CVS HEALTH NYSE-CVS

RECENT PRICE **63.33** | P/E RATIO **9.0** (Trailing: 10.2 / Median: 15.0) | RELATIVE P/E RATIO **0.49** | DIV'D YLD **3.2%** | VALUE LINE

TIMELINESS **1** Raised 5/18/18
SAFETY **1** Raised 6/26/09
TECHNICAL **3** Raised 6/8/18
BETA .90 (1.00 = Market)

High:	42.6	44.3	38.3	37.8	41.3	49.8	72.0	98.6	113.6	106.7	84.7	83.9
Low:	30.5	23.2	23.7	26.8	31.3	41.0	49.0	64.9	81.4	69.3	66.4	60.1

Target Price Range

2021	2022	2023

2021-23 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	125	(+95%)	21%
Low	100	(+60%)	15%

Insider Decisions

	A	S	O	N	D	J	F	M	A
to Buy	0	0	0	0	0	0	0	0	0
Options	0	5	1	5	0	0	1	7	0
to Sell	1	5	1	0	1	0	1	0	0

Institutional Decisions

	3Q2017	4Q2017	1Q2018
to Buy	651	593	712
to Sell	785	803	799
Hld's(000)	898724	853900	856417

% TOT. RETURN 5/18

	THIS STOCK	VL ARITH.* INDEX
1 yr.	-15.2	14.3
3 yr.	-34.0	29.1
5 yr.	20.4	67.5

"Consumer Value Stores" began as a health and beauty aids chain in '63. It grew to 17 stores in '64. The first pharmacy opened in '67. In '69, the chain was sold to Melville, which aggressively expanded the operation, and coupled that with an aggressive acquisition strategy that included Revco and Arbor Drug. Melville restructured in '95, and changed its name to CVS on 11/19/96.

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	© VALUE LINE PUB. LLC	21-23
60.80	70.98	70.74	82.51	100.03	107.42	122.25	139.23	167.32	182.21	*185.30*	*202.55*	Sales per sh	*255.55*
3.37	3.73	3.79	4.11	4.99	5.74	6.33	7.20	8.30	8.43	*9.55*	*10.50*	"Cash Flow" per sh	*13.40*
2.44	2.63	2.69	2.80	3.43	4.00	4.51	5.16	5.84	5.90	*7.00*	*7.60*	Earnings per sh A	*9.45*
.26	.31	.35	.50	.65	.90	1.10	1.40	1.70	2.00	*2.00*	*2.42*	Div'ds Decl'd per sh B■	*3.30*
23.90	25.71	27.66	29.32	30.63	32.15	33.30	33.78	34.71	37.17	*42.30*	*46.00*	Book Value per sh D	*57.80*
1438.8	1391.0	1363.0	1298.0	1231.0	1180.0	1140.0	1101.0	1061.0	1014.0	*1020.00*	*975.00*	Common Shs Outst'g C	*900.00*
15.0	12.0	12.1	12.9	13.2	14.7	17.4	19.7	15.9	13.2	*Bold figures are*		Avg Ann'l P/E Ratio	*12.0*
.90	.80	.77	.81	.84	.83	.92	.99	.83	.66	*Value Line*		Relative P/E Ratio	*.65*
.7%	1.0%	1.1%	1.4%	1.4%	1.5%	1.4%	1.4%	1.8%	2.6%	*estimates*		Avg Ann'l Div'd Yield	*2.7%*
87472	98729	96413	107100	123133	126761	139367	153290	177526	184765	*189000*	*197500*	Sales ($mill)	*230000*
22.8%	22.5%	22.5%	20.7%	19.7%	20.2%	19.6%	18.7%	17.6%	16.8%	*17.0%*	*17.5%*	Gross Margin	*18.5%*
8.8%	8.4%	8.4%	7.8%	7.7%	8.2%	8.5%	8.2%	7.8%	7.3%	*7.0%*	*7.5%*	Operating Margin	*7.5%*
6923	7025	7182	7300	7458	7600	7800	9600	9709	9803	*10150*	*10350*	Number of Stores	*10150*
3588.8	3803.0	3700.0	3766.0	4393.6	4902.0	5287.0	5837.0	6332.0	6064.0	*7150*	*7500*	Net Profit ($mill)	*8750*
39.6%	40.0%	38.9%	39.3%	38.6%	38.9%	39.8%	39.1%	38.6%	38.1%	*27.0%*	*27.0%*	Income Tax Rate	*23.5%*
4.1%	3.9%	3.8%	3.5%	3.6%	3.9%	3.8%	3.8%	3.6%	3.3%	*3.8%*	*3.8%*	Net Profit Margin	*3.8%*
3036.3	5237.0	6636.0	6638.0	6062.0	9900.0	6956.0	7209.0	4792.0	581.0	*46000*	*32500*	Working Cap'l ($mill)	*40000*
8057.2	8756.0	8652.0	9208.0	9133.0	12841	11695	26267	25615	22181	*61550*	*45000*	Long-Term Debt ($mill)	*20000*
34574	35768	37700	38051	37704	37938	37958	37196	36830	37691	*43150*	*44850*	Shr. Equity ($mill)	*52000*
8.8%	9.0%	8.4%	8.4%	9.8%	10.0%	11.1%	9.7%	10.7%	10.7%	*8.0%*	*9.0%*	Return on Total Cap'l	*11.5%*
10.4%	10.6%	9.8%	9.9%	11.7%	12.9%	13.9%	15.7%	17.2%	16.1%	*16.5%*	*16.5%*	Return on Shr. Equity	*17.0%*
9.3%	9.4%	8.5%	8.1%	9.5%	10.0%	10.5%	11.5%	12.2%	10.7%	*12.0%*	*11.5%*	Retained to Com Eq	*11.0%*
11%	12%	13%	18%	19%	22%	24%	27%	29%	34%	*29%*	*32%*	All Div'ds to Net Prof	*34%*

CAPITAL STRUCTURE as of 3/31/18
Total Debt $65094 mill. **Due in 5 Yrs** $52066 mill.
LT Debt $61552 mill. **LT Interest** $1789.0 mill.
(Total interest coverage; 2.1x)
(61% of Cap'l)
Leases, Uncapitalized Annual rentals $2493 mill.

Pension Assets-12/17 Nil **Oblig.** $131 mill.

Pfd Stock None

Common Stock 1,016,646,347 shs.
as of 4/25/18

MARKET CAP: $64.4 billion (Large Cap)

CURRENT POSITION ($MILL.)	2016	2017	3/31/18
Cash Assets	3458	1807	42142
Receivables	12164	13181	13964
Inventory (FIFO)	14760	15296	14824
Other	660	945	868
Current Assets	31042	31229	71798
Accts Payable	7946	8863	7741
Debt Due	1916	4821	3542
Other	16388	16964	18965
Current Liab.	26250	30648	30248

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '15-'17 to '21-'23
Sales	12.5%	14.0%	8.5%
"Cash Flow"	12.5%	13.0%	8.5%
Earnings	13.0%	13.5%	8.0%
Dividends	25.5%	27.5%	14.0%
Book Value	9.5%	4.0%	7.5%

Cal-endar	QUARTERLY SALES ($ mill.) Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2015	36332	37169	38644	41145	153290
2016	43215	43725	44615	45971	177526
2017	44514	45685	46181	48385	184765
2018	45693	*46357*	*47300*	*49650*	*189000*
2019	*47750*	*48250*	*49500*	*52000*	*197500*

Cal-endar	EARNINGS PER SHARE A Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2015	1.14	1.22	1.28	1.53	5.16
2016	1.18	1.32	1.64	1.71	5.84
2017	1.17	1.33	1.50	1.92	5.90
2018	1.48	*1.62*	*1.75*	*2.15*	*7.00*
2019	*1.60*	*1.75*	*1.90*	*2.35*	*7.60*

Cal-endar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2014	.275	.275	.275	.275	1.10
2015	.35	.35	.35	.35	1.40
2016	.425	.425	.425	.425	1.70
2017	.50	.50	.50	.50	2.00
2018	.50	.50			

BUSINESS: CVS Health Corp. is the nation's foremost integrated health-care services provider, combining one of the nation's leading pharmaceutical services companies 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 2/13. New stores average about 1,300 square feet. Pharmacy (Rx) contributes 75.0% of sales; 3rd-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: Larry J. Merlo. Inc.: DE. Address: One CVS Drive, Woonsocket, RI 02895. Telephone: 401-765-1500. Internet: www.cvs.com.

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 climbed a notch, to the apex of our Timeliness 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 wide price appreciation potential for the three- to five-year haul, 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, the 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 implement a change in this philosophy without pause. Meanwhile, risk-averse investors should find further solace in CVS' 1 (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 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 earlier estimates. 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.

Management seems to be ready for any changes to the industry landscape. It has always been at the forefront of ingenuity on the M&A path. The Trump Administration recently took aim at lowering drug prices, but CVS has the wherewithal to persevere.

Andre J. Costanza *June 15, 2018*

(A) From cont. oper.; based on diluted shares. Excl. net nonrecurring items: '08 (17¢); '09, 8¢; '10 (18¢); '11 (23¢); '12 (42¢); '13, (26¢); '14, (46¢); '15 (50¢); '16, (93¢); '17, (55¢); '18, (50¢). Excludes amortization as of 2008. May not add due to rounding. Next egs. report due early Aug. (B) Dividends are historically paid in early Jan., May, Aug., Nov. ■ Div'd reinvest. plan avail. May not add due to rounding. (C) In mill., adj. for stk. splt. (D) Includes intangibles of $52.1 billion, or $51.36 a share, as of 12/31/17.

Company's Financial Strength	A++
Stock's Price Stability	85
Price Growth Persistence	70
Earnings Predictability	100