



Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	20-22
Price	53.14	60.80	70.98	70.74	82.51	100.03	107.42	122.25	139.23	167.32	183.50	200.90	250.00
Gain	2.59	3.37	3.73	3.79	4.11	4.99	5.74	6.33	7.20	8.27	8.55	9.20	12.40
Return	1.92	2.44	2.63	2.69	2.80	3.43	4.00	4.51	5.16	5.84	5.85	6.35	8.75
Div'd	.23	.26	.31	.35	.50	.65	.90	1.10	1.40	1.70	2.00	2.30	3.16
Book Value	21.66	23.90	25.71	27.66	29.32	30.63	32.15	33.30	33.78	34.72	36.30	38.65	48.90
Common Shs	1436.5	1438.8	1391.0	1363.0	1298.0	1231.0	1180.0	1140.0	1101.0	1061.0	1005.0	970.0	900.00
P/E Ratio	19.1	15.0	12.0	12.1	12.9	13.2	14.7	17.4	19.7	15.9	16.0	16.0	16.0
Relative P/E	1.01	.90	.80	.77	.81	.84	.83	.92	.99	.82	.95	.95	.95
Div'd Yield	.6%	.7%	1.0%	1.1%	1.4%	1.4%	1.5%	1.4%	1.4%	1.8%	2.3%	2.3%	2.3%

**"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 3/31/17**  
 Total Debt \$27433 mill. Due in 5 Yrs \$11311 mill.  
 LT Debt \$25622 mill. LT Interest \$941.5 mill.  
 (Total interest coverage; 7.9X) (43% of Cap'l)

**Leases, Uncapitalized** Annual rentals \$2458 mill.  
**Pension Assets-12/16** \$624 mill. **Oblig.** \$844 mill.  
**Pfd Stock** None

**Common Stock** 1,018,795,398 shs. as of 4/26/17  
**MARKET CAP: \$79.4 billion (Large Cap)**

Item	2015	2016	3/31/17
Cash Assets	2547	3458	2302
Receivables	11888	12164	12114
Inventory (FIFO)	14001	14760	14306
Other	1942	660	735
Current Assets	30378	31042	29457
Accts Payable	7490	7946	7344
Debt Due	1197	1916	1811
Other	14482	16388	18133
Current Liab.	23169	26250	27288

Annual Rates	Past 10 Yrs	Past 5 Yrs	Est'd '14-'16 to '20-'22
Sales	12.0%	12.5%	9.0%
"Cash Flow"	13.5%	12.0%	8.5%
Earnings	14.5%	12.0%	9.0%
Dividends	24.0%	30.0%	15.0%
Book Value	14.5%	5.0%	6.5%

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	44514	45400	46400	48086	184400
2018	47000	47850	49000	51000	194850

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	1.17	1.30	1.65	1.73	5.85
2018	1.25	1.45	1.75	1.90	6.35

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

**CVS Health delivered better-than-expected, yet uninspiring first-quarter financial results.** Indeed, the company reported share earnings of \$1.17, a nickel higher than our estimate, but a penny short of the year-earlier total. And things were even worse on an equivalent-share basis as repurchases added \$0.07 to the most recent quarterly result. Sales improved 3% year over year, but this was a far cry from the growth rate that we have become accustomed to seeing from the pharmacy retail powerhouse. (CVS averaged nearly 12% annual sales over the past three years.) While the Pharmacy Services segment enjoyed an 8.5% top-line gain, greater generic penetration and pricing pressures hampered margins. Meanwhile, the Retail/LTC business saw same-store sales decline 4.7%.

**The company will probably continue to have trouble throughout the remainder of this year.** Generics ought to continue to grow as a percentage of prescriptions, making it tough for margins to gain traction. Also, CVS lost two major contracts earlier this year to Walgreens Boots Alliance, which may well cost it roughly 40 million scripts this year alone. Meanwhile, management reiterated its full-year share-net guidance, the midpoint of which calls for a negligible increase. **Earnings-per-share growth ought to pick up considerably in 2018.** CVS' size, scale, and wide assortment of platforms should help it get back on track. Soft year-earlier comparisons are another boon, and cost-containment efforts are expected to enable margins to edge higher. Plus, share repurchases are likely to remain a priority. **This equity has pulled back a bit in recent months.** However, the more-attractive price makes for a buying opportunity, in our eyes. CVS has moved up a notch for Timeliness and is now ranked 2 (Above Average) for relative price performance for the coming six to 12 months. Appreciation potential out to 2020-2022 is healthy also, especially on a risk-adjusted basis. Healthy cash flow generation should allow CVS to continue rewarding shareholders via dividends and share buybacks, too. That said, Amazon's potential move into the pharmacy space is a concern.

Company's Financial Strength	A++
Stock's Price Stability	90
Price Growth Persistence	80
Earnings Predictability	100

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