First Quarter 2019 Earnings Conference Call

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CVS Health

Cautionary Statement Regarding 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.

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 most comparable GAAP measures, on the Investor Relations portion of our website.

Link to our non-GAAP reconciliations.

Strong First Quarter Creates Positive Momentum for 2019

- Exceeded our financial expectations
  - Adjusted EPS of **$1.62**, above the high end of our guidance range
- Raising full-year Adjusted EPS guidance to **$6.75 to $6.90**, up from previous guidance of **$6.68 to $6.88**
- Operational achievements
  - Smooth January 1st implementations in both Pharmacy Services and Health Care Benefits segments
  - Significant Medicare Advantage membership growth
  - Continued to grow share in retail pharmacy
  - Re-aligned some operations to drive greater value

Notable Progress on Actions to Mitigate Near-Term Headwinds Impacting Business

- Strong Retail/LTC adjusted prescription growth of **5.5%** in Q1 supported by clinical care programs and network relationships
- Long-Term Care business on track to achieve targeted margin improvements given our cost management efforts
  - We continue to work diligently in driving growth in Assisted Living space
- PBM guaranteed net cost pricing model continues to garner interest from clients and benefit consultants
  - Small number of clients adopting it in 2019 and expect higher adoption in 2020 and beyond
- Enterprise Modernization Initiative - New effort to reduce costs across enterprise through improvements in productivity and driving efficiencies across our operations
- Very pleased with progress of Aetna integration and tracking to higher end of 2019 synergy goal of **$300 to $350 million**
  - On track to exceed initial target of **$750 million** in 2020

Bringing to Market New Approaches to Health Care Delivery and Management

- In our Houston HealthHUB® stores, we are demonstrating our ability to bring more health care services into communities, meeting people where they are
  - Using data and analytics capabilities to offer people the Next Best Action to achieve their best health and drive down health care costs
  - Vision to have these consumer experiences seamlessly connected across digital and clinical interactions
  - Benefits of lower health care costs will have positive financial impacts across our enterprise
- Encouraged by initial results in HealthHUB stores
  - New store formats illustrate how CVS Health is evolving and differentiating to address the changing health care landscape
  - Various product and service offerings performing at or above our expectations
  - Plans to expand the HealthHUB model to fill out Houston market

2020 PBM Selling Season

- Our retention rate currently stands in the **mid 90%s**, excluding the impact of Centene
  - Selling season has been somewhat unusual with no single factor contributing to the lower than expected retention
- Our service levels and performance metrics remain at historically high levels and we expect to return to historical retention levels in future periods

HHS Proposal Regarding the Safe Harbor for Rebates Under Medicare Part D

- On April 5, CMS issued clarifying guidance for plan sponsors that bids should reflect current law and not the newly proposed rebate rule
  - Guidance stated that a number of issues needed to be addressed before rule can be finalized
- CMS demonstration project provides plans protection for much of the downside risk from applying rebates at the point-of-sale (POS)
  - Demonstration project will allow real-time evaluation of potential impact to Part D members' premiums and to actual costs incurred by CMS
  - Project will allow the Administration and private sector to learn together and make adjustments to the program over a more reasonable period of time
  - We plan to participate in the demonstration project aided by the learnings from our SilverScript® Allure PDP product

Broader Health Care Discussion

- The renewed focus nationally on what the next phase of access to affordable, quality health care will be has generated significant attention in recent weeks
  - Regardless of what shape and form the next stage of health care takes, we remain confident that the private sector will play an essential role in both shaping and executing that next stage
  - We remain best positioned to create and capture new opportunities in this ever-evolving landscape through our local assets, our end-to-end health care offerings, and our ability to drive engagement, positively impacting consumer health

First Quarter 2019 Financial Review

Presentation Changes for 2019 - Consistent With February Earnings Call

- New items for 2019:
  - Individual SilverScript (SSI) PDP moved from Pharmacy Services segment to Health Care Benefits segment
    - 2018 HCB reflects the addition of SSI revenue and related income
    - Previous intra-segment revenue for services provided by PSS to SSI now becomes inter-segment revenue earned by PSS from HCB (because HCB now includes SSI), creating the need for an increase in the consolidating eliminations
    - The net effect is a slight increase in standalone segment revenue in PSS
  - Aetna Mail Order and Specialty operations moved to PSS
  - Adjusted operating income reflects the exclusion of the amortization of intangible assets to conform with Aetna's legacy definition
  - Refer to schedules on Investor Relations website for restatement of 2018:

    Link to GAAP restatement

    Link to Non-GAAP restatement

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Q1 Results: Consolidated

	Q1 2019	Change vs. Q1 2018
Adjusted Revenues	$61.6 billion	34.9%
Adjusted Operating Income	$3.6 billion	56.8%
GAAP EPS	$1.09	11.6%
Adjusted EPS	$1.62	9.5%
Cash Flow From Operations	$1.9 billion	(17.3%)

- Adjusted interest expense of **$782 million**, up ~ **$531 million** vs. LY
- Adjusted effective tax rate of **25.7%**
- Weighted-average share count of **1,302 million shares**

Note: Year over year comparisons are impacted by the timing of the close of the Aetna acquisition

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Q1 Results: Pharmacy Services Segment

	Q1 2019	Change vs. Q1 2018
Total Revenues	$33.6 billion	3.1%
Adjusted Operating Income	$947 million	(4.2%)
Claims Processed(1)	482 million	2.8%

- Key Revenue growth drivers include:
  - Brand name drug price inflation as well as increased total pharmacy claims volume, partially offset by continued price compression and increased generic dispensing rate
  - In Q1, dispensed specialty revenue **increased 5.3%** vs. LY
  - Generic Dispensing Rate (GDR) of **88.3%**(1)**,** up **~ 70 bps** vs. LY
- Growth in claims processed(1) primarily driven by net new business and continued adoption of Maintenance Choice®

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.

2018 PBM Cost Trend Report

- Total commercial cost trend increased **3.3%** due to increased utilization, including improvements in adherence
  - Unit cost for non-specialty medications decreased **4.2%**
  - Held unit cost growth to **1.7%** for specialty products despite even higher list price increases
  - Unit cost growth overall was only **1.2%**
- Drove down the average out of pocket costs for plan members for the sixth consecutive year
  - Helping patients stay adherent and improving overall health

Q1 Results: Retail Pharmacy / LTC Segment

	Q1 2019	Change vs. Q1 2018
Total Revenues	$21.1 billion	3.3%
Adjusted Operating Income	$1.5 billion	(18.9)%
Prescriptions Dispensed[(1)]	346.8 million	5.5%

- Revenue growth primarily driven by increased prescription volume and brand name drug price inflation, partially offset by continued reimbursement pressure and impact of generic introductions
- Generic Dispensing Rate (GDR)[(1)] increased **60 bps** vs. LY to **88.7%**
- Factors contributing to decline in operating income:
  - Continued reimbursement pressure with fewer offsets
  - Higher wages and benefits in 2019 with the wrap of our investment using savings from tax reform
  - Year-over-year performance of our long-term care business
  - Higher legal costs

1. Prescriptions filled and the generic dispensing rate for all periods presented are adjusted to reflect 90-day prescriptions as the equivalent of three 30-day prescriptions.

Q1 Results: Retail Pharmacy

	Change vs. Q1 2018
Same Store Sales[1]	3.8%
Pharmacy sales	4.9%
Pharmacy prescription volume[2]	6.7%
Front store sales *(Unfavorable impact of ~ 80 bps from shift of Easter holiday later in April)*	0.4%
Retail Pharmacy market share of 26.2%[2][3]	Up 140 bps

- Retail pharmacy market share increase driven by patient care programs, collaborations with PBMs, and preferred status in a number of Medicare Part D networks
- Operate more than **9,900** retail locations
  - Made decision to close **46** underperforming retail pharmacy locations and incurred **$135 million** charge in the Retail/LTC segment related to store closures
  - Charge excluded from non-GAAP metrics
- Operate more than **1,100** MinuteClinics

1. Same store sales and prescription volume exclude revenues from MinuteClinic, and 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. Market share data for first quarter 2019. Source: IQVIA

Q1 Results: Health Care Benefits Segment

	Q1 2019
Total Revenues	$17.9 billion
Adjusted Operating Income	$1.6 billion
Medical Membership as of March 31, 2019	22.8 million
Medical Benefit Ratio (MBR)	84.0%

- Membership **growth of over 700,000 members** vs. 12/31/2018; driven by strong Medicare Advantage and commercial ASC membership growth and initiation of new Medicaid contracts in Kansas and Florida
- MBR reflects moderate medical cost trends and favorable prior years' reserve development across all of our core products
- Days Claims Payable was **45** as of March 31, 2019
  – Lower than historical Aetna results, driven by inclusion of SilverScript's operations, which lowered the metric by ~ **5 days** given faster claims submission times

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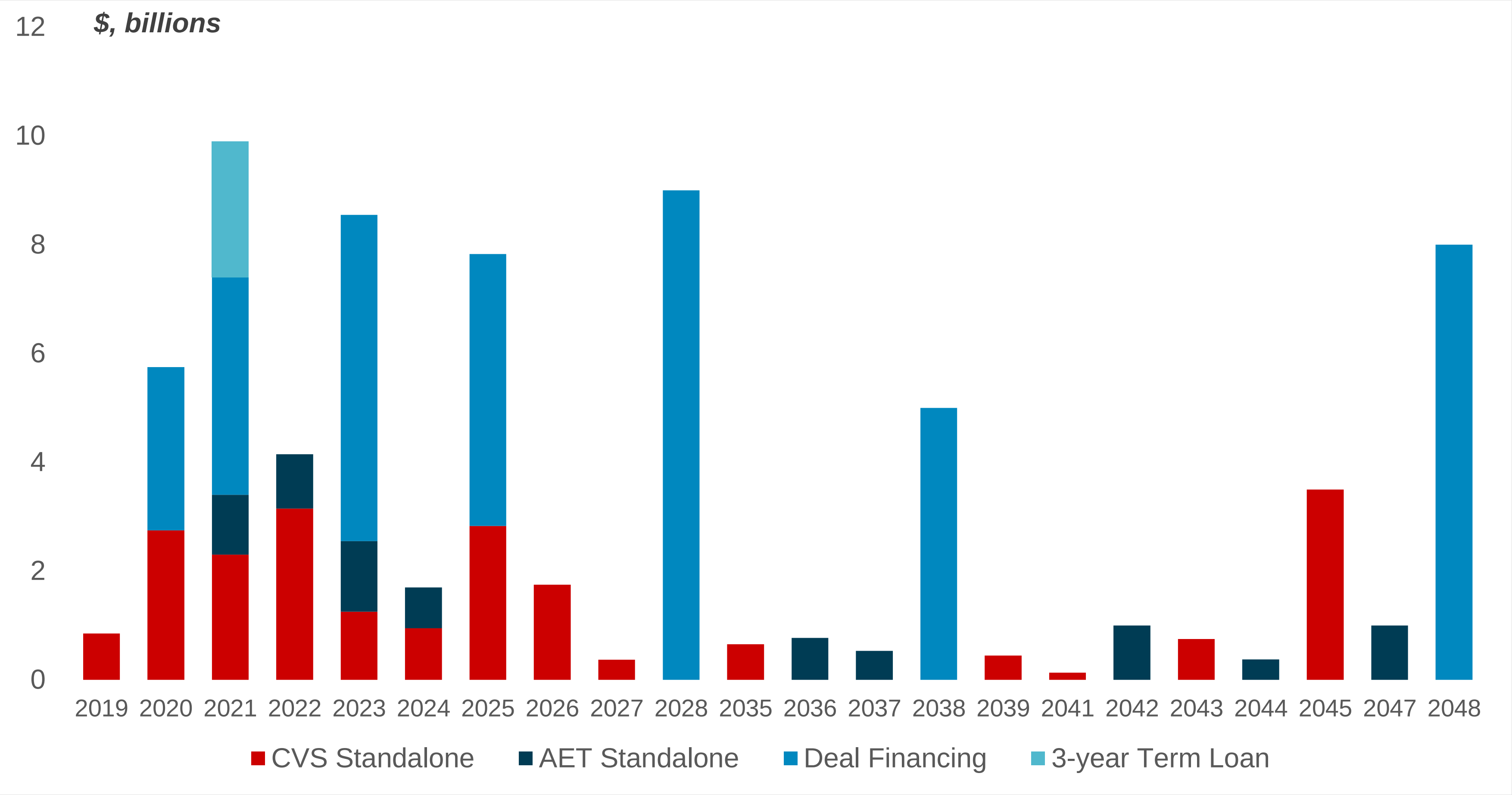
Financial Update:

Cash Flow & Capital Allocation

- In Q1, generated **$1.9 billion** in cash from operations
- Reduced long-term debt by nearly **$900 million** in Q1
  - **$375 million** of long-term notes at maturity
  - **$500 million** of outstanding term loan ahead of maturity
- Paid more than **$600 million** in shareholder dividends in Q1
- Commercial paper (CP) balance was temporarily elevated at the end of Q1 given timing of customer receipts
  - Balance was fully paid off on April 1st, and since quarter end, we have maintained average commercial paper balance of less than **$200 million**
- Dividends kept flat and share repurchases suspended until we reach our **low 3x** leverage targets
- Since the close of Aetna transaction, we have repaid ~ **$4 billion** of debt

Financial Update:
Debt Maturity Schedule



2019 Guidance

Guidance: 2019 Full-Year

Enterprise Outlook

in millions, except per share data	Full-Year 2019
Consolidated Revenues	$251,230 to $254,380
Adjusted Operating Income	$14,970 to $15,180
GAAP EPS	$4.90 to $5.05
Adjusted EPS	$6.75 to $6.90

Guidance: 2019 Full-Year

Pharmacy Services Outlook

in millions	Full-Year 2019
Total Revenues	$137,180 to $138,950
Total Claims (1)	1,940 to 1,970
Adjusted Operating Income	$4,860 to $4,920

- Factors impacting outlook (no material change from February earnings call):
  - Pricing compression, exacerbated by cumulative effect on rebate guarantees from lower brand name drug price inflation
  - Net benefits of 2019 selling season expected to be modest. Anthem projected to remain a strong headwind given investments needed to onboard business on an accelerated timeline
    - Revenue associated with Anthem contract will be recorded on a **net basis** in accordance with revenue recognition accounting rules; revenue and cost of sales will not be grossed up for drug ingredient costs dispensed through the retail network
  - PSS will benefit from shift of Aetna Mail Order and Specialty operations

1. Includes the adjustment to reflect 90-day prescriptions as the equivalent of three 30-day prescriptions.

Guidance: 2019 Full-Year

Retail / LTC Outlook

in millions	Full-Year 2019
Total Revenues	$85,510 to $86,610
Prescriptions [(1)]	1,410 to 1,430
Adjusted Operating Income	$6,630 to $6,710

- Factors impacting outlook (no material change from February earnings call):
  - Strong script growth at CVS Pharmacy
  - Annualization of tax reform investment and Long-Term Care are expected to contribute nearly half of the segment contraction
  - Continued reimbursement pressure without the full benefits of traditional offsets, including a declining benefit from generics
  - Front of store expected to drive margin with focus on winning in health and beauty through improved consumer personalization and engagement

1. Includes an adjustment to convert 90-day, non-specialty 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.

Guidance: 2019 Full-Year

Health Care Benefits Outlook

in millions, except medical cost trend and MBR data	**Full-Year 2019**
Total Revenues	$68,520 to $69,210
Adjusted Operating Income	$5,180 to $5,240
Core Commercial Medical Cost Trend	6.0% +/- 50 bps
YE Medical Membership	22.7 to 23.0
Medical Benefit Ratio	84% +/- 50 bps

- Factors impacting outlook (no material change from February earnings call):
  - Year one deal synergies will disproportionately benefit the HCB segment
  - Incremental investments to accelerate growth, enhance infrastructure, and drive market differentiation
  - Suspension of the Health Insurer Fee in 2019 will impact certain operating ratios, while after-tax impact of this suspension vs. 2018 is immaterial
  - Certain one-time benefits realized by Aetna in 2018 are not expected to repeat in 2019
  - Excluding segment shift impacts, incremental investments in 2019 to accelerate growth, and impact of HIF suspension, operating income is expected to grow modestly over 2018

Guidance: 2019 Full-Year

Other Items

in millions, except tax rate	Full-Year 2019
Net Synergies	\$300 to \$350
Incremental Investment Spending	\$325 to \$350
Interest Expense	\$3,095 to \$3,145
Effective Tax Rate	~ 26%
Weighted Average Share Count	1,308
Cash Flow From Operations	\$9,800 to \$10,300
Net Capital Expenditures	\$2,300 to \$2,600
Cash Available for Debt Repayment	\$4,200 to \$4,600

Introducing Enterprise Modernization Initiative

- CVS and Aetna have a strong history of executing successful cost reduction and productivity initiatives and, through our integration, we are seeing the opportunity to make productivity gains across the enterprise
- Enterprise Modernization initiative consolidates various programs across the enterprise
- Expect savings and productivity gains generated by the initiative to:
  - Help offset competitive dynamics we are experiencing
  - Drive creation of more affordable products for our customers
  - Provide capacity that will help us achieve our financial targets as we continue to invest in our strategic and transformational initiatives
- We expect to generate run-rate savings of **$1.5 billion** to **$2.0 billion** in 2022
  - Savings over and above deal synergy targets

Guidance: Remainder of Year

Quarterly Earnings Progression

- Year-over-year growth of consolidated adjusted operating income will be highest through the first three quarters of the year as we wrap the addition of Aetna
- In Retail / LTC and PBM, we expect to see adjusted operating income growth in those segments improving as we move throughout the year
- Adjusted operating income within Health Care Benefits is expected to be greatest in Q1 and lowest in Q4
- GAAP EPS guidance for Q2 of **$1.20 to $1.24**
- Adjusted EPS guidance for Q2 of **$1.68 to $1.72**

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