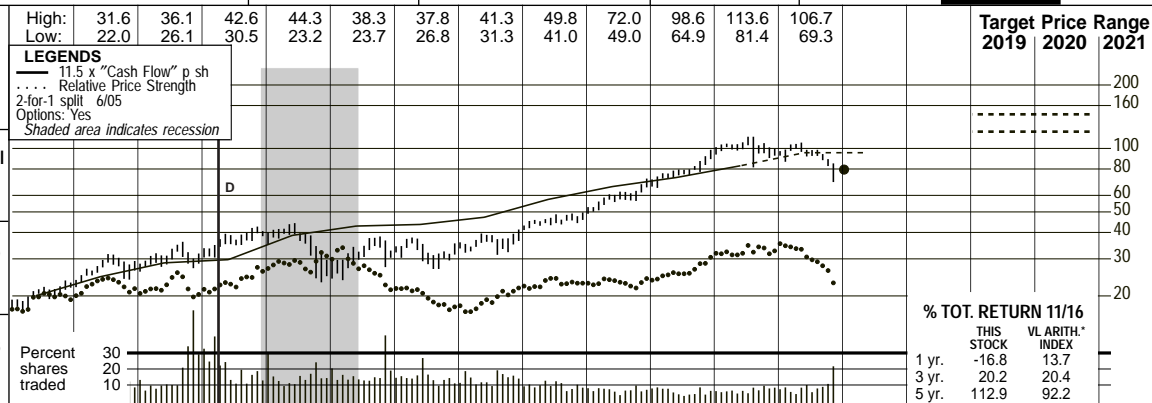


CVS HEALTH NYSE-CVS

RECENT PRICE **79.42** P/E RATIO **13.7** (Trailing: 14.0 Median: 15.0) RELATIVE P/E RATIO **0.70** DIV'D YLD **2.1%** VALUE LINE

TIMELINESS 4 Raised 10/28/16	High: 31.6 36.1 42.6 44.3 38.3 37.8 41.3 49.8 72.0 98.6 113.6 106.7	Target Price Range 2019 2020 2021
SAFETY 1 Raised 6/26/09	Low: 22.0 26.1 30.5 23.2 23.7 26.8 31.3 41.0 49.0 64.9 81.4 69.3	
TECHNICAL 3 Lowered 12/9/16	LEGENDS — 11.5 x "Cash Flow" p sh ... Relative Price Strength 2-for-1 split 6/05 Options: Yes Shaded area indicates recession	
BETA .85 (1.00 = Market)		
2019-21 PROJECTIONS		
Price	Ann'l Total	
High 145	Gain +85%	Return 18%
Low 120	Gain +50%	Return 13%
Insider Decisions		
F M A M J J A S O		
to Buy 0 0 0 0 0 0 0 0 0 0		
Options 1 12 1 9 0 0 0 0 0 0		
to Sell 2 2 2 3 0 0 0 0 0		
Institutional Decisions		
1Q2016 2Q2016 3Q2016	Percent shares traded	
to Buy 773 754 729	30	
to Sell 680 715 756	20	
Hld's(000) 928705 870453 853890	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 9/30/16	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	© VALUE LINE PUB. LLC	19-21
Total Debt \$26733 mill. Due in 5 Yrs \$9590 mill.	53.06	53.14	60.80	70.98	70.74	82.51	100.03	107.42	122.25	139.23	168.00	180.30	Sales per sh	212.40
LT Debt \$25610 mill. LT Interest \$970.0 mill.	2.50	2.59	3.37	3.73	3.79	4.11	4.99	5.74	6.33	7.20	8.30	8.30	"Cash Flow" per sh	10.80
(Total interest coverage; 10.4x)	1.57	1.92	2.44	2.63	2.69	2.80	3.43	4.00	4.51	5.16	5.80	5.85	Earnings per sh ^A	7.85
(42% of Cap'l)	.16	.23	.26	.31	.35	.50	.65	.90	1.10	1.40	1.70	2.00	Div'ds Decl'd per sh ^B	2.76
Leases, Uncapitalized Annual rentals \$2317 mill.	11.75	21.66	23.90	25.71	27.66	29.32	30.63	32.15	33.30	33.78	35.85	38.70	Book Value per sh ^E	50.50
Pension Assets-12/15 \$613 mill. Oblig. \$844 mill.	825.74	1436.5	1438.8	1391.0	1363.0	1298.0	1231.0	1180.0	1140.0	1101.0	1060.0	1040.0	Common Shs Outst'g ^C	1010.0
Pfd Stock None	19.3	19.1	15.0	12.0	12.1	12.9	13.2	14.7	17.4	19.7	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	17.0
Common Stock 1,066,439,174 shs. as of 11/1/16	1.04	1.01	.90	.80	.77	.81	.84	.83	.92	.99	Relative P/E Ratio	1.05		
	.5%	.6%	.7%	1.0%	1.1%	1.4%	1.4%	1.5%	1.4%	1.4%	Avg Ann'l Div'd Yield	1.8%		

MARKET CAP: \$84.7 billion (Large Cap)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
CURRENT POSITION 2014 2015 9/30/16 (\$MILL)	43814	76330	87472	98729	96413	107100	123133	126761	139367	153290	178100	187500
Cash Assets	27.2%	22.5%	22.8%	22.5%	22.5%	20.7%	19.7%	20.2%	19.6%	18.5%	18.5%	18.5%
Receivables	7.2%	7.7%	8.8%	8.4%	8.4%	7.8%	7.7%	8.2%	8.5%	8.2%	7.5%	7.5%
Inventory (FIFO)	6150	6245	6923	7025	7182	7300	7458	7600	7800	9600	8200	8400
Other	1343.3	2637.0	3588.8	3803.0	3700.0	3766.0	4393.6	4902.0	5287.0	5837.0	6275	6050
Current Assets	38.5%	39.5%	39.6%	40.0%	38.9%	39.3%	38.6%	38.9%	39.8%	39.1%	38.0%	38.7%
Accts Payable	3.1%	3.5%	4.1%	3.9%	3.8%	3.5%	3.6%	3.9%	3.8%	3.8%	3.5%	3.2%
Debt Due	3390.8	3383.1	3036.3	5237.0	6636.0	6638.0	6062.0	9900.0	6956.0	7209.0	7250	8000
Other	2870.4	8349.7	8057.2	8756.0	8652.0	9208.0	9133.0	12841	11695	26267	25000	23000
Current Liab.	9917.6	31322	34574	35768	37700	38051	37704	37938	37958	37196	38000	40250
	11.1%	7.0%	8.8%	9.0%	8.4%	8.4%	9.8%	10.0%	11.1%	9.7%	11.0%	10.5%
	13.5%	8.4%	10.4%	10.6%	9.8%	9.9%	11.7%	12.9%	13.9%	15.7%	16.5%	15.0%
	12.4%	7.4%	9.3%	9.4%	8.5%	8.1%	9.5%	10.0%	10.5%	11.5%	11.0%	10.0%
	10%	12%	11%	12%	13%	18%	19%	22%	24%	27%	29%	35%

ANNUAL RATES Past 10 Yrs. Past 5 Yrs. Est'd '13-'15 of change (per sh)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Sales	12.0%	12.0%	12.5%	11.0%	12.0%	12.0%	11.0%	12.0%	14.5%	12.0%	12.0%	12.0%
"Cash Flow"	13.5%	12.0%	12.0%	11.0%	14.5%	12.0%	12.0%	12.0%	24.0%	30.0%	16.0%	16.0%
Earnings	14.5%	12.0%	12.0%	12.0%	24.0%	30.0%	16.0%	16.0%	14.5%	5.0%	6.0%	6.0%
Dividends	24.0%	30.0%	16.0%	16.0%	14.5%	5.0%	6.0%	6.0%				
Book Value												

QUARTERLY SALES (\$ mill.)	2013	2014	2015	2016	2017
Mar.Per	30751	31248	31932	32830	126761
Jun.Per	32689	34602	35021	37055	139367
Sep.Per	36332	37169	38644	41145	153290
Dec.Per	43215	43725	44615	46545	178100
Full Year	4520	4600	46750	49500	187500

EARNINGS PER SHARE ^A	2013	2014	2015	2016	2017
Mar.Per	.83	.97	1.05	1.12	4.00
Jun.Per	1.02	1.13	1.15	1.21	4.51
Sep.Per	1.14	1.22	1.28	1.53	5.16
Dec.Per	1.18	1.32	1.64	1.66	5.80
Full Year	1.20	1.30	1.65	1.70	5.85

QUARTERLY DIVIDENDS PAID ^B	2012	2013	2014	2015	2016
Mar.31	.1625	.1625	.1625	.1625	.65
Jun.30	.225	.225	.225	.225	.90
Sep.30	.275	.275	.275	.275	1.10
Dec.31	.35	.35	.35	.35	1.40
Full Year	.425	.425	.425	.425	

CVS Health stock has come under significant pressure in recent months. Investor sentiment soured following the release of the company's third-quarter results. Although share earnings of \$1.64 exceeded expectations, Wall Street was unhappy with management's cautious outlook. Indeed, CVS narrowed its full-year 2016 share-net estimate to \$5.77-\$5.83 and said that it now expects to earn between \$5.77 and \$5.93 a share in 2017, a far cry from its prior assumption. Underpinning the tempered expectation is increased competition, namely from rival Walgreens Boots Alliance. On point, management believes that Walgreens' ability to lock up deals that make its pharmacies part of a deferred network is likely to cost CVS 40 million prescriptions next year. **We have tempered our expectations.** The potential market-share loss in the pharmacy services market is a big setback, which may well cost CVS 4% in full-year sales. All told, we've decided to shave a nickel off our 2016 share-earnings estimate, to \$5.80, and slashed our 2017 call by 11%, to \$5.85. Longer term, we worry that CVS may be behind the eight ball

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.

when it comes to future contract negotiations, but suspect that it should be able to compete from a pricing standpoint. **The stock lacks near-term investment appeal.** It is ranked 4 (Below Average) for Timeliness and is expected to trail the broader market averages for the coming six to 12 months. **Patient investors may want to take advantage of the recent share-price weakness.** The stock has slipped about 15% in value since our September review. We think that the market may have overreacted some, however, as CVS still has a dominant position in a very lucrative industry. Also, we think that management will be able in time to offset the lost revenue. Indeed, the company generates healthy cash flows, which can be used to make acquisitions as well as increase dividends and make share repurchases. Management's track record with the former is a plus. Meanwhile, the equity's risk profile is another draw. It sports a 1 (Highest) Safety rank, a below-average Beta coefficient, and 95 out of 100 score for Price Stability.

Andre J. Costanza December 16, 2016

Company's Financial Strength	A+
Stock's Price Stability	95
Price Growth Persistence	85
Earnings Predictability	100

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