



CVS Health Corporation

Supplemental Financial Information

Preliminary and Unaudited
First Quarter 2017
Earnings Release
May 2, 2017

The information in this supplement includes non-GAAP financial measures related to our company's performance, namely EBITDA and Adjusted EPS. In accordance with SEC regulations, the definitions of the non-GAAP items mentioned, as well as the reconciliations to comparable GAAP measures, are available on the investor relations portion of our website at investors.cvshealth.com.

This supplement contains financial information derived from our company's Form 10-Q for the quarter ended March 31, 2017. This filing is available on the investor relations portion of our website at investors.cvshealth.com.

GAAP

	First Quarter		
	<i>Three months ended</i>		
	March 31, 2017	March 31, 2016	+/-Variance
<i>(In millions, except per share amounts)</i>			
Net revenues	\$ 44,513.6	\$ 43,214.7	3.0%
Cost of revenues ⁽¹⁾	37,933.7	36,470.8	(4.0%)
Gross profit	6,579.9	6,743.9	(2.4%)
<i>gross margin</i>	14.8%	15.6%	(82) bps
Operating expenses ⁽²⁾⁽³⁾	4,787.4	4,558.9	(5.0%)
<i>as a % of net revenues</i>	10.8%	10.5%	(21) bps
Operating profit ⁽³⁾	\$ 1,792.5	\$ 2,185.0	(18.0%)
<i>operating margin</i>	4.0%	5.1%	(103) bps
Interest expense, net	252.3	283.2	10.9%
Other expenses	6.6	9.2	27.9%
Income before income tax provision	1,533.6	1,892.6	(19.0%)
Income tax provision	572.0	745.7	23.3%
<i>effective tax rate</i>	37.3%	39.4%	210 bps
Discontinued operations	(8.9)	(0.1)	(10,886.7%)
Net income	952.7	1,146.8	(16.9%)
<i>as a % of net revenues</i>	2.1%	2.7%	(51) bps
Net income (loss) attributable to noncontrolling interest	0.4	0.5	NM
Net income attributable to CVS Health	\$ 952.3	\$ 1,146.3	(16.9%)
<i>as a % of net revenues</i>	2.1%	2.7%	(51) bps
Earnings allocated to participating securities	4.3	6.0	29.6%
Income available for common shareholders	948.0	1,140.2	16.9%
Weighted average diluted shares outstanding	1,034.7	1,098.8	5.8%
GAAP diluted EPS from continuing ops	\$ 0.92	\$ 1.04	(10.9%)
Depreciation & amortization ⁽⁴⁾	619.7	616.6	0.5%
EBITDA	\$ 2,405.6	\$ 2,792.4	(13.9%)
<i>as a % of net revenues</i>	5.6%	6.6%	(96) bps

Footnotes

Totals may not foot due to rounding.

- Includes \$4 million of acquisition-related integration costs during the three months ended March 31, 2016 related to the acquisitions of Omnicare and the pharmacies and clinics of Target.
- Includes \$57 million of acquisition-related integration costs and a \$3 million charge related to a disputed 1999 legal settlement during the three months ended March 31, 2016. Includes \$15 million of acquisition-related integration costs during the three months ended March 31, 2017. In 2016, the costs relate to the acquisitions of Omnicare and the pharmacies and clinics of Target. In 2017, the costs relate to the acquisition of Omnicare. Includes a \$199 million charge primarily for noncancelable lease obligations associated with stores closed in connection with our enterprise streamlining initiative during the three months ended March 31, 2017.
- Amounts revised to reflect the adoption of ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which decreased operating expenses and increased operating profit by \$9 million for the three months ended March 31, 2016.
- Includes \$7 million of acquisition-related integration depreciation during the three months ended March 31, 2016 related to the acquisitions of Omnicare and the pharmacies and clinics of Target.

	First Quarter		
	Three months ended		
<i>(In millions)</i>	March 31, 2017	March 31, 2016	+/-Variance
Net revenues	\$ 31,222.7	\$ 28,765.0	8.5%
Cost of revenues	30,126.3	27,663.2	(8.9%)
Gross profit	1,096.4	1,101.8	(0.5%)
<i>gross margin</i>	3.5%	3.8%	(32) bps
Operating expenses ⁽¹⁾	312.5	318.0	1.7%
<i>as a % of net revenues</i>	1.0%	1.1%	10 bps
Operating profit ⁽¹⁾	\$ 783.9	\$ 783.8	0.0%
<i>operating margin</i>	2.5%	2.7%	(21) bps
Net revenues:			
Mail choice	10,847.7	10,149.5	6.9%
Pharmacy network	20,301.0	18,536.3	9.5%
Other	74.0	79.2	(6.6%)
Pharmacy claims processed (old method):			
Total	330.1	304.8	8.3%
Mail choice	22.8	21.7	5.0%
Pharmacy network	307.4	283.1	8.6%
Total adjusted claims ⁽²⁾	370.6	343.7	7.8%
Pharmacy claims processed (new method):			
Total adjusted claims ⁽³⁾	440.5	401.9	9.6%
Adjusted mail choice	63.7	61.0	4.5%
Adjusted pharmacy network	376.8	340.9	10.5%
Generic dispensing rate:			
Total	87.0%	85.6%	140 bps
Mail Choice	79.2%	77.3%	190 bps
Pharmacy network	87.7%	86.5%	120 bps
Mail choice penetration rate (old method) ⁽³⁾	17.1%	17.6%	(57) bps
Mail choice penetration rate (new method) ⁽³⁾	14.5%	15.2%	(71) bps

Footnotes

Totals may not foot due to rounding.

- Amounts revised for the three months ended March 31, 2016 to reflect the adoption of ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which decreased operating expenses and increased operating profit by \$2 million.
- Includes the adjustment to convert 90-day, non-specialty mail-choice 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. PBM retail claims are not adjusted.
- Beginning in Q1 2017, 90-day prescriptions filled within our pharmacy networks are adjusted to the equivalent of three 30-day prescriptions.

<i>(In millions)</i>	First Quarter		
	<i>Three months ended</i>		
	March 31, 2017	March 31, 2016	+/-Variance
Net revenues	\$ 19,340.5	\$ 20,111.7	(3.8%)
Cost of revenues ⁽¹⁾	13,664.7	14,282.1	4.3%
Gross profit	5,675.8	5,829.6	(2.6%)
<i>gross margin</i>	29.3%	29.0%	36 bps
Operating expenses ⁽²⁾⁽³⁾	4,264.8	4,045.5	(5.4%)
<i>as a % of net revenues</i>	22.1%	20.1%	(194) bps
Operating profit ⁽³⁾	\$ 1,411.0	\$ 1,784.1	(20.9%)
<i>operating margin</i>	7.3%	8.9%	(158) bps
RETAIL STATISTICS			
Same-store increase (decrease) ⁽⁴⁾:			
Total sales	(4.7%)	4.2%	(890) bps
Retail pharmacy sales	(4.7%)	5.5%	(1020) bps
Retail front store sales	(4.9%)	0.7%	(560) bps
Total prescription volume	(3.8%)	4.4%	(820) bps
Total adjusted prescription volume ⁽⁵⁾	(1.4%)	5.9%	(730) bps
SEGMENT STATISTICS			
Net revenues increase (decrease):			
Total	(3.8%)	18.6%	(2248) bps
Pharmacy	(3.8%)	23.7%	(2751) bps
Front store	(3.9%)	2.6%	(645) bps
Generic dispensing rate	87.5%	85.7%	179 bps
Rx % of net revenues	74.6%	74.6%	2 bps
FS % of net revenues	23.9%	23.9%	(1) bps
Retail/LTC prescriptions filled	239.6	246.4	(2.7%)
Adjusted retail/LTC prescriptions filled ⁽⁵⁾	303.1	305.1	(0.6%)

Footnotes

- Totals may not foot due to rounding.
- Includes \$4 million of acquisition-related integration costs during the three months ended March 31, 2016 related to the acquisitions of Omnicare and the pharmacies and clinics of Target.
 - Includes \$57 million of acquisition-related integration costs during the three months ended March 31, 2016. Includes \$15 million of acquisition-related integration costs during the three months ended March 31, 2017. In 2016, the costs relate to the acquisitions of Omnicare and the pharmacies and clinics of Target. In 2017, the costs relate to the acquisition of Omnicare. Includes a \$199 million charge primarily for noncancelable lease obligations associated with stores closed in connection with our enterprise streamlining initiative during the three months ended March 31, 2017.
 - Amounts revised for the three months ended March 31, 2016 to reflect the adoption of ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which decreased operating expenses and increased operating profit by \$7 million.
 - Same store sales and prescriptions exclude revenues from MinuteClinic[®], and revenue and prescriptions from stores in Brazil, LTC operations and from commercialization services.
 - Includes the 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.

<i>(In millions)</i>	First Quarter			+/- Variance
	<i>Three months ended</i>			
	March 31, 2017	March 31, 2016		
Net revenues	\$ -	\$ -		N/A
Cost of revenues	-	-		N/A
Gross profit	-	-		N/A
<i>gross margin</i>	N/A	N/A		N/A
Operating expenses ⁽¹⁾	226.6	210.8		(7.5%)
<i>as a % of net revenues</i>	N/A	N/A		N/A
Operating profit	\$ (226.6)	\$ (210.8)		(7.5%)
<i>operating margin</i>	N/A	N/A		N/A

Footnotes

Totals may not foot due to rounding.

1 Includes a \$3 million charge related to a disputed 1999 legal settlement during the three months ended March 31, 2016.

<i>(In millions)</i>	First Quarter		
	<i>Three months ended</i>		
	March 31, 2017	March 31, 2016	+/- Variance
Net revenues	\$ (6,049.6)	\$ (5,662.0)	(6.8%)
Cost of revenues	(5,857.3)	(5,474.5)	7.0%
Gross profit	(192.3)	(187.5)	(2.6%)
<i>gross margin</i>	3.2%	3.3%	(13) bps
Operating expenses	(16.6)	(15.3)	(8.4%)
<i>as a % of net revenues</i>	0.3%	0.3%	0 bps
Operating profit	\$ (175.7)	\$ (172.2)	(2.0%)
<i>operating margin</i>	2.9%	3.1%	(14) bps

Footnotes

Totals may not foot due to rounding.

Adjusted to Exclude Certain Items

Supplemental Information: Consolidated Statement of Income
(Excluding Certain Items)

First Quarter 2017

	First Quarter		
	Three months ended		
	March 31, 2017	March 31, 2016	+/- Variance
<i>(In millions, except per share amounts)</i>			
Net revenues	\$ 44,513.6	\$ 43,214.7	3.0%
Cost of revenues ⁽¹⁾	37,933.0	36,466.9	(4.0%)
Gross profit	6,580.6	6,747.8	(2.5%)
<i>gross margin</i>	14.8%	15.6%	(83) bps
Operating expenses ⁽²⁾⁽³⁾	4,574.3	4,499.0	(1.7%)
<i>as a % of net revenues</i>	10.3%	10.4%	13 bps
Operating profit ⁽³⁾	\$ 2,006.3	\$ 2,248.8	(10.8%)
<i>operating margin</i>	4.5%	5.2%	(70) bps
Interest expense, net	252.3	283.2	10.9%
Other expenses	6.6	9.2	27.9%
Income before income tax provision	1,747.4	1,956.4	(10.7%)
Amortization	200.4	199.5	0.4%
Adjusted net income before income tax provision	1,947.8	2,155.9	(9.7%)
Adjusted income tax provision	734.3	847.3	13.3%
<i>effective tax rate</i>	37.7%	39.3%	160 bps
Adjusted net income	1,213.5	1,308.6	(7.3%)
<i>as a % of net revenues</i>	2.7%	3.0%	(30) bps
Earnings allocated to participating securities	5.1	6.9	25.7%
Net income attributable to noncontrolling interest	0.4	0.5	NM
Adjusted net income attributable to CVS Health	\$ 1,208.0	\$ 1,301.2	(7.2%)
<i>as a % of net revenues</i>	2.7%	3.0%	(30) bps
Weighted average diluted shares outstanding	1,034.7	1,098.8	5.8%
Adjusted EPS from continuing operations	\$ 1.17	\$ 1.18	(1.4%)
Depreciation & amortization ⁽⁴⁾	619.6	609.4	1.7%
EBITDA	\$ 2,619.3	\$ 2,849.0	(8.1%)
<i>as a % of net revenues</i>	5.9%	6.6%	(71) bps

Footnotes

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 - Excludes \$57 million of acquisition-related integration costs and a \$3 million charge related to a disputed 1999 legal settlement during the three months ended March 31, 2016. Excludes \$15 million of acquisition-related integration costs during the three months ended March 31, 2017. In 2016, the costs relate to the acquisitions of Omnicare and the pharmacies and clinics of Target. In 2017, the costs relate to the acquisition of Omnicare. Excludes a \$199 million charge primarily for noncancelable lease obligations associated with stores closed in connection with our enterprise streamlining initiative during the three months ended March 31, 2017.
 - Amounts revised to reflect the adoption of ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which decreased operating expenses and increased operating profit by \$9 million for the three months ended March 31, 2016.
 - Excludes \$7 million of acquisition-related integration depreciation during the three months ended March 31, 2016 related to the acquisitions of Omnicare and the pharmacies and clinics of Target.

Supplemental Information: Pharmacy Services Segment
(Excluding Certain Items)

First Quarter 2017

(In millions)	First Quarter		
	Three months ended		
	March 31, 2017	March 31, 2016	+/- Variance
Net revenues	\$ 31,222.7	\$ 28,765.0	8.5%
Cost of revenues	30,126.3	27,663.2	(8.9%)
Gross profit	1,096.4	1,101.8	(0.5%)
gross margin	3.5%	3.8%	(32) bps
Operating expenses ⁽¹⁾	312.5	317.9	1.7%
as a % of net revenues	1.0%	1.1%	10 bps
Operating profit ⁽¹⁾	\$ 783.9	\$ 783.9	0.0%
operating margin	2.5%	2.7%	(21) bps
Depreciation and amortization	180.3	178.0	1.3%
EBITDA	\$ 963.1	\$ 959.9	0.3%
as a % of net revenues	3.1%	3.3%	(25) bps
Net revenues:			
Mail choice	10,847.7	10,149.5	6.9%
Pharmacy network	20,301.0	18,536.3	9.5%
Other	74.0	79.2	(6.6%)
Pharmacy claims processed (old method):			
Total	330.1	304.8	8.3%
Mail choice	22.8	21.7	5.0%
Pharmacy network	307.4	283.1	8.6%
Total adjusted claims ⁽²⁾	370.6	343.7	7.8%
Pharmacy claims processed (new method):			
Total adjusted claims ⁽³⁾	440.5	401.9	9.6%
Adjusted mail choice	63.7	61.0	4.5%
Adjusted pharmacy network	376.8	340.9	10.5%
Generic dispensing rate:			
Total	87.0%	85.6%	140 bps
Mail Choice	79.2%	77.3%	190 bps
Pharmacy network	87.7%	86.5%	120 bps
Mail choice penetration rate (old method) ⁽³⁾	17.1%	17.6%	(57) bps
Mail choice penetration rate (new method) ⁽³⁾	14.5%	15.2%	(71) bps

Footnotes

Totals may not foot due to rounding.

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- Beginning in Q1 2017, 90-day prescriptions filled within our pharmacy networks are adjusted to the equivalent of three 30-day prescriptions.

Supplemental Information: Retail/LTC Segment
(Excluding Certain Items)

First Quarter 2017

(In millions)	First Quarter		
	Three months ended		
	March 31, 2017	March 31, 2016	+/- Variance
Net revenues	\$ 19,340.5	\$ 20,111.7	(3.8%)
Cost of revenues ⁽¹⁾	13,664.0	14,278.2	4.3%
Gross profit	5,676.5	5,833.5	(2.7%)
gross margin	29.4%	29.0%	34 bps
Operating expenses ⁽²⁾⁽³⁾	4,051.8	3,988.9	(1.6%)
as a % of net revenues	20.9%	19.8%	(112) bps
Operating profit ⁽³⁾	\$ 1,624.7	\$ 1,844.6	(11.9%)
operating margin	8.4%	9.2%	(77) bps
Depreciation and amortization	411.2	400.9	2.5%
EBITDA	\$ 2,030.9	\$ 2,238.5	(9.3%)
as a % of net revenues	10.6%	11.1%	(63) bps
RETAIL STATISTICS			
Same-store increase (decrease) ⁽⁴⁾:			
Total sales	(4.7%)	4.2%	(890) bps
Retail pharmacy sales	(4.7%)	5.5%	(1020) bps
Retail front store sales	(4.9%)	0.7%	(560) bps
Total prescription volume	(3.8%)	4.4%	(820) bps
Total adjusted prescription volume ⁽⁵⁾	(1.4%)	5.9%	(730) bps
SEGMENT STATISTICS			
Net revenues increase (decrease):			
Total	(3.8%)	18.6%	(2248) bps
Pharmacy	(3.8%)	23.7%	(2751) bps
Front store	(3.9%)	2.6%	(645) bps
Generic dispensing rate	87.5%	85.7%	179 bps
Rx % of net revenues	74.6%	74.6%	2 bps
FS % of net revenues	23.9%	23.9%	(1) bps
Retail/LTC prescriptions filled	239.6	246.4	(2.7%)
Adjusted retail/LTC prescriptions filled ⁽⁵⁾	303.1	305.1	(0.6%)

Footnotes

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- Same store sales and prescriptions exclude revenues from MinuteClinic[®], and revenue and prescriptions from stores in Brazil, LTC operations and from commercialization services.
- Includes the 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.

**Supplemental Information: Corporate Segment
(Excluding Certain Items)**
First Quarter 2017

<i>(In millions)</i>	First Quarter			
	<i>Three months ended</i>			
	March 31, 2017	March 31, 2016	+/- Variance	
Net revenues	\$ -	\$ -	N/A	
Cost of revenues	-	-	N/A	
Gross profit	-	-	N/A	
<i>gross margin</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	
Operating expenses ⁽¹⁾	226.6	207.5	(9.2%)	
<i>as a % of net revenues</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	
Operating profit	\$ (226.6)	\$ (207.5)	(9.2%)	
<i>operating margin</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	
Depreciation and amortization	28.2	30.4	(7.4%)	
EBITDA	\$ (199.4)	\$ (177.0)	(12.6%)	
<i>as a % of net revenues</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	

Footnotes

Totals may not foot due to rounding.

1 Excludes a \$3 million charge related to a disputed 1999 legal settlement during the three months ended March 31, 2016.