"Consumer Value Stores" began as a health and beauty aids chain in 1963. It grew to 17 stores in 1964. The first pharmacy opened in 1967. In 1969, the chain was sold to Melville, which aggressively expanded the operation, and coupled with that an aggressive acquisition strategy that included Revco and Arbor Drug. Melville restructured in 1995, and changed its name to CVS on 11/19/96.

BUSINESS: CVS Health Corp. is the nation's foremost integrated health-care services company, delivering pharmaceutical services company with the country's largest pharmacy chain. It fills more than one billion prescriptions per year and has 9,800-plus locations in 42 states, Puerto Rico, and the District of Columbia. Acquired Drogaria Onofre, giving it a presence in Brazil in 2013. New stores average about 1,300 square feet. Pharmacy (Rx) contributes 75% of sales; third-party payors, 99.2% of Rx sales. It has roughly 250,000 employees. Officers & directors own less than 1% of common stock. (3/18 proxy). CEO & President Andre J. Costanza June 15, 2018

We think that CVS Health would make a fine addition to any portfolio. The recent price weakness (down 6% in value since our March review and almost 25% from its year-to-date high) only strengthens our conviction. Indeed, it has reached a notable milestone, Best of the Best Ranking System, and is now ranked to be a market leader for relative price movement over the coming six to 12 months. Longer term, the equity holds within the $52 to $58 price band.

We have raised our 2018 earnings estimate by 11%, to earn between $6.87 and $7.08 a share for the three- to five-year horizon and we think that the pending Aetna merger, if successful, would put the company in an even better position to compete via increasing its reach and customer base. All the while, dividend yield is well above average and well supported. Management has said that it is putting further increases on the back burner until the Aetna deal is put to bed, but the company's finances give it the flexibility to want to change in this philosophy without pause. Meanwhile, risk-averse investors should find further solace in CVS' (Highest) Safety rank and healthy scores for Price Stability and Earnings Predictability. All things considered, CVS will probably deliver solid risk-adjusted returns with or without Aetna in the fold. Also, the stock is trading at a historically low price-to-earnings multiple. The company's most recent financial results and guidance were encouraging. Management seems to be ready for any changes to the industry landscape. It has always said that it expects to earn between $6.87 and $7.08 a share for the full year, following its first-quarter earnings beat. The midpoint of the current range calls for an 18% advance, well above the consensus. As a result, we have raised our 2018 earnings estimate by 11%, to $7.00 a share and our 2019 forecast by 12%, to $7.60. The addition of Aetna, and the subsequent cost and financing pressures, would probably prove our near-term estimates optimistic, but we will continue to analyze CVS on a stand-alone basis until the deal is finalized.

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