CVS Health Corp

Recommendation HOLD ★★★★★

Equity Analyst J. Agnese

Price
$77.66 (as of Aug 18, 2017 4:00 PM ET)

12-Mo. Target Price
$83.00

Report Currency
USD

Investment Style
Large-Cap Blend

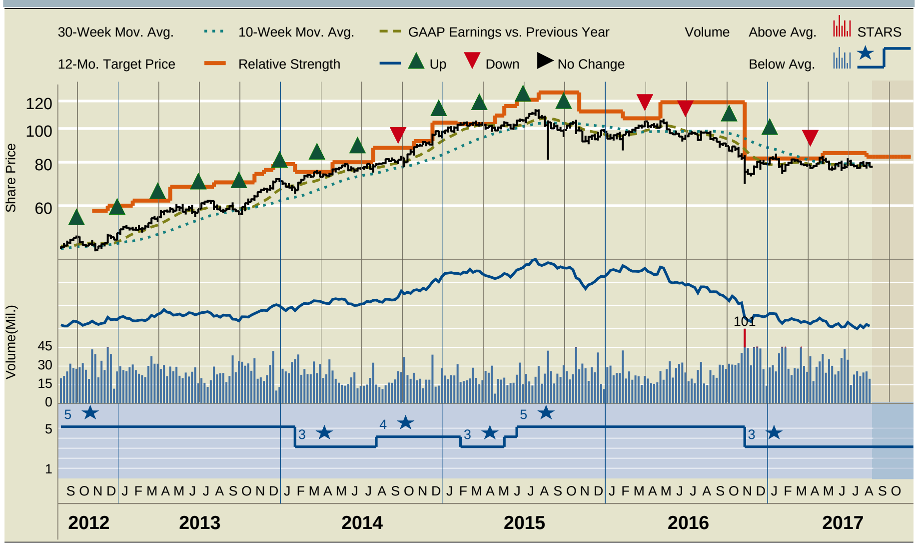
GICS Sector Consumer Staples
Sub-Industry Drug Retail

Summary This company is the largest pharmacy health care provider in the U.S.

Key Stock Statistics (Source CFRA, S&P Global Market Intelligence, Vickers, company reports)

52-Wk Range	**$98.44– 69.30**	Oper. EPS 2017**E**	**5.88**	Market Capitalization(B)	**$79.120**	Beta	**1.05**
Trailing 12-Month EPS	**$5.02**	Oper. EPS 2018**E**	**6.38**	Yield (%)	**2.58**	3-Yr. Proj. EPS CAGR(%)	**9**
Trailing 12-Month P/E	**15.5**	P/E on Oper. EPS 2017**E**	**13.2**	Dividend Rate/Share	**$2.00**	S&P Quality Ranking	**A+**
$10K Invested 5 Yrs Ago	**$18,644**	Common Shares Outstg. (M)	**1,018.8**	Institutional Ownership (%)	**83**		

Price Performance



Past performance is not an indication of future performance and should not be relied upon as such.

Analysis prepared by Equity Analyst **J. Agnese** on Aug 08, 2017 02:41 PM, when the stock traded at **$78.03**.

Highlights

- We expect total sales in 2017 to rise 3.7% to $184.1 billion, reflecting the integration of recent acquisitions and $5.4 billion in net new pharmacy benefit management client wins, partially offset by lower drug price inflation. We see same store sales declining 3.4% in 2017 on weaker promotion driven traffic and as additional health plan networks restrict the CVS store base, partially offset by increased basket sizes.
- We expect EBITDA margins to narrow to 7.0% in 2017, down from 7.4% in 2016, reflecting a shift in business mix following recent acquisitions, a less favorable pricing environment and reduced drug reimbursement levels, partially offset by the realization of acquisition synergies and improved drug sourcing. We expect increased sales of generic drugs and private label products to help alleviate some margin pressures in 2017.
- Following an estimated 4.1% decline in shares on our expectation for $5.0 billion in company repurchases, we see 2017 operating EPS of $5.88, up slightly from operating EPS of $5.84 reported in 2016 (excluding amortization of intangibles in both years).

Investment Rationale/Risk

- The company acquired Omnicare, a drug and services provider to the long-term and specialty health care industries, in August 2015, for a total enterprise value of $12.7 billion. We view the deal favorably on expected significant synergies being achieved through revenues, purchasing, and operations. We see further long-term purchasing benefits after CVS acquired Target's (TGT) 1,670 pharmacies for $1.9 billion in December 2015.
- Risks to our recommendation and target price include a greater-than-expected decline in drug reimbursements from federal and state governments, as well as a loss of market share within the PBM services or retail pharmacy businesses.
- Our 12-month target price of $83 applies a forward P/E multiple of 13.8X, at the low end of CVS's 13.8X-25.5X five-year trading range, to our forward 12-month EPS estimate of $6.05. We see valuation hurt by lower retail prescription volume growth and slowing expected EPS growth due to the expansion of restricted retail drug networks, despite pharmacy benefit management business customer wins for 2018.

Analyst's Risk Assessment

LOW	MEDIUM	HIGH

Our risk assessment reflects the company's leadership position and strong market share in the relatively stable U.S. retail drug industry, offset by acquisition-integration risk and the growth of non-traditional competitors.

Revenue/Earnings Data

Revenue (Million U.S. $)

	1Q	2Q	3Q	4Q	Year
2017	44,514	45,685	--	--	--
2016	43,215	43,725	44,615	45,971	177,526
2015	36,332	37,169	38,644	41,145	153,290
2014	32,689	34,602	35,021	37,055	139,367
2013	30,751	31,248	31,932	32,830	126,761
2012	30,798	30,714	30,227	31,394	123,133

Earnings Per Share (U.S. $)

2017	0.92	**E**1.31	**E**1.49	**E**1.89	**E**5.88
2016	1.04	0.86	1.43	1.59	4.91
2015	1.07	1.12	1.10	--	4.62
2014	0.95	1.06	0.81	1.14	3.96
2013	0.77	0.91	1.03	1.05	3.75
2012	0.59	0.75	0.79	0.90	3.03

Fiscal year ended Dec. 31. Next earnings report expected: Early November. EPS Estimates based on CFRA Operating Earnings; historical GAAP earnings are as reported in Company reports.

Dividend Data

Amount ($)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.425	Sep 22	Oct 20	Oct 24	Nov 3 '16
0.500	Dec 14	Jan 20	Jan 24	Feb 2 '17
0.500	Mar 2	Apr 19	Apr 21	May 1 '17
0.500	Jul 6	Jul 20	Jul 24	Aug 3 '17

Dividends have been paid since 1916. Source: Company reports.

Past performance is not an indication of future performance and should not be relied upon as such.

CVS Health Corp

Business Summary August 08, 2017

CORPORATE OVERVIEW. CVS Health Corporation operates one of the largest drug store chains and pharmacy benefit managers in the U.S., based on revenues, net income, and store count. Drug stores offer prescription drugs and a wide assortment of general merchandise, including OTC drugs, beauty products and cosmetics, film and photo finishing services, seasonal merchandise, greeting cards, and convenience foods. Pharmacy benefit management offerings include mail order pharmacy service, specialty pharmacy services, plan design and administration, formulary management, and claims processing.

MARKET PROFILE. CVS operated about 9,600 retail drugstores as of December 2015, in 49 states, the District of Columbia, Puerto Rico, and Brazil. As of December 2015, the company had stores in 98 of the top 100 U.S. drug store markets, holding the number one or number two market share in 93 of these markets. It filled more than 823.5 million prescriptions in 2015, accounting for 21.7% of the U.S. retail pharmacy market. Pharmacy operations are critical to CVS's success, in our view, accounting for about 74% of retail store sales in 2015. Over-the-counter and personal care products accounted for 10.9% of sales. Payments by third-party managed care providers under prescription drug plans accounted for 99% of pharmacy sales in 2014. Private label brands contributed about 21% of non-pharmacy sales in retail stores in 2015.

CVS's pharmacy services segment provides a full range of pharmacy benefit management (PBM) services including the operation of mail order pharmacies, specialty pharmacies, Medicare Part D services, formulary management and discounted drug purchase agreements. This business generated $100.4 billion of sales in 2015, or 65% of total company sales (excluding intersegment eliminations). The company's specialty pharmacy business operates 24 retail specialty pharmacy stores, 11 specialty mail order pharmacies, and five mail service pharmacies.

CVS is also the largest operator of retail health care clinics in the U.S. As of December 2015, it operated 1,135 retail health care clinics in 33 states under the MinuteClinic name. The clinics diagnose and treat minor health conditions, perform health screenings, monitor chronic conditions, and deliver vaccinations. The company opened 85 new clinics in 2015 and acquired 79 clinics from Target in December 2015.

CORPORATE STRATEGY. Through its retail stores, the company aims to improve customers' access to care while helping lower overall health care costs and improve health outcomes. As a result, in addition to filling prescriptions, its retail pharmacists are increasing their focus on providing services, such as flu vaccinations and in-person counseling. Additionally, through its many possible interactions with customers through both retail (stores and websites) and pharmacy services (mail and specialty pharmacy, call centers), the company strives to influence plan members in behaviors that lower costs and improve health care outcomes.

IMPACT OF MAJOR DEVELOPMENTS. The company acquired Target's pharmacy business, consisting of 1,660 locations and 80 in-store health clinics, in December 2015 for approximately $1.9 billion. The 79 clinics purchased are to be re-branded MinuteClinic. In addition, CVS is to open 20 new clinics within Target stores by the end of 2018. Additionally, CVS and Target plan to develop five to 10 small format stores over a two-year period following the close of the transaction.

The company acquired Omnicare, a prescription drug and service provider to the long-term health and specialty healthcare industries, for a total enterprise value of $12.7 billion in August 2015. CVS see's EPS accretion of $0.20 in 2016 and $0.30 in 2017, reflecting significant synergies in revenues, purchasing and improved operating efficiencies.

The company acquired Coram LLC, a specialty infusion services and enteral nutrition business, from Apria Healthcare Group for $2.1 billion in January 2014.

FINANCIAL TRENDS. Sales in 2015 grew 10.0% on net new pharmacy service client wins, 1.7% rise in drugstore same-store sales and the acquisition of Omnicare in August 2015, despite negative impacts from increased sales of lower-priced generic drugs and the removal of tobacco products from its shelves in September 2014. However, margins narrowed in 2015 on a shift in business mix due to the inclusion of Omnicare, the loss of wider margin tobacco sales, and the associated non-pharmacy products typically purchased on the same shopping trip, despite a favorable shift in product mix toward generic drugs.

Corporate Information

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Officers

Chrmn
D.W. Dorman

EVP & CFO
D.M. Denton

CEO & Pres
L.J. Merlo

EVP & General Counsel
T.M. Moriarty

COO & EVP
J.C. Roberts

Board Members

R. M. Bracken	C. D. Brown, II
A. A. DeCoudreaux	N. M. DeParle
D. W. Dorman	A. M. Finucane
L. J. Merlo	J. Millon
M. L. Schapiro	R. J. Swift
W. C. Weldon	T. L. White

Domicile
Delaware

Auditor
ERNST & YOUNG

Founded
1892

Employees
250,000

Stockholders
22,646

CVS Health Corp

Quantitative Evaluations

Fair Value Rank 5+

1 | 2 | 3 | 4 | 5

LOWEST — HIGHEST

Based on CFRA's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).

Fair Value Calculation $112.00

Analysis of the stock's current worth, based on CFRA's proprietary quantitative model suggests that CVS is Undervalued by $34.34 or 44.2%.

Investability Quotient Percentile

100

LOWEST = 1 — HIGHEST = 100

CVS scored higher than 100% of all companies for which a Report is available.

Volatility

LOW | AVERAGE | HIGH

Technical Evaluation BULLISH

Since August, 2017, the technical indicators for CVS have been BULLISH.

Insider Activity

UNFAVORABLE | NEUTRAL | FAVORABLE

Expanded Ratio Analysis

	2016	2015	2014	2013
Price/Sales	0.48	0.72	0.81	0.69
Price/EBITDA	6.52	9.29	10.50	8.92
Price/Pretax Income	9.86	12.78	14.66	11.66
P/E Ratio	16.01	21.06	24.24	19.07
Avg. Diluted Shares Outstg (M)	1,079.0	1,126.0	1,169.0	1,226.0

Figures based on calendar year-end price

Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Sales	15.81	11.69	9.82	8.99
Net Income	1.72	5.69	8.98	7.25
Ratio Analysis (Annual Avg.)				
Net Margin (%)	3.00	3.25	3.30	3.44
% LT Debt to Capitalization	40.99	34.96	29.87	24.80
Return on Equity (%)	14.29	13.44	12.55	11.34

Company Financials Fiscal Year Ended Dec. 31

Per Share Data (U.S. $)	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Tangible Book Value	NM	NM	0.04	1.58	1.26	1.33	1.65	NM	NM	NM
Cash Flow	7.22	6.50	5.63	5.28	4.40	3.75	3.56	3.52	3.13	2.71
Earnings	4.91	4.62	3.96	3.75	3.03	2.59	2.50	2.56	2.27	1.92
Core Earnings	NA	NA	NA	NA	NA	NA	NA	NA	2.27	1.92
Dividends	1.70	1.40	1.10	0.90	0.65	0.50	0.35	0.30	0.26	0.23
Payout Ratio	35%	30%	28%	24%	21%	19%	14%	12%	11%	12%
Prices:High	106.67	113.65	98.62	71.99	49.80	41.35	37.82	38.27	44.29	42.60
Prices:Low	69.30	81.37	64.95	49.00	41.01	31.30	26.84	23.74	23.19	30.45
P/E Ratio:High	22	25	25	19	16	16	15	15	20	22
P/E Ratio:Low	14	18	16	13	14	12	11	9	10	16
Income Statement Analysis (Million U.S. $)										
Revenue	177,526	153,290	139,367	126,761	123,133	107,100	96,413	98,729	87,472	76,330
Operating Income	13,050	11,856	10,724	9,835	8,981	7,898	7,634	7,827	7,343	5,970
Depreciation	2,475	2,092	1,931	1,870	1,753	1,568	1,469	1,389	1,274	1,095
Interest Expense	1,078	807	615	517	561	584	536	530	558	492
Pretax Income	8,637	8,616	7,678	7,528	6,323	5,746	5,629	5,913	5,537	4,359
Effective Tax Rate	38.4%	39.3%	39.5%	38.9%	38.6%	39.3%	38.9%	37.3%	39.6%	39.5%
Net Income	5,318	5,228	4,645	4,600	3,884	3,488	3,439	3,708	3,344	2,637
Core Earnings	NA	NA	NA	NA	NA	NA	NA	NA	3,330	2,623
Balance Sheet & Other Financial Data (Million U.S. $)										
Cash	3,458	2,547	2,515	4,177	1,380	1,418	1,431	1,091	1,352	1,084
Current Assets	31,042	30,378	25,983	25,325	19,852	18,594	17,706	17,537	16,526	14,149
Total Assets	94,462	93,657	74,252	71,526	65,912	64,543	62,169	61,641	60,960	54,722
Current Liabilities	26,250	23,169	19,027	15,425	13,790	11,956	11,070	12,300	13,490	10,766
Long Term Debt	25,615	26,267	11,695	12,841	9,133	9,208	8,652	8,756	8,057	8,350
Common Equity	36,830	37,196	37,958	37,938	37,704	38,051	37,700	35,768	34,383	31,163
Total Capital	62,491	64,706	50,233	51,340	46,842	47,375	47,525	46,665	46,333	43,048
Capital Expenditures	2,224	2,367	2,136	1,984	2,030	1,872	2,005	2,548	2,180	1,805
Cash Flow	7,793	7,320	6,576	6,470	5,637	5,056	4,908	5,097	4,604	3,717
Current Ratio	1.2	1.3	1.4	1.6	1.4	1.6	1.6	1.4	1.2	1.3
% Long Term Debt of Capitalization	41.0	40.6	23.3	25.0	19.5	19.4	18.2	18.8	17.4	19.4
% Net Income of Revenue	3.0	3.4	3.3	3.6	3.2	3.3	3.6	3.8	3.8	3.5
% Return on Assets	5.7	6.2	6.4	6.7	6.0	5.5	5.6	6.1	5.8	7.0
% Return on Equity	14.3	13.8	12.2	12.2	10.3	9.2	9.4	10.6	10.2	12.8

Data as originally reported in Company reports.; bef. results of disc opers/spec. items. Per share data adj. for stk. divs.; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

CVS Health Corp

Sub-Industry Outlook

We have a neutral fundamental outlook on the drug retail sub-industry for the next 12 months. We see sales benefiting from increased demand from aging baby boomers and expanded health care coverage. We see margins benefits from increased generic drug purchasing power and improved sales leverage. However, we see margin expansion limited by intense drug reimbursement pressure and increased competition from non-traditional formats.

Companies within the retail drug industry are well positioned, in our view, to benefit in 2017 from increased prescription drug usage and further development of private loyalty card programs. Prescription volumes will likely rise significantly in 2017 as people gain health care coverage due to implementation of the Affordable Care Act. Reflecting convenient locations close to consumers' homes, retail drugstores are better positioned to take market share from non-traditional competitors. Expansion of loyalty card programs will likely help support increased basket sizes and traffic, reflecting a more personal shopping experience for customers. Additionally, loyalty programs will likely help support retailer margins due to improved marketing and promotional spend efficiency. We think traffic will also be aided as an aging U.S. baby boomer generation, with nearly 10,000 people turning 65 years old every day, results in increased demand for retailers' prescription drug offerings.

While we do not expect any near-term adverse impacts from potential changes in health care legislation in 2017, longer-term demand would be restricted if people lose health care coverage. Also, we expect prescription revenue growth to be somewhat limited over the next 12 months due to the conversion of branded drugs to lower-priced generic drugs. A near-term peak in benefits from the sale of generic drugs occurred in mid-2013. But we expect a slight acceleration in generic drug sales in 2017 as additional branded drugs lose patent protection. Also, we see in-store health clinic offerings helping drive store traffic and prescription and front-end sales, as services are expanded.

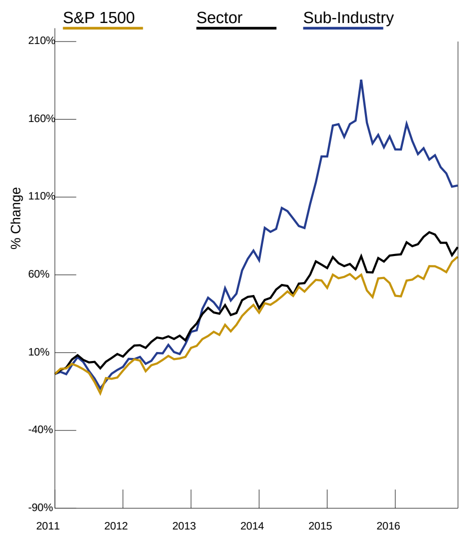
Year to date through June 9th, the S&P Drug Retail Index decreased 0.5%, compared to an 8.2% rise for the S&P 1500. In 2016, the industry index declined 12.5%, compared to a 10.6% increase in the S&P 1500. We think the underperformance in 2016 reflected increased industry drug reimbursement pressures and slowing in-store traffic trends due to increased competition, despite increased demand from favorable demographics (aging baby boomers), and expanded health care coverage in the U.S.

--Joseph Agnese

Industry Performance

GICS Sector: **Consumer Staples**
Sub-Industry: **Drug Retail**

Based on S&P 1500 Indexes
Five-Year market price performance through Aug 19, 2017



NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

Past performance is not an indication of future performance and should not be relied upon as such.

Sub-Industry : Drug Retail Peer Group*: Drug Stores

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil. $)	Recent Stock Price($)	52 Week High/Low($)	Beta	Yield (%)	P/E Ratio	Fair Value Calc.($)	S&P Quality Ranking	IQ %ile	Return on Revenue (%)	LTD to Cap (%)
CVS Health Corp	**CVS**	**79,120**	**77.66**	**98.44/69.30**	**1.05**	**2.6**	**15**	**112.00**	**A+**	**100**	**3.0**	**41.0**
Rite Aid	RAD	2,320	2.22	8.77/2.21	1.62	Nil	NM	NA	B-	70	0.5	92.2
Walgreens Boots Alliance	WBA	87,136	80.03	88.00/75.18	1.40	2.0	20	85.20	A-	99	3.6	38.1

NA-Not Available NM-Not Meaningful NR-Not Rated. *For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

CVS Health Corp

Analyst Research Notes and other Company News

August 8, 2017
11:08 am ET ... CFRA KEEPS HOLD OPINION ON SHARES OF CVS HEALTH CORPORATION (CVS 79.12***): We lower our 12-month target by $2 to $83, a P/E of 13.8X, at the low end of CVS's 5-year range, our forward 12-month EPS estimate of $6.05. We see valuation pressured by drug reimbursement pressures and retail share losses. We lift our '17 EPS estimate $0.02 to $5.88. Q2 EPS of $1.33 vs. $1.32 is $0.02 above our estimate. Comparable store sales fell 2.6%, narrower than we expected, reflecting restrictions for some pharmacy networks and lower promotional spending. Pharmacy service client retention is strong as CVS has won $1.8 billion in net new business thus far for '18 season. /J. Agnese

May 2, 2017
09:10 am ET ... CFRA KEEPS HOLD OPINION ON SHARES OF CVS HEALTH CORPORATION (CVS 81.96***): We raise our 12-month target by $3 to $85, a P/E of 13.8X, 25% below CVS's 5-year average, our forward 12-month EPS estimate of $6.15. We see valuation pressured due to expected prescription market share losses and intense drug reimbursement pressure, despite pharmacy service share gains in 2017. Q1 adjusted EPS of $1.17 vs. $1.18 is $0.07 above our estimate. Same store sales declined 4.7%, narrower than our estimate, as prescription share losses were less than we expected. While CVS will lose a large pharmacy services client in 2018, we don't expect a significant EPS impact. /J. Agnese

April 7, 2017
CVS Health announced that current executive vice president and general counsel Thomas M. Moriarty has been appointed to the newly created role of chief policy and external affairs officer for the pharmacy innovation company. Moriarty will continue to report directly to President and CEO Larry Merlo, and will bring together corporate communications, legal, government affairs and public policy under one operating unit to manage the company's external affairs in Washington, D.C. and state capitals across the country. In his expanded role, Moriarty will manage at the epicenter of corporate strategy and counsel, bringing an integrated set of capabilities to impact and shape national and state-specific public policy for CVS Health and its businesses. From this vantage point, Moriarty and his team will help promote the company's role in reshaping a health care industry that is more accessible and affordable, and that delivers better outcomes for patients. Moriarty joined CVS Health in 2012, and since that time has held several senior roles, including general counsel, chief strategy officer, and chairman of Red Oak Sourcing.

April 4, 2017
CVS Health Corp. has appointed Jonathan C Roberts as its executive vice president and chief operating officer. Prior to this appointment, Roberts worked for CVS Caremark Corp. as president of Caremark Pharmacy Services and executive vice president of CVS Caremark Caremark Co.

March 3, 2017
CVS Health Corporation announced that veteran executive Jonathan C. Roberts has been appointed to the new position of executive vice president and chief operating officer. He will continue to report directly to Larry Merlo, president and chief executive officer. Roberts currently serves as president of CVS Caremark, the company's leading pharmacy benefit management business. As chief operating officer, Roberts will have responsibility for consolidating operational oversight across CVS Health's unique suite of assets in order to achieve maximum efficiency, optimize investment of key resources, and most importantly, to deliver differentiated products and services to help people on their path to better health. Roberts also served as EVP of pharmacy purchasing, pricing and network relations from 2009 to 2010 and senior vice president and chief information officer from 2006 until 2008.

February 9, 2017
08:22 am ET ... S&P CAPITAL IQ KEEPS HOLD OPINION ON SHARES OF CVS HEALTH CORPORATION (CVS 77.03***): We keep our 12-month target of $82, a P/E of 14X, 25% below CVS's 5-year average, our 2017 EPS estimate of $5.86, up from $5.85. We set our 2018 EPS estimate at $6.38. Q4 adjusted EPS of $1.71 vs. $1.53 is $0.03 above our estimate. Pharmacy services results were higher than we expected with strength from specialty pharmacy, Medicare Part D lives and improved purchasing, despite continued pricing and drug reimbursement pressures. Retail store same store sales fell 0.7%, wider than we expected, on fewer promotions. We expect traffic trends to remain pressured by competition. /J. Agnese

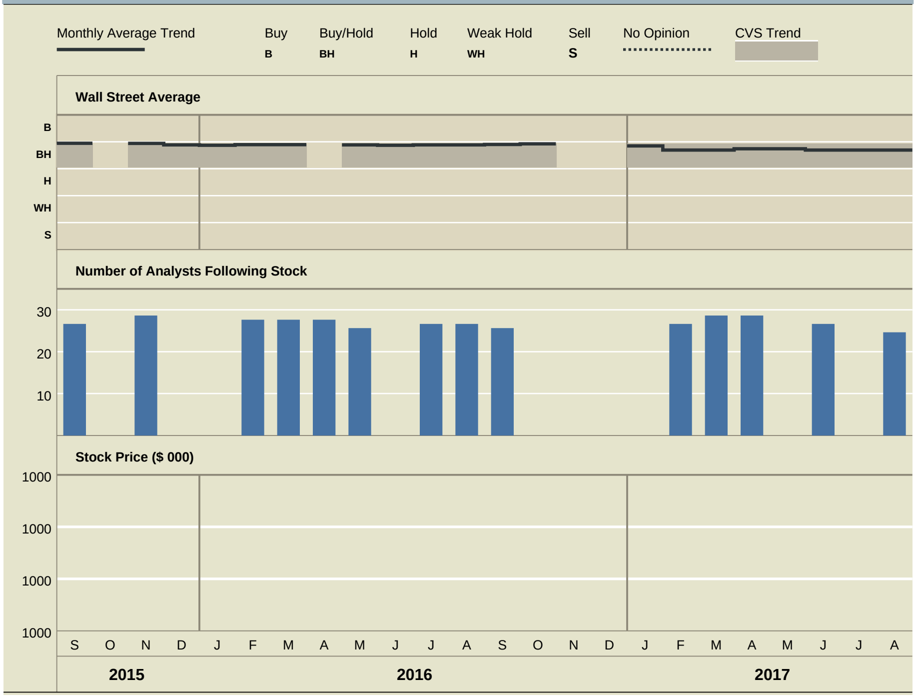
November 8, 2016
10:02 am ET ... S&P CAPITAL IQ DOWNGRADES OPINION ON CVS HEALTH SHARES TO HOLD FROM STRONG BUY (CVS 83.39***): We lower our 12-month target price by $37 to $82, a P/E of 14X, 25% below CVS's 5-year average, our 2017 EPS estimate of $5.85, down from $6.60. We see valuation hurt by lower retail prescription volume growth and slowing expected EPS growth due to the expansion of restricted retail drug networks, despite pharmacy benefit management business customer wins for 2017. We cut our 2016 EPS estimate by $0.05 to $5.81. Q3 adjusted EPS of $1.64 vs. $1.28 is $0.07 above our estimate on better than expected PBM results and as same store sales growth of 2.3% exceeded our 2.0% estimate. /J. Agnese

August 2, 2016
09:46 am ET ... S&P GLOBAL KEEPS STRONG BUY OPINION ON SHARES OF CVS HEALTH (CVS 93.49*****): We keep our 12-month target of $119, applying a P/E of 18X, in line with CVS's 3-year average, to our 2017 EPS estimate of $6.60. Q2 adjusted EPS of $1.32 vs. $1.22 is $0.02 above our estimate reflecting greater than expected share repurchases, improved drug purchasing and the integration of recent acquisitions. While non-pharmacy retail sales growth continues to be weak, we are encouraged by larger basket sizes and margin expansion. We see strength in pharmacy services on new client wins and growth in specialty drugs, despite continued pricing and drug reimbursement pressures. /J. Agnese

May 3, 2016
09:55 am ET ... S&P GLOBAL MAINTAINS STRONG BUY OPINION ON SHARES OF CVS HEALTH CORPORATION (CVS 101.45*****): We lift our 12-month target by $12 to $119, applying a P/E of 18X, in-line with CVS's 3-year average, to our 2017 EPS estimate of $6.60. We increase our 2016 EPS estimate by $0.02 to $5.86. Mar-Q adjusted EPS of $1.18 vs. $1.14 Is $0.02 above our estimate. Retail results are in-line with our estimates, with traffic and prescription volumes pressured by fewer promotions and a weak flu season, offset by benefits from leap day and an earlier Easter. We are encouraged by early 2017 pharmacy services wins as profits exceeded our expectations on strong prescription volume growth. /J. Agnese

CVS Health Corp

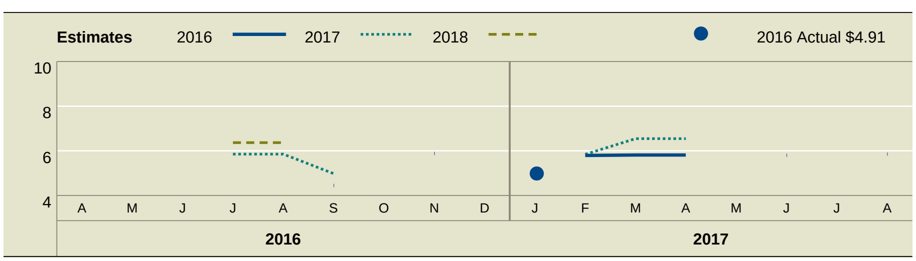
Analysts' Recommendations



Of the total 24 companies following CVS, 24 analysts currently publish recommendations.

	No. of Recommendations	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	11	46	13	0
Buy/Hold	4	17	5	0
Hold	9	37	8	0
Weak Hold	0	0	0	0
Sell	0	0	0	0
No Opinion	0	0	0	0
Total	**24**	**100**	**26**	**0**

Wall Street Consensus Estimates



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2018	6.38	6.89	6.27	23	12.2
2017	5.88	5.92	5.83	22	13.2
2018 vs. 2017	▲ 9%	▲ 16%	▲ 8%	▲ 5%	▼ -8%
Q3'18	1.68	1.85	1.58	12	46.2
Q3'17	1.49	1.51	1.47	20	52.1
Q3'18 vs. Q3'17	▲ 13%	▲ 23%	▲ 7%	▼ -40%	▼ -11%

A company's earnings outlook plays a major part in any investment decision. S&P Global Market Intelligence organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.

Wall Street Consensus Opinion

BUY/HOLD

Companies Offering Coverage

Argus Research Company
Atlantic Equities LLP
BofA Merrill Lynch
Citigroup Inc
Cleveland Research Company
Cowen and Company
Credit Suisse
Goldman Sachs
Guggenheim Securities, LLC
JP Morgan
Jefferies LLC
Leerink Partners LLC
Macquarie Research
Mizuho Securities USA, LLC
Morgan Stanley
Morningstar Inc.
Needham & Company
Oppenheimer & Co. Inc.
Raymond James & Associates
Robert W. Baird & Co.
SunTrust Robinson Humphrey, Inc.
UBS Investment Bank
Wells Fargo Securities, LLC
Wolfe Research, LLC.

Wall Street Consensus vs. Performance

For fiscal year 2017, analysts estimate that CVS will earn US$ 5.88. For the 2nd quarter of fiscal year 2017, CVS announced earnings per share of US$ 1.07, representing 18% of the total annual estimate. For fiscal year 2018, analysts estimate that CVS's earnings per share will grow by 9% to US$ 6.38.

Glossary

STARS
Since January 1, 1987, CFRA Equity and Fund Research Services, and its predecessor S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs (American Depositary Receipts), and ADSs (American Depositary Shares) based on a given equity's potential for future performance. Similarly, we have ranked Asian and European equities since June 30, 2002. Under proprietary STARS (STock Appreciation Ranking System), equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (S&P Asia 50 Index, S&P Europe 350® Index or S&P 500® Index)), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

S&P Capital IQ Quality Ranking
(also known as **S&P Capital IQ Earnings & Dividend Rankings**) - Growth and stability of earnings and dividends are deemed key elements in establishing S&P Capital IQ's earnings and dividend rankings for common stocks, which are designed to capsulize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B	Below Average
A	High	B-	Lower
A-	Above Average	C	Lowest
B+	Average	D	In Reorganization
NR	Not Ranked		

EPS Estimates
CFRA's earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, EPS estimates reflect either forecasts of equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by S&P Global Market Intelligence, a data provider to CFRA. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

Core Earnings
Core Earnings is a uniform methodology for adjusting operating earnings by focusing on a company's after-tax earnings generated from its principal businesses. Included in the definition are employee stock option grant expenses, pension costs, restructuring charges from ongoing operations, write-downs of depreciable or amortizable operating assets, purchased research and development, M&A related expenses and unrealized gains/losses from hedging activities. Excluded from the definition are pension gains, impairment of goodwill charges, gains or losses from asset sales, reversal of prior-year charges and provision from litigation or insurance settlements.

12-Month Target Price
The equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including Fair Value.

CFRA Equity Research
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Abbreviations Used in Equity Research Reports
CAGR - Compound Annual Growth Rate
CAPEX - Capital Expenditures
CY - Calendar Year
DCF - Discounted Cash Flow
DDM - Dividend Discount Model
EBIT - Earnings Before Interest and Taxes
EBITDA - Earnings Before Interest, Taxes, Depreciation and Amortization
EPS - Earnings Per Share
EV - Enterprise Value
FCF - Free Cash Flow
FFO - Funds From Operations
FY - Fiscal Year
P/E - Price/Earnings
P/NAV - Price to Net Asset Value
PEG Ratio - P/E-to-Growth Ratio
PV - Present Value
R&D - Research & Development
ROCE - Return on Capital Employed
ROE - Return on Equity
ROI - Return on Investment
ROIC - Return on Invested Capital
ROA - Return on Assets
SG&A - Selling, General & Administrative Expenses
SOTP - Sum-of-The-Parts
WACC - Weighted Average Cost of Capital

Dividends on American Depository Receipts (ADRs) and American Depository Shares (ADSs) are net of taxes (paid in the country of origin).

Qualitative Risk Assessment
Reflects an equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices. For an ETF this reflects on a capitalization-weighted basis, the average qualitative risk assessment assigned to holdings of the fund.

STARS Ranking system and definition:
★★★★★ **5-STARS (Strong Buy):**
Total return is expected to outperform the total return of a relevant benchmark, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.
★★★★☆ **4-STARS (Buy):**
Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.
★★★☆☆ **3-STARS (Hold):**
Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.
★★☆☆☆ **2-STARS (Sell):**
Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price not anticipated to show a gain.
★☆☆☆☆ **1-STAR (Strong Sell):**
Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks:
In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the S&P Europe 350 Index and the S&P Asia 50 Index, respectively.

CVS Health Corp

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Qualitative STARS recommendations are determined and assigned by equity analysts. For reports containing STARS recommendations refer to the Glossary section of the report for detailed methodology and the definition of STARS rankings.

Quantitative Stock Reports:

Quantitative recommendations are determined by ranking a universe of common stocks based on 5 measures or model categories: Valuation, Quality, Growth, Street Sentiment, and Price Momentum. In the U.S., a sixth sub-category for Financial Health will also be displayed. Percentile scores are used to compare each company to all other companies in the same universe for each model category. The five (six) model category scores are then weighted and rolled up into a single percentile ranking for that company. For reports containing quantitative recommendations refer to the Glossary section of the report for detailed methodology and the definition of Quantitative rankings.

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STARS Stock Reports:

Global STARS Distribution as of June 30, 2017

Ranking	North America	Europe	Asia	Global
Buy	37.4%	25.9%	36.6%	35.4%
Hold	55.1%	56.1%	39.4%	53.5%
Sell	7.5%	18.0%	24.0%	11.1%
Total	100%	100%	100%	100%

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