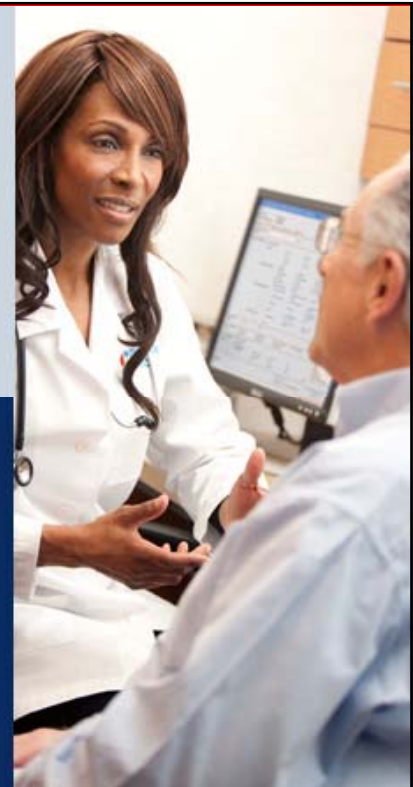




# CVS CAREMARK

First Quarter  
2013 Earnings  
Conference Call



**Larry Merlo**

President & Chief Executive Officer

May 1, 2013

**Dave Denton**

Executive Vice President & Chief Financial Officer

# Safe Harbor Statement

During this presentation, we will make certain forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially. Accordingly, for these forward-looking statements, we claim the protection of the safe harbor for forward-looking statements contained in the private securities litigation reform act of 1995. We strongly recommend that you become familiar with the specific risks and uncertainties that are described in the "risk factors" section of our most recently filed annual report on Form 10-K and under the caption "cautionary statement concerning forward-looking statements" in our most recently filed quarterly report on Form 10-Q. The information in these slides is based on our best estimates and information known to us on May 1, 2013 and CVS Caremark assumes no obligation and expressly disclaims any duty to update information contained in these slides except as required by law.

Additionally, we will discuss some non-GAAP financial measures in talking about our company's performance, namely free cash flow, EBITDA and "Adjusted EPS". In accordance with SEC regulations, you can find the definitions of the non-GAAP items mentioned, as well as the reconciliations to comparable GAAP measures, on the investor relations portion of our website at [info.cvscaremark.com/investors](http://info.cvscaremark.com/investors).

# Off To A Great Start In 2013

	Q1 2013	Change vs. Q1 2012
Adjusted EPS	\$0.83	28.1%
GAAP diluted EPS	\$0.77	29.9%

Note:  
1. The adjusted income tax provision is computed using the effective income tax rate from the consolidated statement of income.

# Full-year 2013 Adjusted EPS Guidance

	Prior guidance	Updated guidance
Adjusted EPS	\$3.86 to \$4.00	\$3.89 to \$4.00
<i>Year-over-year growth</i>	<i>12.25% to 16.5%</i>	<i>13.0% to 16.5%</i>

## Notes:

1. Guidance assumes completion of \$4 billion in share repurchases during 2013, as part of a \$6.0 billion share repurchase program authorized by CVS Caremark's board of directors in September 2012. Timing of repurchases should roughly follow the timing of share repurchases in 2012.
2. Adjusted EPS year-over-year growth rates calculated after excluding debt refinancing impact in 2012.
3. Guidance includes one less day in 2013 versus 2012 for leap year.



# PBM Business: Continued Client Interest In Proprietary Programs

- Maintenance Choice
  - ~16.3m lives covered by more than 1,200 plans have implemented or committed to implement program
  - Majority of the new growth is coming from Maintenance Choice 2.0
  - Maintenance Choice can generate savings of up to 4% of pharmacy spend annually
- Pharmacy Advisor
  - Continues to succeed in moving a significant portion of PBM members to optimal medication adherence levels
  - Recent study showed that about half of members who were non-adherent before participating in the program became adherent within a year<sup>1</sup>
    - 5.8% decrease in the prevalence of gaps in care for diabetics<sup>1</sup>
  - Recent CBO Report estimated that a 1% increase in the number of prescriptions filled by Medicare beneficiaries would lead to a 0.2% reduction in overall health care costs<sup>2</sup>

Saved clients more than \$643 million in 2012 in their overall health care spend

#### Notes:

1. CVS Caremark Enterprise Analytics, 2013.

2. Congressional Budget Office. *Offsetting Effects of Prescription Drug Use on Medicare's Spending for Medical Services*. November 29, 2012.

# PBM Business: What's Important To Our Clients Today?

- Health care reform
  - Clients are very focused on implementation and administration of changes resulting from the Affordable Care Act
  - With our integrated breadth of assets, CVS Caremark is well-aligned with health reform goals and well-positioned to be an important part of the solution
  
- Specialty pharmacy
  - Clients are looking for help in effectively managing rapidly-growing costs
  - CVS Caremark can provide solutions to help clients effectively manage pharmacy spend and offer members convenient access to these medications
  - Specialty Medical Benefit program aims to apply effective drug management for that portion of specialty spend flowing through the medical benefit
  - Opportunities to manage formularies and rebates so that our clients benefit
  - Specialty revenues increased nearly 20% year-over-year in first quarter

# Retail Business: Strong Retention And Continued Script Comp Growth

- Exceeded expectations in the first quarter for retention of scripts gained from Walgreens - Express Scripts impasse
  - Remain very confident in ability to retain at least 60% of scripts in 2013
- Same-store sales decreased 1.2%
  - Pharmacy comps decreased 2.3%
    - Negative impact of ~925 basis points from new generic drug introductions
    - Positive impact of ~90 basis points from strong flu season
  - Script comps increased 4.7% on a 30-day supply basis and 2.0% when counting 90-day supplies as one script
  - Front store comps increased 1.4%
    - Absence of leap day negatively impacted front store comps by about 120 basis points
    - Early Easter holiday had ~65 basis point positive impact

# Retail Business: Front Store Trends And Real Estate

- Front store traffic was down slightly while the average front store ticket increased notably in the first quarter
- When compared to drug store and “multi-outlet” competitors, market share growth in the first quarter was 120 basis points and 10 basis points, respectively
- Real estate update
  - In the first quarter we opened 52 new or relocated stores and closed nine ... total of 28 net-new stores
  - On pace to achieve 2%-3% square footage growth target for 2013

Note:

1. Multi-outlet includes the following channels/retailers: food, drug, mass, club stores, and dollar stores



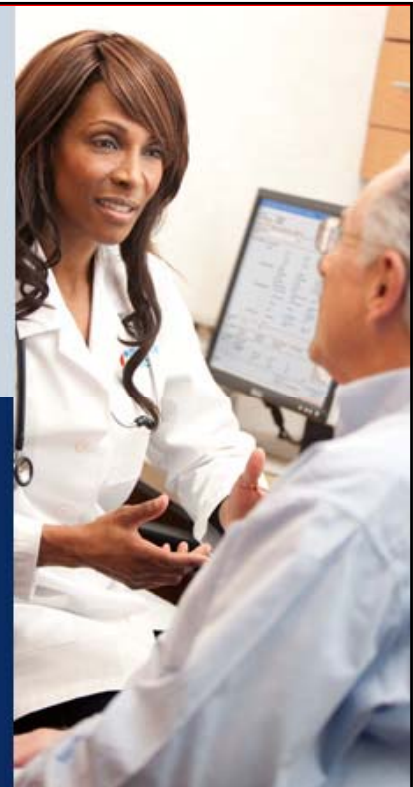
# Retail Business: Continued Strong Growth At MinuteClinic

- Revenues increased ~50% in the first quarter
- Continued to develop wellness programs and programs aimed at monitoring chronic conditions
  - Growth in non-acute services is helping reduce the seasonality of the business
- Opened 9 net-new clinics in the quarter ... ended quarter with total of 649 total clinics in 25 states and Washington D.C.
  - Expect to open a total of 150 clinics during the year



# CVS CAREMARK

First Quarter  
2013 Earnings  
Conference Call



## Financial Review

May 1, 2013

**Dave Denton**

Executive Vice President & Chief Financial Officer

# Financial Update: Capital Allocation

- Increasing dividends
  - Paid total of \$277m in dividends in first quarter
  - On track to achieve payout ratio of 25% by end of 2013 ... two years ahead of schedule
- Value-creating share repurchases
  - Repurchased total of ~7.4m shares for \$393m in first quarter (\$53.24 per share average)
  - Expect to complete \$4 billion of share repurchases in 2013
- Returned ~\$670m to shareholders in the first quarter
- Continue to expect to return ~\$5b to shareholders again in 2013

# Financial Update: Balance Sheet And Cash Flows

- Generated ~\$1.3b of free cash in the first quarter
- We've made great progress in reducing cash cycle
  - Improved by nearly two weeks over the course of the last nine quarters
- Maintaining our guidance for free cash flow of between **\$4.8 billion and \$5.1 billion** this year, but we are working to offset headwind to our free cash targets
  - Potential timing issues with respect to CMS payables and receivables that affect our free cash flow delivery, given the issues we experienced following our Med D plan consolidation



# First Quarter 2013: Consolidated Results



<i>(in millions, except per share amounts)</i>	Q1 2013	Change vs. Q1 2012
Net revenues . . . . .	\$ 30,763.2	(0.1%)
Gross profit . . . . .	5,582.1	9.2%
<i>Gross margin . . . . .</i>	<i>18.1%</i>	<i>154 bps</i>
Total operating expenses . . . . .	3,882.9	4.7%
<i>Operating expense as % of revenues . . .</i>	<i>12.6%</i>	<i>(58 bps)</i>
Operating profit . . . . .	1,699.2	21.0%
<i>Operating margin . . . . .</i>	<i>5.5%</i>	<i>97 bps</i>
<hr/>		
GAAP Diluted EPS. . . . .	\$ 0.77	29.9%
Adjusted EPS. . . . .	\$ 0.83	28.1%

Note:  
1. The adjusted income tax provision is computed using the effective income tax rate from the consolidated statement of income.

# First Quarter 2013: Pharmacy Services Segment



<i>(in millions)</i>	Q1 2013	Change vs. Q1 2012
Net revenues . . . . .	\$ 18,310.8	0.1%
Gross profit . . . . .	767.6	24.6%
<i>Gross margin . . . . .</i>	<i>4.2%</i>	<i>83 bps</i>
Total operating expenses . . . . .	269.1	0.8%
<i>Operating expense as % of revenues . . .</i>	<i>1.5%</i>	<i>(1 bps)</i>
Operating profit . . . . .	498.5	42.9%
<i>Operating margin . . . . .</i>	<i>2.7%</i>	<i>82 bps</i>
<hr/>		
EBITDA . . . . .	635.0	35.0%
<i>EBITDA margin . . . . .</i>	<i>3.5%</i>	<i>90 bps</i>

# First Quarter 2013: Pharmacy Services Segment



<i>(in millions, except EBITDA / Adjusted claim)</i>	Q1 2013	Change vs. Q1 2012
Net revenues		
Mail choice . . . . .	\$ 5,869.4	3.6%
Pharmacy network . . . . .	12,391.5	(1.5%)
Other . . . . .	49.9	0.6%
Pharmacy claims processed		
Total . . . . .	227.6	4.0%
Mail choice . . . . .	20.5	0.6%
Pharmacy network . . . . .	207.1	4.3%
Total adjusted claims . . . . .	266.0	3.5%
Generic dispensing rate . . . . .	80.5%	400 bps
Mail choice dispensing rate . . . . .	75.4%	640 bps

# First Quarter 2013: Retail Pharmacy Segment

<i>(in millions)</i>	Q1 2013	Change vs. Q1 2012
Net revenues . . . . .	\$ 16,051.2	0.2%
Gross profit . . . . .	4,952.4	8.3%
<i>Gross margin . . . . .</i>	<i>30.9%</i>	<i>232 bps</i>
Total operating expenses . . . . .	3,415.2	4.3%
<i>Operating expense as % of revenues . . .</i>	<i>21.3%</i>	<i>(84 bps)</i>
Operating profit . . . . .	1,537.2	18.5%
<i>Operating margin . . . . .</i>	<i>9.6%</i>	<i>148 bps</i>
<hr/>		
EBITDA . . . . .	1,879.6	19.1%
<i>EBITDA margin . . . . .</i>	<i>11.7%</i>	<i>186 bps</i>



# First Quarter 2013: Retail Pharmacy Segment



<i>(in millions)</i>	Q1 2013	Change vs. Q1 2012
Net revenues		
Pharmacy . . . . .	\$ 11,075.9	(1.1%)
Front store . . . . .	4,975.3	3.1%
Retail prescriptions filled		
90-day counted as 1 . . . . .	184.7	2.9%
90-day counted as 3 . . . . .	221.5	5.5%
Same store sales increase / (decrease) over prior year		
Total . . . . .	(1.2%)	
Pharmacy . . . . .	(2.3%)	
Front store . . . . .	1.4%	
Rx Volume (90-day counted as 1) . . . . .	2.0%	
Rx Volume (90-day counted as 3) . . . . .	4.7%	
Generic dispensing rate . . . . .	81.2%	310 bps

Note:

1. Same store sales figures include one less day in 2013 versus 2012 for leap year.

# 2013 Guidance: Enterprise Revenue & Earnings Per Share

	Full-year 2013
Net revenue growth	1.75% to 3.0%
GAAP diluted EPS	\$3.64 to \$3.75
Adjusted EPS	\$3.89 to \$4.00
<i>Year-over-year growth</i>	<i>13.0% to 16.5%</i>

## Notes:

1. Guidance assumes completion of \$4 billion in share repurchases during 2013, as part of a \$6.0 billion share repurchase program authorized by CVS Caremark's board of directors in September 2012. Timing of repurchases should roughly follow the timing of share repurchases in 2012.
2. Adjusted EPS year-over-year growth rates calculated after excluding debt refinancing impact in 2012.
3. Guidance includes one less day in 2013 versus 2012 for leap year.

# 2013 Guidance: Pharmacy Services Segment

	Full-year 2013
Net revenue growth	1.75% to 2.75%
<i>Total adjusted claims</i>	<i>1.050b to 1.058b</i>
Gross profit margin	Modestly Up
Operating expense (% of revenue)	Flattish
Operating profit growth	11.0% to 14.0%
Operating profit margin	Up 35 bps to 40 bps

Note:

1. Guidance includes one less day in 2013 versus 2012 for leap year.

# 2013 Guidance: Retail Pharmacy Segment

Full-year 2013	
Net revenue growth	2.25% to 3.5%
<hr/>	
<i>Same store sales</i>	<i>1.0% to 2.25%</i>
<hr/>	
<i>Same store scripts</i>	<i>1.5% to 2.5%</i>
<hr/>	
Gross profit margin	Up Moderately
<hr/>	
Operating expense (% of revenue)	Modest deterioration
<hr/>	
Operating profit growth	7.0% to 8.5%
<hr/>	
Operating profit margin	Up 40 bps to 45 bps

## Notes:

1. Same store script growth is estimated using the standard convention of counting all scripts, regardless of the days supply, as one script.
2. Guidance, including "same store" estimates, includes one less day in 2013 versus 2012 for leap year.



# 2013 Guidance: Consolidated Income Statement

	Full-year 2013
Corporate segment expense	\$745m to \$760m
Intercompany eliminations <i>(% of combined segment revenues)</i>	~ 10.3%
Gross profit margin	Moderately Up
Operating expense <i>(% of revenue)</i>	Flat to down
Operating profit margin	Up 30 bps to 40 bps

#### Notes:

1. Guidance assumes completion of \$4 billion in share repurchases during 2013, as part of a \$6.0 billion share repurchase program authorized by CVS Caremark's board of directors in September 2012. Timing of repurchases should roughly follow the timing of share repurchases in 2012.
2. Guidance includes one less day in 2013 versus 2012 for leap year.

# 2013 Guidance: Consolidated Income Statement

Full-year 2013	
Net interest expense	\$495m to \$505m
Effective tax rate	~ 39%
Weighted average shares	~ 1.22b
Consolidated amortization	~ \$495m
Consolidated D&A	~ \$1.9b

#### Notes:

1. Guidance assumes completion of \$4 billion in share repurchases during 2013, as part of a \$6.0 billion share repurchase program authorized by CVS Caremark's board of directors in September 2012. Timing of repurchases should roughly follow the timing of share repurchases in 2012.
2. Guidance includes one less day in 2013 versus 2012 for leap year.

# 2013 Guidance: Cash Flow And Capital Expenditures

<i>(billions)</i>	Full-year 2013
Operating cash flow	\$6.4 to \$6.6
<i>Gross capital expenditures</i>	<i>(\$2.2) to (\$2.0)</i>
<i>Sale-leaseback proceeds</i>	<i>\$0.5 to \$0.6</i>
Net capital expenditures	(\$1.6) to (\$1.5)
<b>Free cash flow</b>	<b>\$4.8 to \$5.1</b>

## Notes:

1. The Company finances a portion of its store development program through sale-leaseback transactions. Use of sale-leaseback financing is subject to change, as we evaluate a variety of financing vehicles for future development; this may also result in changes to our definition of free cash flow.
2. Guidance includes one less day in 2013 versus 2012 for leap year.
3. Figures might not foot due to rounding.

# Second Quarter 2013 Guidance: Enterprise Revenue & Earnings Per Share

Q2 2013	
Net revenue growth	0.75% to 2.0%
GAAP diluted EPS	88¢ to 91¢
Adjusted EPS	94¢ to 97¢
<i>Year-over-year growth</i>	<i>16.25% to 20.25%</i>

Note:

1. Guidance assumes completion of \$4 billion in share repurchases during 2013, as part of a \$6.0 billion share repurchase program authorized by CVS Caremark's board of directors in September 2012. Timing of repurchases should roughly follow the timing of share repurchases in 2012.



# Second Quarter 2013 Guidance: Segment Breakdown

Q2 2013		
Pharmacy Services	Net revenue growth	0.5% to 1.5%
	Operating profit growth	26.5% to 32.5%
Retail Pharmacy	Net revenue growth	0.75% to 2.25%
	Same store sales	(0.25%) to 1.0%
	Same store scripts	1.5% to 2.5%
	Operating profit growth	7.25% to 9.0%

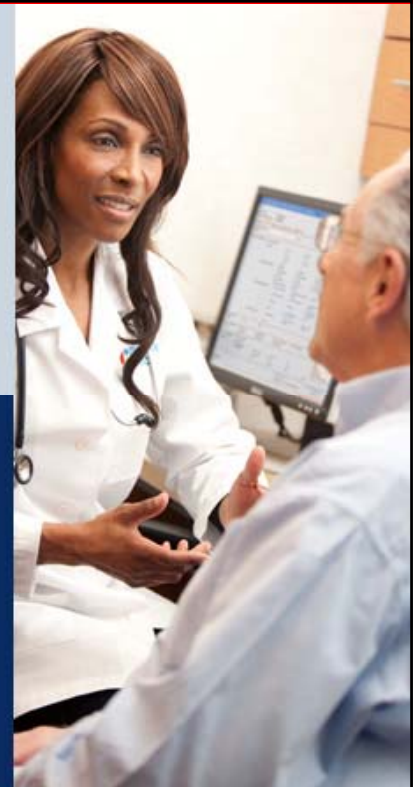
Note:

1. Same store script growth is estimated using the standard convention of counting all scripts, regardless of the days supply, as one script.



# CVS CAREMARK

First Quarter  
2013 Earnings  
Conference Call



May 1, 2013