

Fourth quarter 2023 

# Earnings conference call



**Karen S. Lynch**

President and  
Chief Executive Officer

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Executive Vice President and  
Chief Financial Officer

February 7, 2024

# 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 (“CVS Health”). 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 also differ materially from those contemplated by the forward-looking statements due to the risks and uncertainties related to the recent acquisitions of Signify Health, Inc. and Oak Street Health, Inc. 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, our recent Current Reports on Form 8-K, and this morning’s earnings press release.

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](#)**

# Financial highlights

Delivered strong revenue growth of **11.9%** and adjusted EPS of **\$2.12** in the fourth quarter of 2023. Revised 2024 adjusted EPS guidance to **at least \$8.30**, reflecting higher Medicare Advantage utilization.

## DELIVERED STRONG Q4 Financial Results

**11.9%**

revenue growth

**\$1.58**

GAAP EPS

**\$2.12**

adjusted EPS

**(\$2.6B)<sup>a</sup>**

cash flow from operations

## GENERATING Shareholder Value

**\$3.0B**

accelerated share  
repurchase transaction  
effective Jan. 3, 2024

**\$779M**

returned to  
shareholders through  
quarterly dividend

## FULL-YEAR 2024 Company Guidance

**At least \$371.3B**

total company revenue

**At least \$16.9B**

total adjusted operating income

**At least \$8.30**

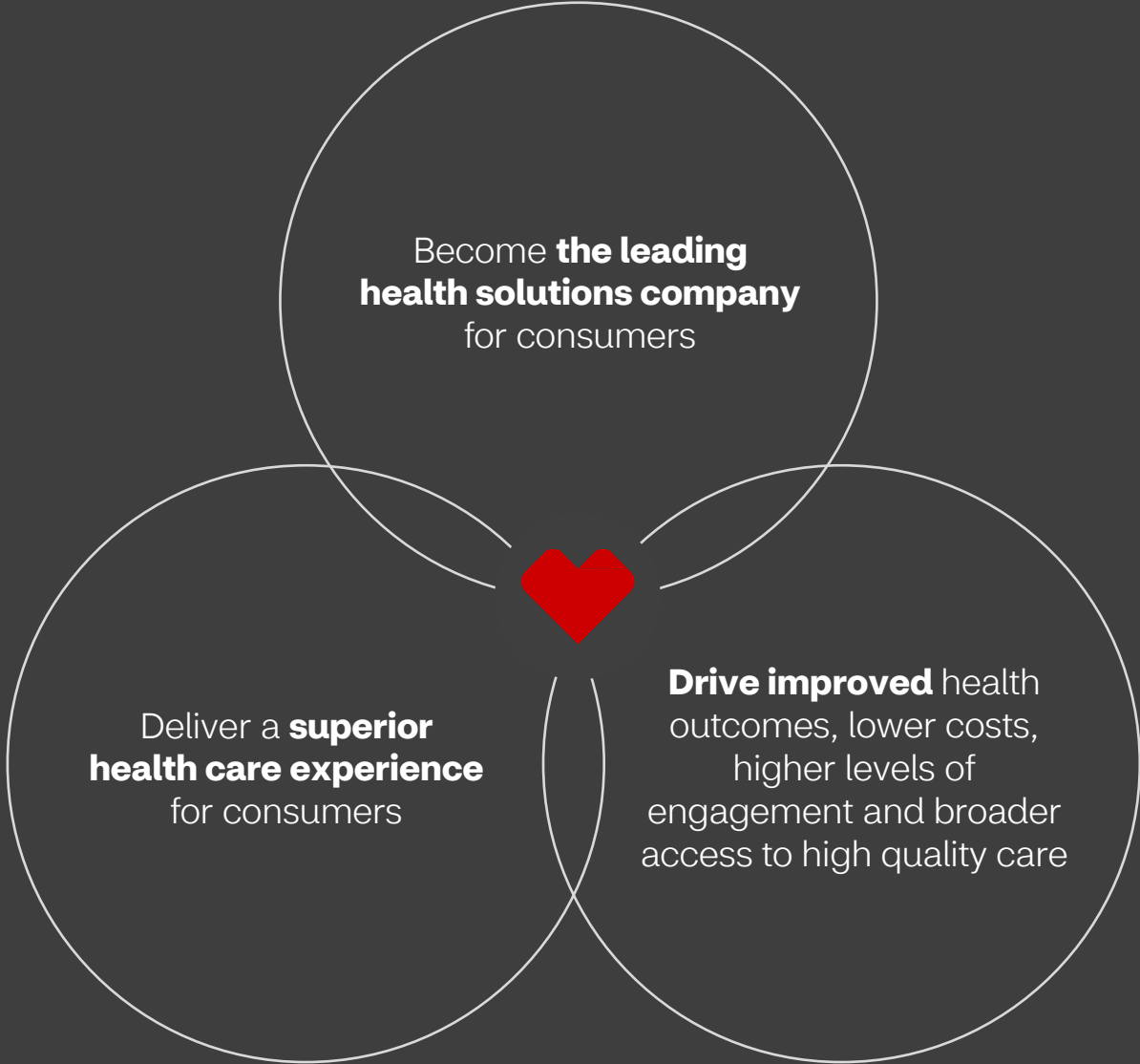
total company adjusted EPS

**At least \$12.0B**

total operating cash flow

a. Fourth quarter outflow primarily driven by timing of CMS payments.

# Our vision



# Our strategic imperatives

## Grow

our core business

## Build

diverse national care delivery and value-based care capabilities

## Enable

consumers' health with care and coverage capabilities across local points of care

## Create

seamless engagement and personalized experiences across all company assets

## Empower

our people and culture

# Consolidated results

in billions, except per share amounts		Q4 2023	Q4 2022 (revised) <sup>1</sup>	Change %
Quarter results	Total Revenues	\$93.8	\$83.8	11.9%
	Adjusted Operating Income	\$4.23	\$4.08	3.6%
	GAAP Earnings per Share	\$1.58	\$1.77	(10.7%)
	Adjusted Earnings per Share	\$2.12	\$2.04	3.9%
	Cash Flow from Operations	(\$2.6)	(\$2.0)	(35.0%)
		2023	2022 (revised) <sup>1</sup>	Change %
Full-year results	Total Revenues	\$357.8	\$322.5	10.9%
	Adjusted Operating Income	\$17.53	\$18.04	(2.8%)
	GAAP Earnings per Share	\$6.47	\$3.26	98.5%
	Adjusted Earnings per Share	\$8.74	\$9.03	(3.2%)
	Cash Flow from Operations	\$13.4	\$16.2	(17.0%)

## Business highlights

Unveiled new **CVS CostVantage™** model in our Pharmacy and Consumer Wellness segment. This model will be implemented for our commercial payors beginning in 2025. **By removing cross-subsidization, we will create a more durable and transparent pharmacy business** that is fairly compensated for the value delivered to customers for all prescriptions dispensed.

Announced our new **CVS Caremark TrueCost™** model. This innovative client option offers **pricing that reflects the true net cost of prescription drugs**, with continued client visibility into administrative fees.

**\$779 million returned to shareholders** through quarterly dividend.

# 2024 consolidated guidance

Full-year guidance

in billions, except per share amounts and tax rate	Q4 2023 call February 7, 2024	Investor Day December 5, 2023
Total Revenues	At least \$371.3	At least \$366.0
Adjusted Operating Income	At least \$16.90	At least \$17.24
GAAP Earnings per Share	At least \$7.06	At least \$7.26
Adjusted Earnings per Share	At least \$8.30	At least \$8.50
Cash Flow from Operations	At least \$12.0	At least \$12.5
Interest Expense	~\$2.9	~\$2.9
Capital Expenditures	~\$3.0	~\$3.0
Adjusted Effective Tax Rate	~25.4%	~25.4%
Weighted Average Diluted Share Count	~1.263	~1.263

## Business highlights

**Revised full-year 2024 adjusted EPS guidance to at least \$8.30**, reflecting the impact of higher-than-expected Medicare Advantage utilization observed at the end of 2023 in our current expectations for 2024.

Announced that beginning on April 1st, Caremark will remove Humira from its major commercial template formularies. This will **drive greater adoption of biosimilars** and **increase the affordability** of these critical specialty drugs.

Entered **\$3.0B fixed dollar accelerated share repurchase transaction** which became effective on January 3, 2024.

# Health care benefits

in billions, except MBR and membership		Q4 2023	Q4 2022 (revised) <sup>1</sup>	Change %
Quarter results	Total Revenues	\$26.7	\$23.0	16.1%
	Adjusted Operating Income	\$0.68	\$0.91	(26.0%)
	Total Medical Membership (millions)	25.7	24.4	5.2%
	Commercial	18.3	17.0	7.7%
	Government	7.4	7.4	(0%)
	Medical Benefits Ratio (MBR)	88.5%	85.8%	270 bps
2024 Full-year guidance		Q4 2023 call February 7, 2024	Investor Day December 5, 2023	
	Total Revenues	At least \$125.1	At least \$119.8	
	Adjusted Operating Income	At least \$5.40	At least \$5.77	
	Total Medical Membership (millions)	~26.9	~26.2	
	Medical Benefits Ratio (MBR)	~87.7%	~87.2%	

## Business highlights

**Increase in membership** reflects broad based growth in our Individual Exchange, Medicare and Commercial products.

Elevated utilization trends in our Medicare Advantage business, primarily driven by higher-than-expected utilization in outpatient and supplemental benefits such as vision and dental.

Based on our review of our recently completed fourth quarter 2023 medical cost trend analysis, **our guidance prudently assumes that the elevated medical cost trends we observed in the fourth quarter will carry forward into 2024.**



# Health services

## Quarter results

in billions, except pharmacy claims	Q4 2023	Q4 2022 (revised) <sup>1</sup>	Change %
Total Revenues	\$49.1	\$43.8	12.3%
Adjusted Operating Income	\$1.86	\$1.79	4.2%
Pharmacy Claims Processed <sup>2</sup> (millions)	600.8	600.2	0.1%

## 2024 Full-year guidance

	Q4 2023 call February 7, 2024	Investor Day December 5, 2023
Total Revenues	At least \$169.7	At least \$169.7
Adjusted Operating Income	At least \$7.40	At least \$7.49
Pharmacy Claims Processed <sup>2</sup> (billions)	~1.87	~1.87

## Business highlights

Health Services results driven by continued **strong performance** and **exceptional execution** in our Pharmacy Services business.

Signify completed **649 thousand in-home evaluations** in the quarter.

Oak Street ended the quarter with **204 centers and 202 thousand at-risk lives**.

Through January, the number of **Aetna members enrolled in Oak Street clinics has doubled**.

Updated guidance prudently recognizes impact to Health Care Delivery businesses from **potential emerging risks at our payor partners** until we have further clarity on 2024 utilization trends.

# Pharmacy & consumer wellness

## Quarter results

in billions, except prescriptions filled	Q4 2023	Q4 2022 (revised) <sup>1</sup>	Change %
Total Revenues	\$31.2	\$28.7	8.6%
Adjusted Operating Income	\$2.03	\$1.85	9.7%
Prescriptions Filled <sup>2</sup> (millions)	431.5	423.4	1.9%

## 2024 Full-year guidance

	Q4 2023 call February 7, 2024	Investor Day December 5, 2023
Total Revenues	At least \$123.4	At least \$123.4
Adjusted Operating Income	At least \$5.60	At least \$5.51
Prescriptions Filled <sup>2</sup> (billions)	~1.69	~1.69

## Business highlights

We continued to play an important role in providing **access to critical immunizations in the communities we serve** and **delivered on pharmacy performance measures** for our health plan partners.

Total same store sales increased by over **11%**<sup>3</sup>, reflecting the impact of pharmacy drug mix, increased prescription volume, brand inflation and increased contributions from vaccinations.

Updated guidance reflects expectation that a portion of **2023 outperformance persists into 2024.**

# Pharmacy & Front store

In a dynamic environment, demonstrated **significant year-over-year growth** in total sales



# Footnotes

## Fourth quarter 2023

1. Previously reported Q4 2022 and FY 2022 results have been revised to reflect our new segment structure, the adoption of a new long-duration accounting standard and a change in our reporting convention to exclude net realized capital gains and losses from adjusted operating income as described in our Press Release.
2. Includes an adjustment to convert 90-day prescriptions to the equivalent of three 30-day prescriptions.
3. Same store sales and prescription volume represent the change in revenues and prescriptions filled in the Company's retail pharmacy stores that have been operating for greater than one year, expressed as a percentage that indicates the increase or decrease relative to the comparable prior period. Same store metrics exclude revenues and prescriptions from LTC and infusion services operations. Effective January 1, 2023, same store sales also include digital sales initiated online or through mobile applications and fulfilled through the Company's distribution centers. Prior period financial information has been revised to conform with current period presentation. Management uses these metrics to evaluate the performance of existing stores on a comparable basis and to inform future decisions regarding existing stores and new locations. Same-store metrics provide management and investors with information useful in understanding the portion of current revenues and prescriptions resulting from organic growth in existing locations versus the portion resulting from opening new stores.