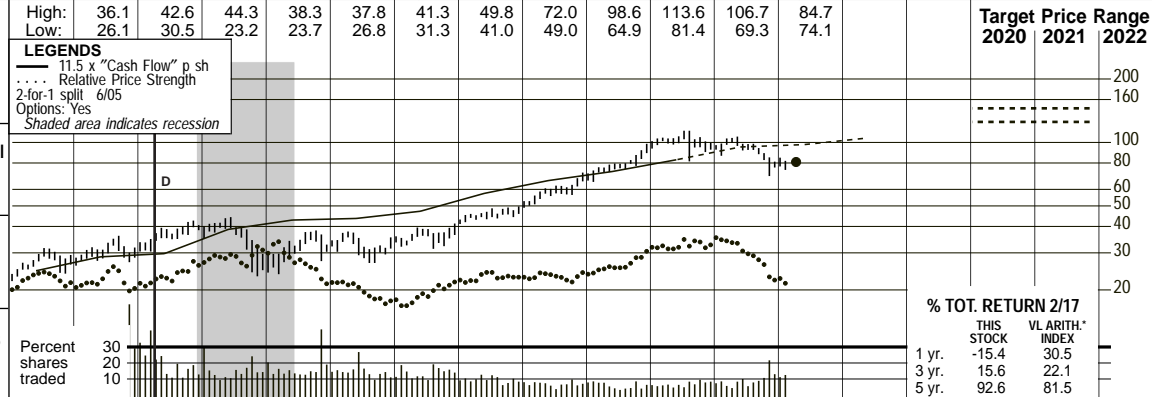


CVS HEALTH NYSE-CVS

RECENT PRICE **80.81** P/E RATIO **14.0** (Trailing: 13.8 Median: 15.0) RELATIVE P/E RATIO **0.72** DIV'D YLD **2.5%** VALUE LINE

TIMELINESS **3** Raised 12/23/16
SAFETY **1** Raised 6/26/09
TECHNICAL **5** Lowered 3/10/17
BETA .85 (1.00 = Market)



2020-22 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	155	(+90%)	20%
Low	130	(+60%)	15%

Insider Decisions

	M	J	J	A	S	O	N	D	J
to Buy	0	0	0	0	0	0	0	0	0
Options	9	0	0	0	0	0	0	7	0
to Sell	3	0	0	0	0	0	0	0	0

Institutional Decisions

	2Q2016	3Q2016	4Q2016	Percent shares traded
to Buy	754	729	681	30
to Sell	715	756	882	20
Hld's(000)	870453	853890	862408	10

"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.

CAPITAL STRUCTURE as of 12/31/16
Total Debt \$27531 mill. Due in 5 Yrs \$11409 mill.
LT Debt \$25615 mill. LT Interest \$1058 mill.
(Total interest coverage; 10.7x)
(41% of Cap'l)

Leases, Uncapitalized Annual rentals \$2458 mill.

Pension Assets-12/16 \$624 mill. **Oblig.** \$844 mill.

Pfd Stock None

Common Stock 1,025,699,605shs. as of 2/3/17

MARKET CAP: \$82.9 billion (Large Cap)

CURRENT POSITION

	2014	2015	12/31/16
Cash Assets	2515	2547	3458
Receivables	9687	11888	12164
Inventory (FIFO)	11930	14001	14760
Other	1851	1942	660
Current Assets	25983	30378	31042
Accts Payable	6547	7490	7946
Debt Due	1260	1197	1916
Other	11220	14482	16388
Current Liab.	19027	23169	26250

ANNUAL RATES

	Past 10 Yrs.	Past 5 Yrs.	Est'd '14-'16 to '20-'22
Sales	12.0%	12.5%	8.0%
"Cash Flow"	13.5%	12.0%	7.5%
Earnings	14.5%	12.0%	8.0%
Dividends	24.0%	30.0%	13.5%
Book Value	14.5%	5.0%	6.0%

QUARTERLY SALES (\$ mill.)

Cal-endar	Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2014	32689	34602	35021	37055	139367
2015	36332	37169	38644	41145	153290
2016	43215	43725	44615	45971	177526
2017	44250	45250	46500	48500	184500
2018	47000	47850	49000	51000	194850

EARNINGS PER SHARE ^

Cal-endar	Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2014	1.02	1.13	1.15	1.21	4.51
2015	1.14	1.22	1.28	1.53	5.16
2016	1.18	1.32	1.64	1.71	5.84
2017	1.12	1.30	1.65	1.78	5.85
2018	1.25	1.45	1.75	1.90	6.35

QUARTERLY DIVIDENDS PAID ^

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2013	.225	.225	.225	.225	.90
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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	© VALUE LINE PUB. LLC	20-22
53.14	60.80	70.98	70.74	82.51	100.03	107.42	122.25	139.23	167.32	180.00	194.85	194.85	Sales per sh	236.85
2.59	3.37	3.73	3.79	4.11	4.99	5.74	6.33	7.20	8.27	8.50	9.15	9.15	"Cash Flow" per sh	11.95
1.92	2.44	2.63	2.69	2.80	3.43	4.00	4.51	5.16	5.84	5.85	6.35	6.35	Earnings per sh ^	8.60
.23	.26	.31	.35	.50	.65	.90	1.10	1.40	1.70	2.00	2.30	2.30	Div'ds Decl'd per sh ^	3.16
21.66	23.90	25.71	27.66	29.32	30.63	32.15	33.30	33.78	34.72	37.15	39.50	39.50	Book Value per sh ^	50.00
1436.5	1438.8	1391.0	1363.0	1298.0	1231.0	1180.0	1140.0	1101.0	1061.0	1025.0	1000.0	1000.0	Common Shs Outst'g ^	950.00
19.1	15.0	12.0	12.1	12.9	13.2	14.7	17.4	19.7	15.9	Bold figures are Value Line estimates	15.9	16.5	Avg Ann'l P/E Ratio	16.5
1.01	.90	.80	.77	.81	.84	.83	.92	.99	.82		.82	1.05	Relative P/E Ratio	1.05
.6%	.7%	1.0%	1.1%	1.4%	1.4%	1.5%	1.4%	1.4%	1.8%		1.8%	2.2%	Avg Ann'l Div'd Yield	2.2%
76330	87472	98729	96413	107100	123133	126761	139367	153290	177526	184500	194850	194850	Sales (\$mill)	225000
22.5%	22.8%	22.5%	22.5%	20.7%	19.7%	20.2%	19.6%	18.7%	18.0%	18.0%	18.5%	18.5%	Gross Margin	19.0%
7.7%	8.8%	8.4%	8.4%	7.8%	7.7%	8.2%	8.5%	8.2%	7.8%	7.3%	7.5%	7.5%	Operating Margin	8.0%
6245	6923	7025	7182	7300	7458	7600	7800	9600	9700	9800	9900	9900	Number of Stores	10150
2637.0	3588.8	3803.0	3700.0	3766.0	4393.6	4902.0	5287.0	5837.0	6300	6150	6425	6425	Net Profit (\$mill)	8250
39.5%	39.6%	40.0%	38.9%	39.3%	38.6%	38.9%	39.8%	39.1%	38.6%	38.8%	39.5%	39.5%	Income Tax Rate	40.0%
3.5%	4.1%	3.9%	3.8%	3.5%	3.6%	3.9%	3.8%	3.8%	3.5%	3.3%	3.3%	3.3%	Net Profit Margin	3.7%
3383.1	3036.3	5237.0	6636.0	6638.0	6062.0	9900.0	6956.0	7209.0	4792	6750	7000	7000	Working Cap'l (\$mill)	8500
8349.7	8057.2	8756.0	8652.0	9208.0	9133.0	12841	11695	26267	25615	24000	22500	22500	Long-Term Debt (\$mill)	15000
31322	34574	35768	37700	38051	37704	37938	37958	37196	36834	38100	39500	39500	Shr. Equity (\$mill)	47500
7.0%	8.8%	9.0%	8.4%	8.4%	9.8%	10.0%	11.1%	9.7%	10.0%	10.5%	11.5%	11.5%	Return on Total Cap'l	14.0%
8.4%	10.4%	10.6%	9.8%	9.9%	11.7%	12.9%	13.9%	15.7%	17.1%	16.0%	16.5%	16.5%	Return on Shr. Equity	17.5%
7.4%	9.3%	9.4%	8.5%	8.1%	9.5%	10.0%	10.5%	11.5%	12.1%	10.5%	10.5%	10.5%	Retained to Com Eq	11.0%
12%	11%	12%	13%	18%	19%	22%	24%	27%	29%	34%	36%	36%	All Div'ds to Net Prof	36%

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 about 9,700 locations in 41 states, Puerto Rico, and the District of Columbia. Acquired Drogeria Onofre, giving it a presence

in Brazil in 2/13. New stores average about 1,100 square feet. Pharmacy (Rx) contributes 72.9% of sales; 3rd-party pay, 98.8% of Rx sales. It has roughly 243,000 employees. Officers & directors own less than 1% of common stock. (3/16 proxy). CEO & President: Larry J. Merlo. Inc.: DE. Address: One CVS Drive, Woonsocket, RI 02895. Telephone: 401-765-1500. Internet: www.cvs.com.

This is likely to be a tough year for CVS Health from an operating perspective. Although the company closed out 2016 in solid fashion, management reaffirmed its soft guidance for 2017, calling for share earnings of \$5.77 to \$5.83. The high end of this range would mark a decline, despite the likelihood of aggressive share repurchases. The pharmacy services provider is pinning its gloomy outlook on success from rival Walgreens Boots Alliance in regard to signing deals that make its pharmacies part of a deferred network. Specifically, CVS believes that Walgreens' affluence in this area will cost it 40 million in prescriptions this year. With this in mind, we are maintaining our \$5.85 earnings-per-share forecast and trimming \$3 billion from our top-line estimate, to call for just a 4% advance. By contrast, CVS had averaged 10% annual sales growth over the prior five years. **Growth is likely to pick up in 2018.** Our inaugural share-net forecast looks for a high single-digit advance, on a mid-single-digit sales gain. We think that CVS will be able to use its size and scale to regain its footing and better compete for

future contracts, despite the above-mentioned hurdles. Margin improvement plays a role, too, as does ongoing share buybacks. **This issue has moved up a notch for Timeliness, but still does not stand out for relative price performance aspirations over the coming six to 12 months.** That said, we still think that the stock holds considerable investment merit for those looking further out, especially after the recent price weakness. Indeed, although CVS recently traded roughly where it was to start the year, it was down considerably over the past year. Thus, it offers above-average 3- to 5-year recovery potential. It also looks like a bargain from a valuation perspective, trading at 14 times this year's earnings, a steep discount to our late-decade projection. The picture gets even better on a risk-adjusted basis. CVS is ranked 1 (Highest) for Safety and sports a favorable Beta coefficient and Price Stability score. The well-covered dividend helps to sweeten the pot as does the company's healthy cash flow generation and strong balance sheet.

Andre J. Costanza March 17, 2017

(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¢). Excludes amortiza-

tion as of 2008. May not add due to rounding. Next egs. report due early May. (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. spl't. (D) Merged with Caremark, 3/07. (E) Includes intangibles of \$52.0 billion, or \$47.22 a share, as of 12/31/15.

Company's Financial Strength	A++
Stock's Price Stability	95
Price Growth Persistence	80
Earnings Predictability	100

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