong cash generation

\$5.8 billion cash flow from operations

Paid \$650 million in shareholder dividends

Commitment to our investment grade ratings and deleveraging

Continue to prioritize paying down debt

Repaid \$2.4 billion of long-term debt during the quarter and **\$5.4 billion** year to date

Repaid net \$17.6 billion of long-term debt since the close of the Aetna transaction

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

Health Care Benefits segment

Strong revenue growth; adjusted operating income reflects return to normal utilization vs. historically low utilization in Q2 2020 due to COVID-19

in millions, except MBR	Q2 2021	Q2 2020	Change %
Total revenues	\$20,525	\$18,468	11.1%
Adjusted operating income	\$1,614	\$3,464	(53.4%)
Total medical membership	23.5	23.6	(0.4%)
Commercial	16.7	17.5	(4.6%)
Government	6.8	6.1	11.5%
Medical benefit ratio (MBR)	84.1%	70.3%	(1,380 bps)

Total revenue growth reflects growth in Government Services, partially offset by the repeal of the HIF

Adjusted operating income decrease reflects significantly depressed levels of medical utilization in Q2 2020

Higher MBR reflects impact of COVID-19 in Q2 2020 and the repeal of the HIF

Underlying non-COVID-19 utilization emerged favorably, while COVID-19 related care costs were slightly higher than expected

Pharmacy Services segment

Significant outperformance: Specialty, Network, and Mail all delivered sequential claims growth in the quarter

in millions	Q2 2021	Q2 2020	Change %
Total revenues	\$38,314	\$34,889	9.8%
Adjusted operating income	\$1,755	\$1,327	32.3%
Total pharmacy claims processed ^{1,2}	562.2	505.4	11.2%

¹ Total pharmacy claims processed for all periods presented include an adjustment to convert 90-day prescriptions to the equivalent of three 30-day prescriptions.

² Excluding the impact of COVID-19 vaccinations, total pharmacy claims processed increased 8.4% on a 30-day equivalent basis for the three months ended June 30, 2021 compared to the prior year.

³ Retention rate is defined as: 1 less (estimated lost revenues from any known terminations plus annualization of any mid-year terminations, divided by estimated PBM revenues for that selling season year) expressed as a percentage.

Total revenue growth reflects increased pharmacy claims volume, growth in Specialty pharmacy, and brand inflation, partially offset by continued price compression

- **Specialty Pharmacy** revenue growth of 8.9% year-over-year reflects net new business wins and brand inflation

Adjusted operating income growth reflects improved purchasing economics mainly driven by our group purchasing organization, specialty pharmacy (including pharmacy and/or administrative services for providers and 340B covered entities), and increased claims volume, partially offset by continued price compression

Total pharmacy claims processed¹ increase reflects net new business, COVID-19 vaccinations and increased new therapy prescriptions, which were adversely impacted in Q2 2020 due to COVID-19

Selling season strong, with \$8.3B in new gross sales and retention rate of 98%³ with >80% of renewals complete

Retail / LTC segment

Strong revenue growth driving operating income rebound

in millions	Q2 2021	Q2 2020	Change %
Total revenues	\$24,728	\$21,662	14.2%
Adjusted operating income	\$2,049	\$1,057	93.9%
Prescriptions filled ^{1,2}	394.4	345.4	14.2%

¹ Retail/LTC prescriptions filled includes an adjustment to convert 90-day prescriptions to the equivalent of three 30-day prescriptions.

² Excluding the impact of COVID-19 vaccinations, prescriptions filled increased 9.3% on a 30-day equivalent basis for the three months ended June 30, 2021 compared to the prior year.

Total revenue growth reflects increased prescription volume, COVID-19 vaccinations and testing, and higher front store revenues across all product categories, partially offset by continued pharmacy reimbursement pressure

Prescription and front store volumes in Q2 2020 were adversely impacted due to COVID-19 restrictions

Adjusted operating income growth reflects increased prescription and front store volume, COVID-19 vaccinations and testing, and a \$125M gain on a legal settlement, partially offset by continued pharmacy reimbursement pressure

Prescriptions filled¹ increase reflects COVID-19 vaccinations as well as continued adoption of patient care programs and increased new therapy prescriptions, both of which were adversely impacted in Q2 2020 due to COVID-19

Retail pharmacy

Balanced growth from both Front Store and Pharmacy

	Change vs. Q2 2020
Retail pharmacy script share of 26.3% ^{1,2}	Up ~20 bps
Same store sales ³	12.3%
Pharmacy sales	12.4%
Pharmacy prescription volume ²	14.8%
Front Store sales	12.0%

¹ Source: IQVIA retail pharmacy script data for Q2 2021. Disclosure reflects IQVIA's restated methodology for market share data.

² Retail pharmacy prescriptions filled includes an adjustment to convert 90-day prescriptions to the equivalent of three 30-day prescriptions.

³ Same store sales and prescription volume exclude revenues from MinuteClinic and revenues and prescriptions from long-term care operations.

Continued growth in Retail pharmacy script share in a dynamic environment

Growth in prescriptions filled reflects COVID-19 vaccinations, continued adoption of patient care programs and increased new therapy prescriptions

Front Store sales increase reflects increased volume across all product categories

Prescription and front store volumes in Q2 2020 were adversely impacted due to COVID-19 restrictions



2021 guidance

Total Company outlook

in billions, except per share data	AUG 4 FY21 Guidance ²	MAY 4 FY21 Guidance
Total revenues ¹	\$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.

¹ 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.

² Guidance assumes consistent government regulations.

Health Care Benefits outlook

in billions, except MBR and membership	AUG 4 FY21 Guidance	MAY 4 FY21 Guidance
Total revenues ¹	\$79.9 to \$81.2 6.25% to 8.00%	\$79.4 to \$80.7 5.50% to 7.25%
Adjusted operating income	\$5.25 to \$5.35 (15.25%) to (13.50%)	\$5.25 to \$5.35 (15.25%) to (13.50%)
Medical benefit ratio (MBR)	84.7% +/- 60 bps	84.7% +/- 60 bps
Total medical membership (in millions)	23.3 to 23.7	23.2 to 23.6
Commercial	16.6 to 16.9	16.6 to 16.9
Government	6.7 to 6.8	6.6 to 6.7

Raising HCB segment total revenues to reflect growth in Government Services

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

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

¹ 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.

Pharmacy Services outlook

in billions	AUG 4 FY21 Guidance	MAY 4 FY21 Guidance
Total revenues	\$148.4 to \$150.9 4.50% to 6.25%	\$147.9 to \$150.4 4.25% to 6.00%
Adjusted operating income	\$6.45 to \$6.55 13.50% to 15.25%	\$6.15 to \$6.25 8.00% to 10.00%
Total pharmacy claims processed ¹	2.18 to 2.21 3.25% to 4.50%	2.18 to 2.21 3.25% to 4.50%

Raising total revenues and adjusted operating income to reflect the strength in Q2 and visibility to the H2

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

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

¹ Total pharmacy claims processed includes an adjustment to convert 90-day prescriptions to the equivalent of three 30-day prescriptions.

Retail/LTC outlook

in billions	AUG 4 FY21 Guidance	MAY 4 FY21 Guidance
Total revenues	\$94.3 to \$95.6 3.25% to 4.75%	\$93.8 to \$95.1 2.75% to 4.25%
Adjusted operating income	\$6.6 to \$6.7 7.50% to 9.00%	\$6.6 to \$6.7 7.50% to 9.00%
Prescriptions filled ^{1,2}	1.57 to 1.60 7.25% to 9.25%	1.57 to 1.60 7.25% to 9.25%

Raising Retail/LTC total revenues to reflect the strength in Q2

Guidance reflects the reduced outlook for vaccines and the impact of the wage investment

Note: Percentages represent year-over-year growth from reported 2020 results.
¹ Prescriptions filled include an adjustment to convert 90-day prescriptions to the equivalent of three 30-day prescriptions.
² Prescriptions filled include vaccinations administered.

Other items

in billions, except tax rate	AUG 4 FY21 Guidance	MAY 4 FY21 Guidance
Interest expense	~\$2.6	~\$2.6
Capital expenditures	\$2.7 to \$3.0	\$2.7 to \$3.0
Adjusted effective tax rate	~25.5%	~25.4%
Weighted-average diluted share count	~1,330	~1,330
Cash flow from operations	\$12.5 to \$13.0	\$12.0 to \$12.5

