



The Berkshire Babes and Hathaway Hunks

History

1963: First Store Opened in Lowell, Massachusetts

1967: Opened First Pharmacy

1994: Launched PharmaCare

1990-1999: Acquired 3,200 stores from various drugstore chains

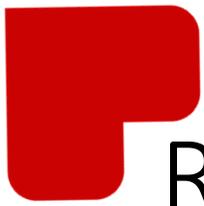
1999: Launched CVS.com

2006: Acquired MinuteClinic

2007: Merged with Caremark

2014: Changed Name to CVS Health





Recent Acquisitions

2013

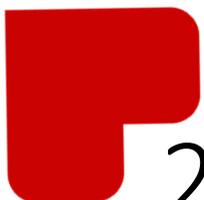
- Drogario Onofre in Brazil

2014

- Coram
- Navarro Discount Pharmacy

2015

- Omnicare and Target pharmacies



2015 Highlights



243,000

colleagues across all 50 states, Washington, D.C.,
Puerto Rico, and Brazil



\$153 billion

in enterprise revenue in
2015,

more than 85% in health care



5

million

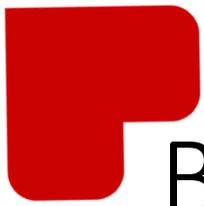
customers per day in our retail pharmacies



1.9

billion

prescriptions dispensed or managed annually

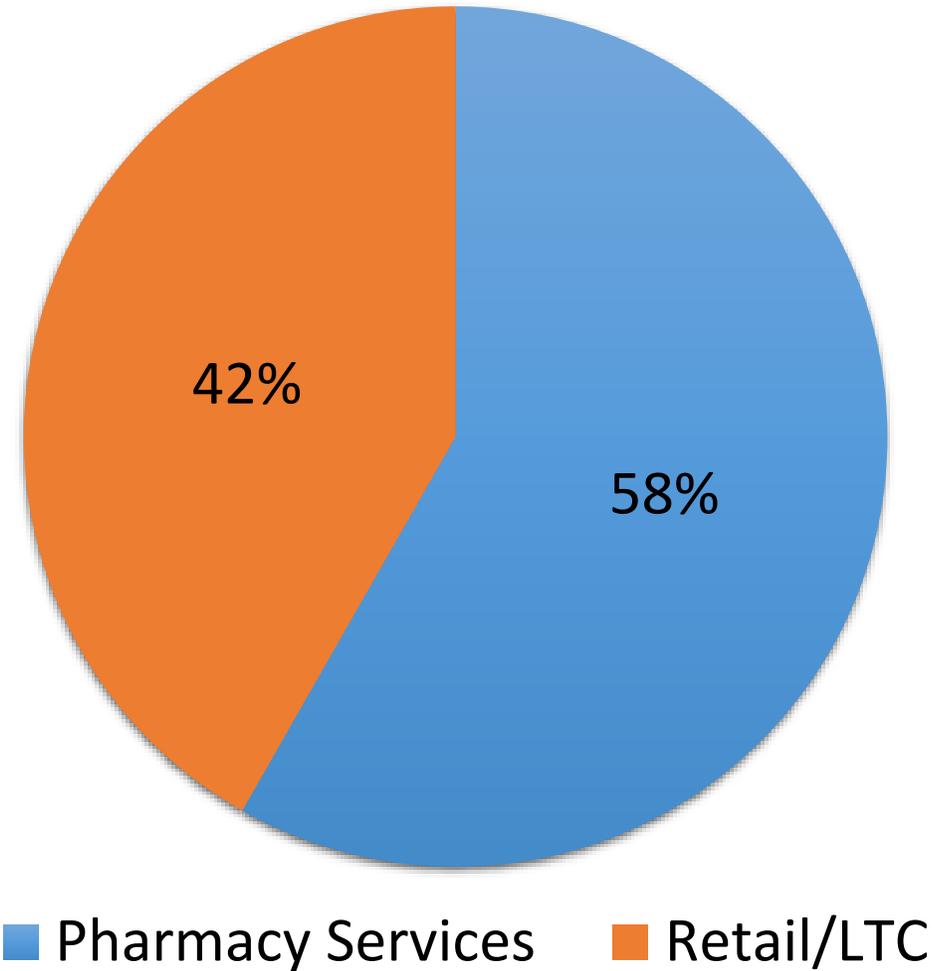


Business Segments

Business-to-Business

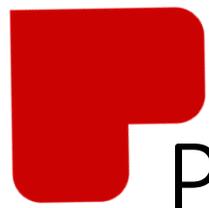
Business-to-Consumer

2015 Revenue By Segment





Pharmacy Services



Pharmacy Services

Caremark

Coram

Accordant

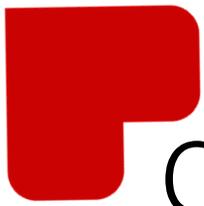
NovoLogix

CVS Specialty

Advanced Care Scripts

Silver Script

Navarro Health Services



CVS Caremark

Pharmacy Benefit Manager and Mail Service Pharmacy

National Network of 68,000 retail pharmacies and 27,000 independent pharmacies

Operates 5 mail-order pharmacies

Serves more than 75 million plan members in US

Major Services Provided:

- Maintenance Choice
- Pharmacy Advisor



Clients have made Maintenance Choice available to

**23
million**

members to date, and adoption continues to grow



9,600

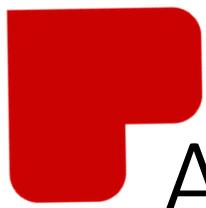
CVS Pharmacy stores offer Maintenance Choice



15.6

million

interventions delivered through Pharmacy Advisor, driving 4% improvement in adherence



Adherence Rates



CVS Pharmacy adherence rates are, on average,

6 percentage points

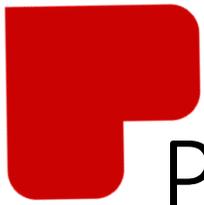
better than for our peers for diabetes, cholesterol, and hypertension therapies



Lack of adherence costs the U.S. health care system an estimated

\$300 billion

annually



Pharmacy Benefit Management Services

Plan Design Offerings
and Administration

Formulary Management

Medicare Part D Services

Mail-Order Pharmacy

Specialty Pharmacy

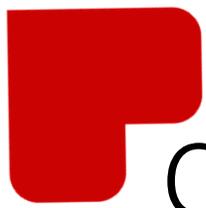
Retail Pharmacy Network Management

Prescription Management Systems

Clinical Services

Disease Management Programs

Medical Pharmacy Management



Clients of PBM Services

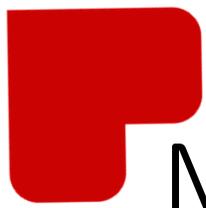
Employers

Insurance Companies

Unions

Managed Medicaid Plans and other sponsors of health benefit plans

Individuals



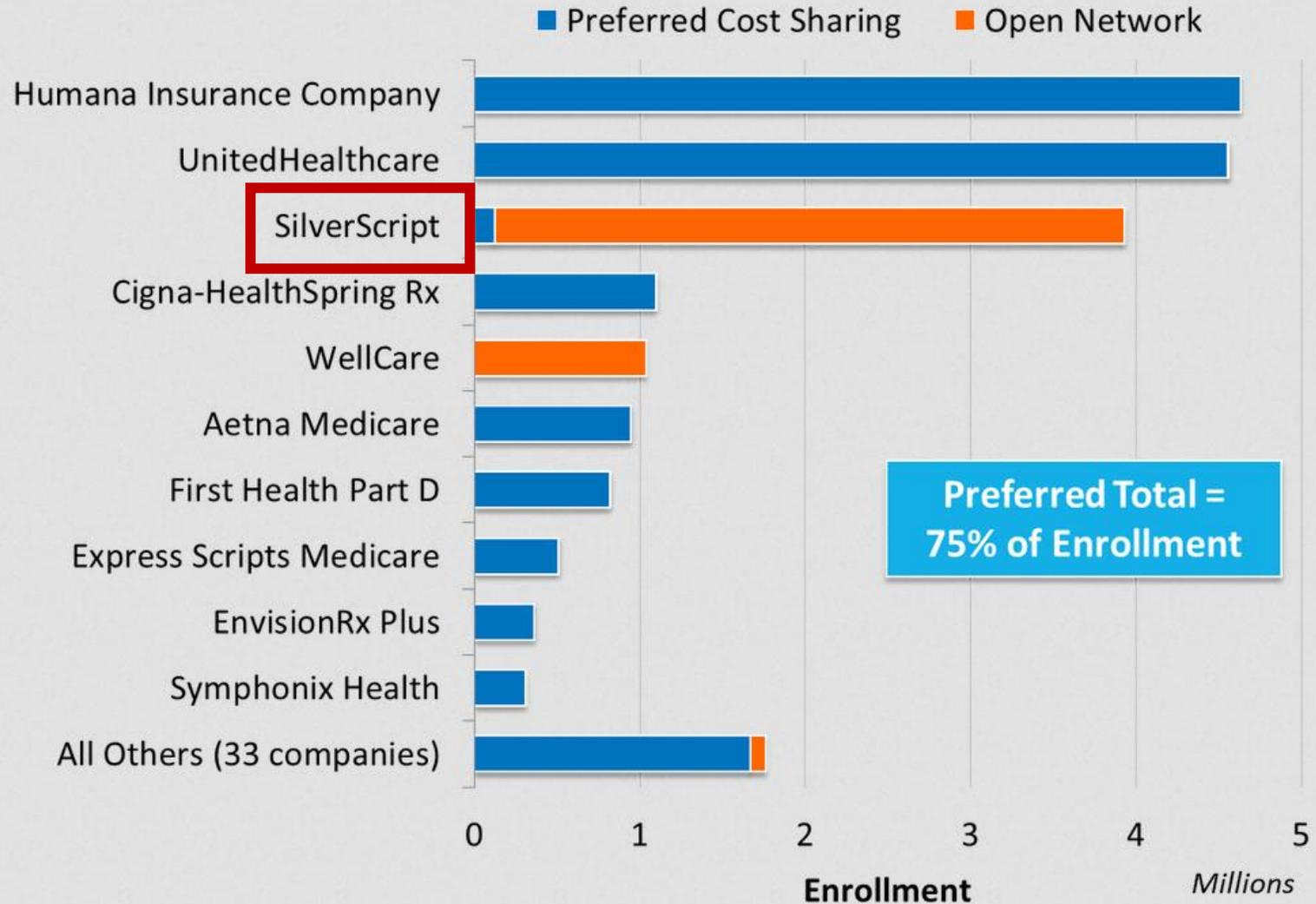
Medicare Part D

SilverScript Prescription Drug Plan added over 500,000 members in 2015, raising total enrollment to 5 million

CVS manages an additional 6 million Medicare Part D members for their health plan clients.

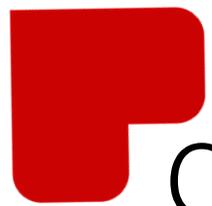
SilverScript was the largest Prescription Drug Plan to achieve a 4 star rating

2016 ENROLLMENT IN MEDICARE PART D PDPs, BY PARENT ORGANIZATION



PDP = Prescription Drug Plan

Source: Pembroke Consulting analysis of data from the Centers for Medicare & Medicaid Services (CMS). 2016 data reflect enrollment as of December 4, 2015. Analysis excludes: Employer-sponsored plans; Medicare Advantage PDPs (MA-PDP); Plans from U.S. territories; Employer/union only group plans
Published on Drug Channels (<http://www.DrugChannels.net>) on January 20, 2016.



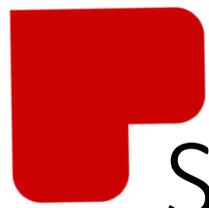
CVS Specialty

Largest Specialty Pharmacy in the country

- 23 retail specialty stores
- 13 specialty mail order pharmacies

Specialty Connect

Coram Infusion Services

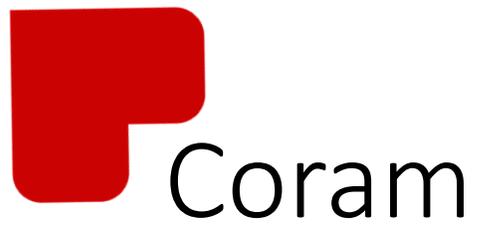


Specialty Connect

Guidance and clinical support from experts

Addresses three main challenges of specialty prescriptions

- Submitting the prescription
- Access to centralized expert clinical benefits and support
- Navigating logistics involved in receiving the drug



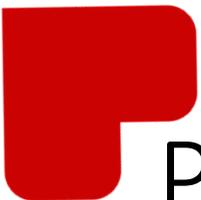
National network of more than 85 locations and more than 65 outpatient infusion suites

Largest home infusion network in the US

Serves over 45,000 patients each month

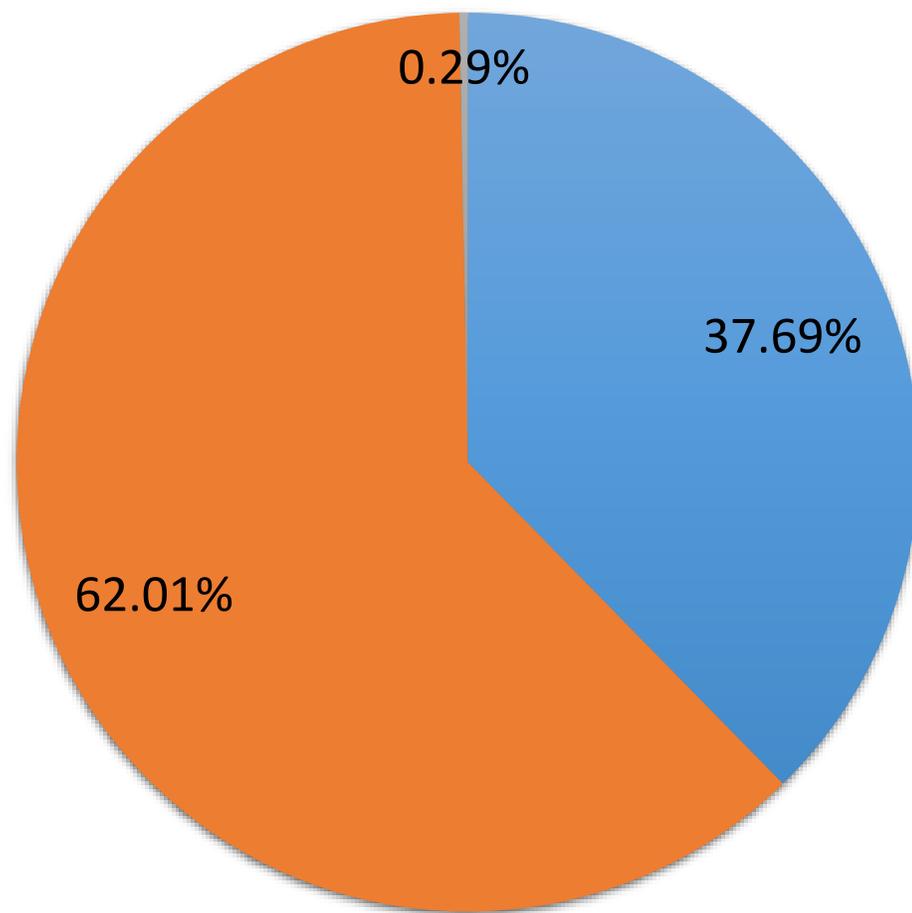
- 20,000 infusion therapy
- 25,000 tube feeding therapy

Offers PICC (Peripherally Inserted Central Catheter) Placement services



Pharmacy Services Segment

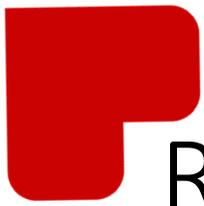
Pharmacy Services Revenue 2015



■ Mail Choice ■ Pharmacy Network ■ Other



Retail/LTC Segment



Retail/LTC

Pharmacy

Long-term Care

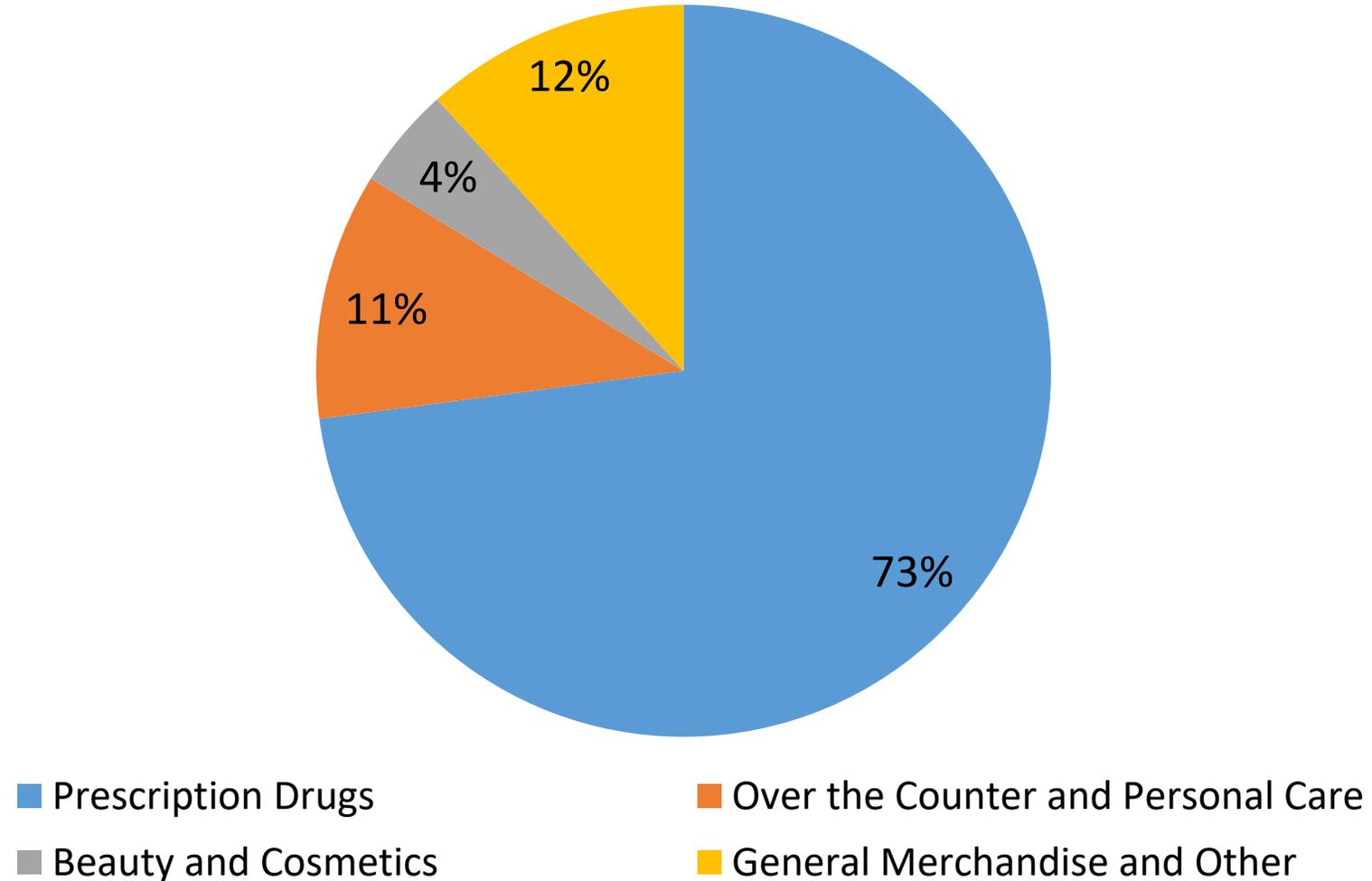
Front Store

Onsite Pharmacies

MinuteClinic

Retail/LTC Segment

2015 Retail/LTC Segment Revenues







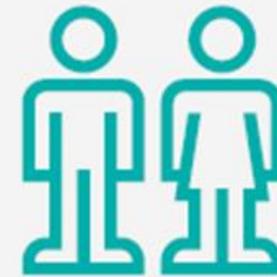
Currently operates in 98 of the top 100 US drugstore markets and hold the number 1 or number 2 market share in 93 of these markets

9,674 retail stores

Located in 49 states, Puerto Rico, and Brazil

32 onsite pharmacies operating under the CarePlus and CVS Pharmacy names

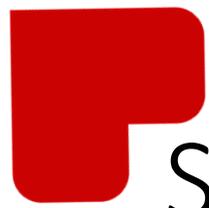
ScriptSync



ScriptSync enrolled

600,000

patients in 2015



Store Brands



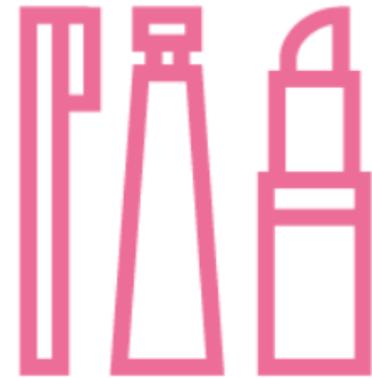
22%

of CVS Pharmacy front store sales are generated by store brands



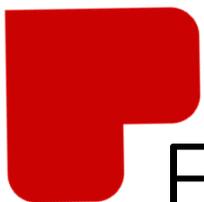
80%

of front store transactions use the ExtraCare card



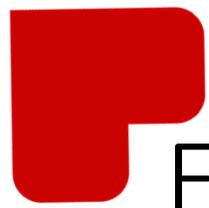
6,000+

unique store brand products



Exclusive Store Brands





Exclusive Beauty Products

essence
of beauty



beauty
360

ENLITE
SUPER FACE +
FLAWLESS BODY

NUANCE
SALMA HAYEK

MUA
MAKEUP ACADEMY



Exclusive Skin Products

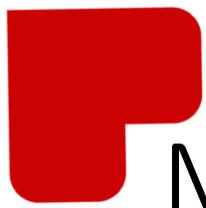
wilma**SCHUMANN**[®]
EUROPEAN SKIN CARE
Simple. Effective. Results.

SKIN+PHARMACY

PREVENTIN-AT

JOUVIANCE
LA SCIENCE DE LA DERMO-BEAUTÉ



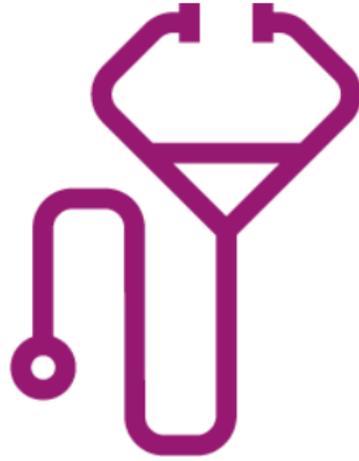


MinuteClinics

Services

- Diagnose and treat minor illnesses and injuries
- Health screenings
- Vaccinations and Injections
- Camp and Sport Physicals

Covered by more than 250 insurance carriers



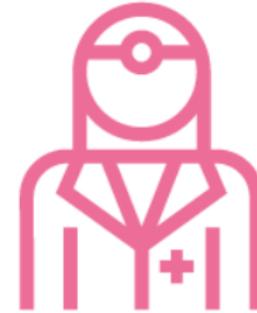
More than
50%

of the U.S. population lives within **10 miles** of a MinuteClinic



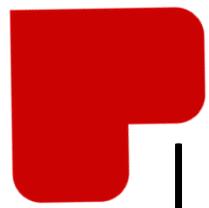
1,135

MinuteClinic locations at the end of 2015



63

affiliations with major health systems across the U.S.



Long-term Care

Network consists of 143 spoke pharmacies

- 32 of which are also hub pharmacies

Omnicare

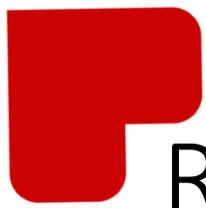


Leading pharmacy provider to the elderly in chronic care settings

Dispenses 100 million prescriptions annually

80% of Omnicare's patients live within 5 miles of a CVS pharmacy

Advanced Care Scripts



Recent News: Tricare Drops CVS

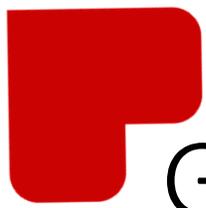
CVS filled 25% of Tricare's prescriptions

\$2.24 Billion in revenue lost

40 million prescriptions lost

Impacts EPS by less than 2%

 Growth



Growth Drivers

Increased demand for prescriptions

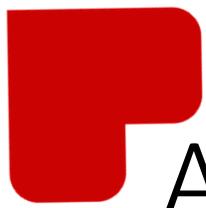
Caremark

Differentiated Pharmacy Solutions

Specialty Capabilities

Leading Medicare Part D Provider

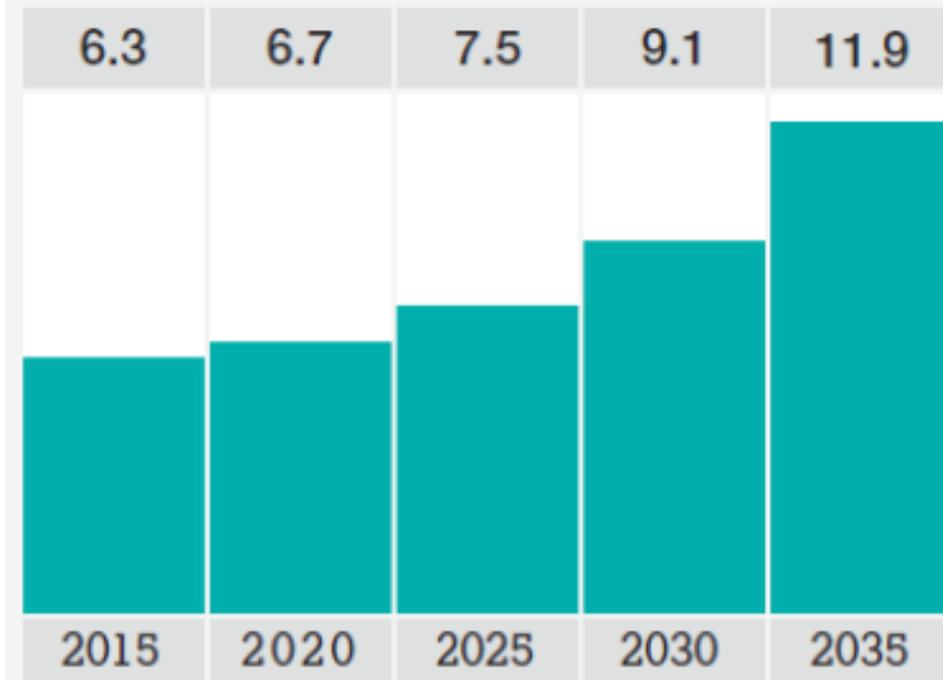
Largest Retail Clinic Provider



Aging Demographics

U.S. Population Over Age 85

in millions (estimated)

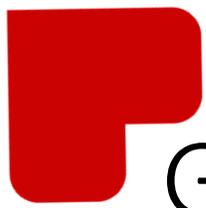


10,000

baby boomers turn 65 every day

70%

of people turning age 65 can expect to use
some form of long-term care



Growth Drivers Continued

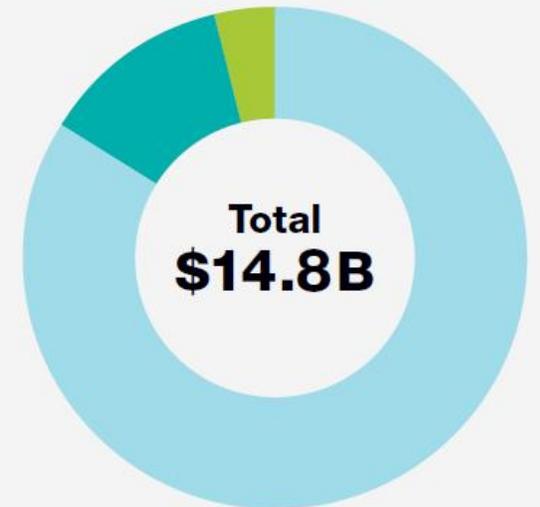
Caremark

- 2008: Managed and Dispensed Scripts totaled 740 million
- 2015: Managed and Dispensed Scripts totaled 1.2 billion

Differentiated Pharmacy Solutions

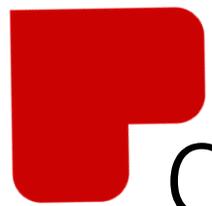
Specialty Capabilities

Gross new business wins to start 2016

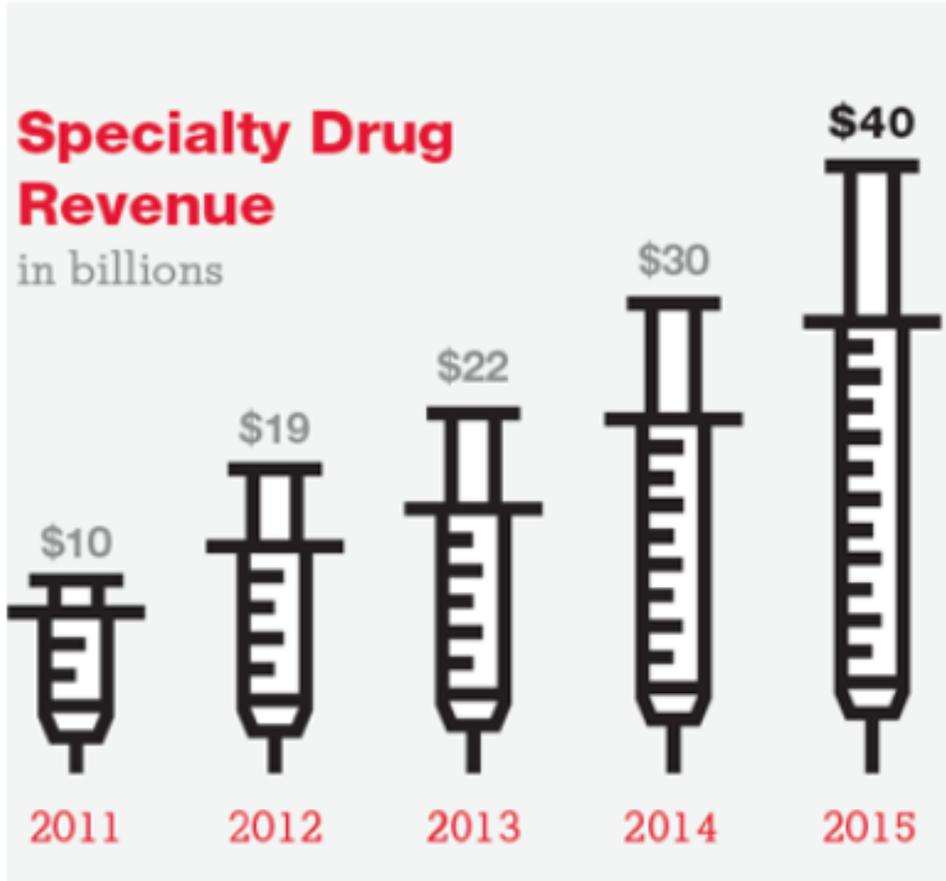


- 84% Health Plan
- 12% Employer
- 4% Government

With a client retention rate of 98%, net new business for 2016 totaled **\$12.7B**



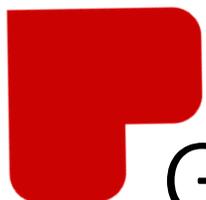
CVS Specialty



CVS Specialty is a market leader, with nearly

\$40
billion

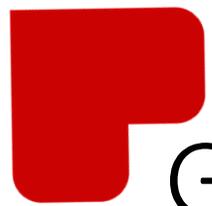
in specialty revenues in 2015



Growth Drivers Continued

Leading Medicare Part D Provider

Largest Retail Clinic Provider



Growth

Captured 39% of the new prescriptions added to the market over the last five years

Since 2010, the retail prescription business has grown at twice the rate of the overall market

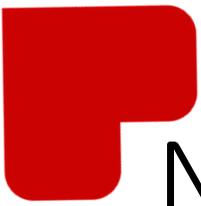


CVS Pharmacy filled

21.6%

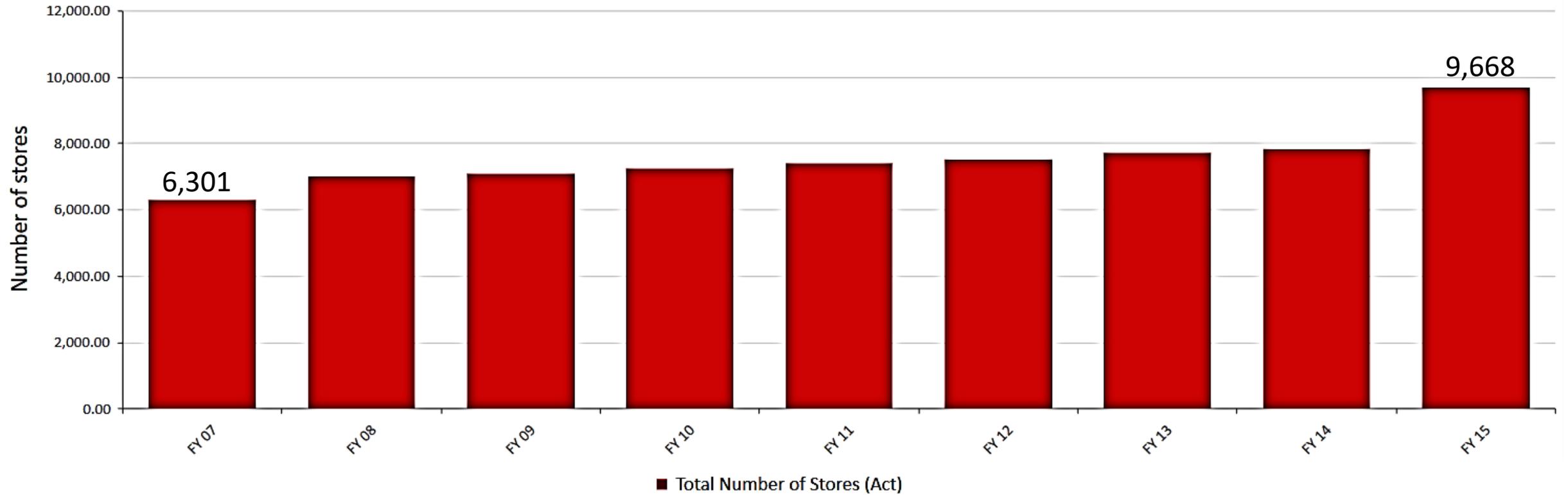
of all retail prescriptions

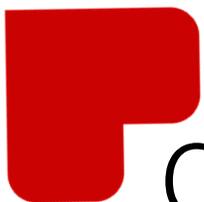
in 2015 to lead the U.S. retail drugstore market



New Store Construction

Number of Retail Stores





Convenience and Growth



Only

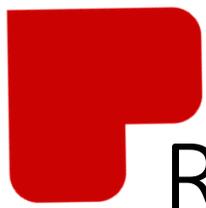
5% to 7%

of Target customers have historically used a Target pharmacy, a significant opportunity to drive script growth and profitability



76%

of the U.S. population now lives within 5 miles of a CVS Pharmacy



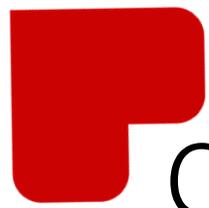
Risk Factors

Highly competitive business environment

Reform of the US Health Care System

Risks related to compliance with a broad and complex regulatory framework

Risks of declining gross margins in the PBM, retail pharmacy and LTC pharmacy industries



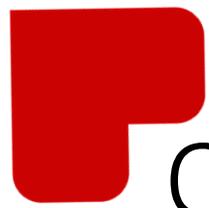
Competitive Advantage

Retail/pharmacy segment operates in a duopoly

Sticky business

Supplier pricing leverage

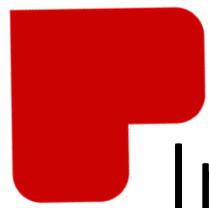
Economies of scale



Qualitative Review

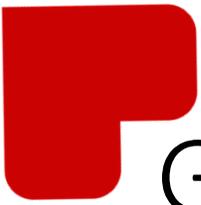
	Sustained Competitive Advantage
What type of business is this: commodity or sustained competitive advantage?	
Can you easily explain what the business does?	Yes
Is it heavily unionized?	No
Does it require heavy capital infusion?	Yes
Does it require lots of research and development?	No
Can inventory become obsolete?	Yes
Are there chronic "one time" write offs?	Yes
Is the company able to raise its prices to offset inflation?	Yes
Will the company be able to sell more in the future?	Yes
If I gave you \$1 billion could you develop a competitor? If the answer is "no" your business has a sustained competitive advantage.	No

 Quantitative Analysis

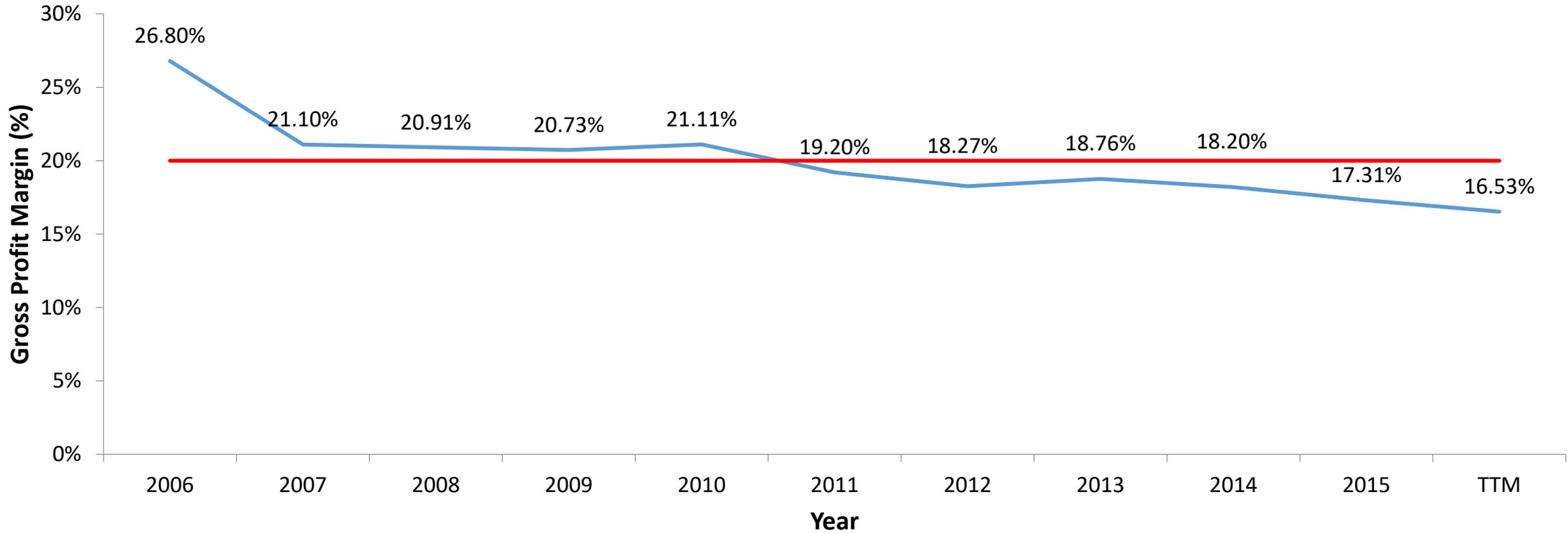


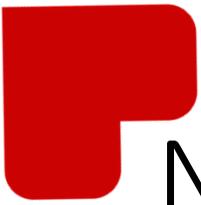
Interpretation of the Financial Statements

<u>TTM</u>	Value	Low Threshold	Pass?
Gross Profit Margin	16.53%	$\geq 20\%$	No
% SGA	64.72%	$\leq 80\%$	Yes
% R&D	0.00%	$\leq 10\%$	Yes
% Depreciation	8.51%	$\leq 10\%$	Yes
Interest % of OP	24.70%	$\leq 15\%$	No
Net Profit Margin	2.96%	$\geq 10\%$	No
Current Ratio	1.16	≥ 1	Yes
Obligation Ratio	7.81	< 5 years	No
Adj. Debt to Shareholder Equity	0.84	< 0.8	No
Return on Equity	14.21%	$\geq 15\%$	No
Return on Capital	8.30%	$\geq 15\%$	No
Dividend Payout Ratio	34.75%	$\leq 60\%$	Yes
Preferred Stock	None	None	Yes
Capital Expenditures	48.63%	$\leq 25\%$	No
Net Earning Trend	Up	Up	Yes
Retained Earnings Trend	Up	Up	Yes

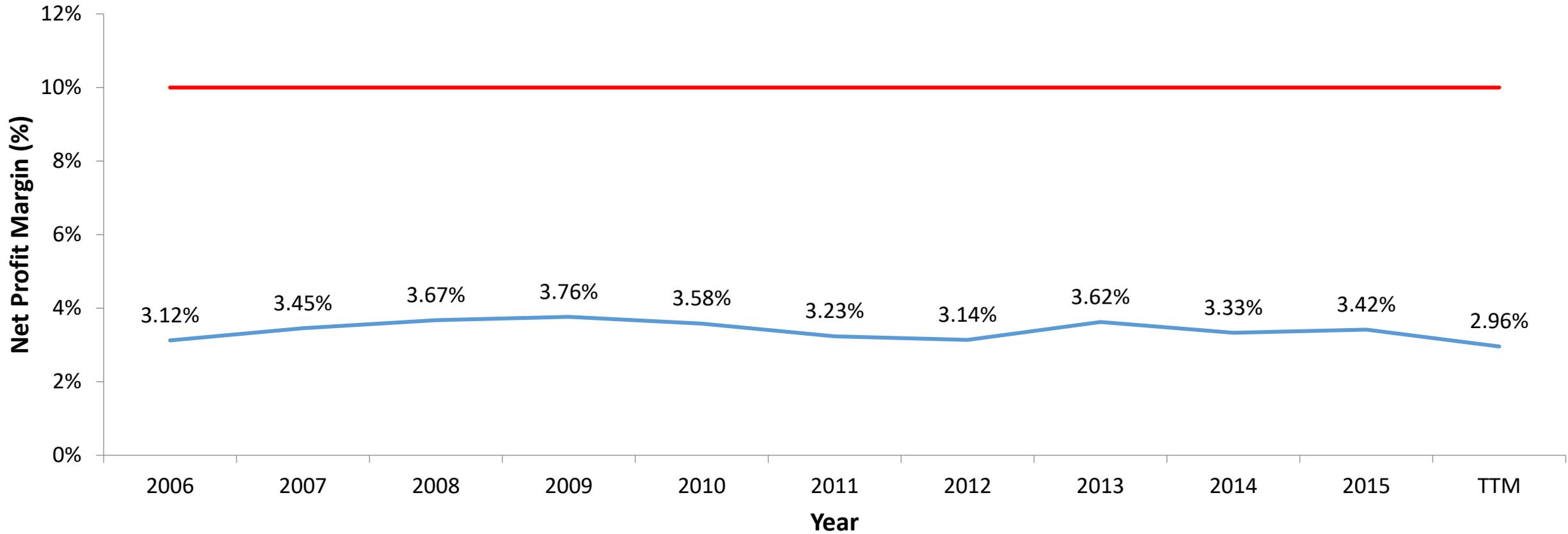


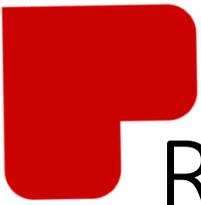
Gross Profit Margin



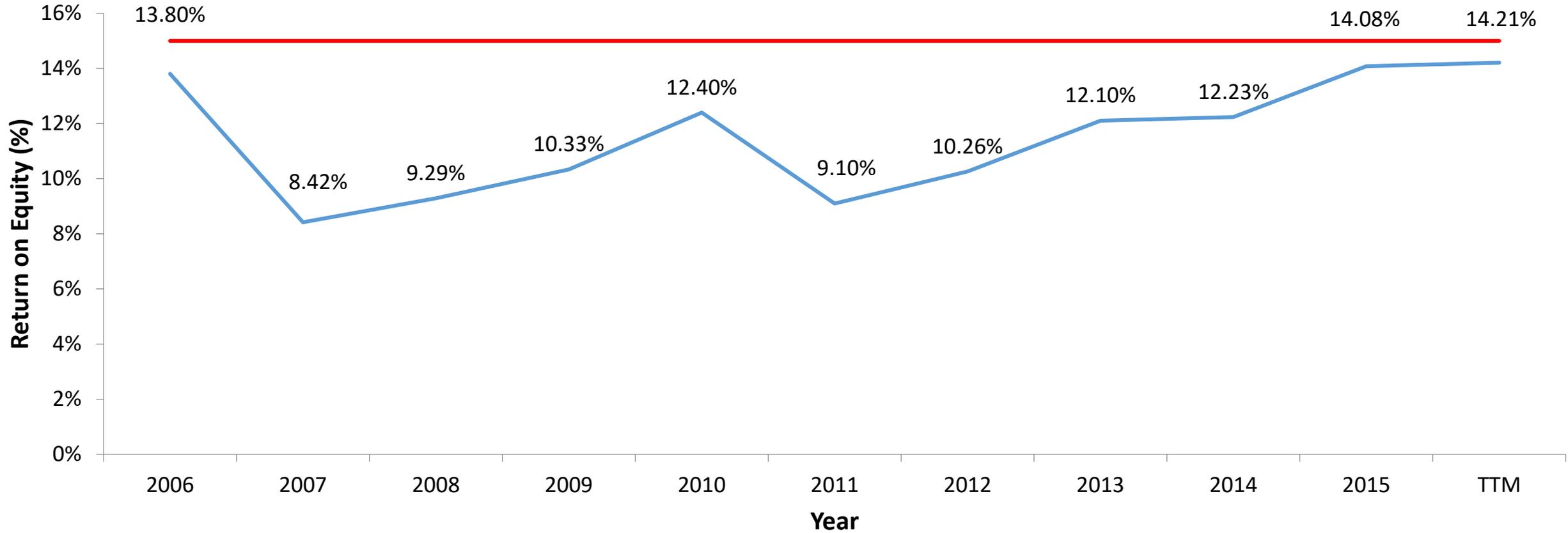


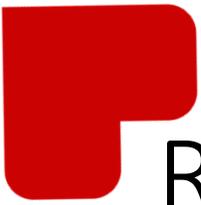
Net Profit Margin



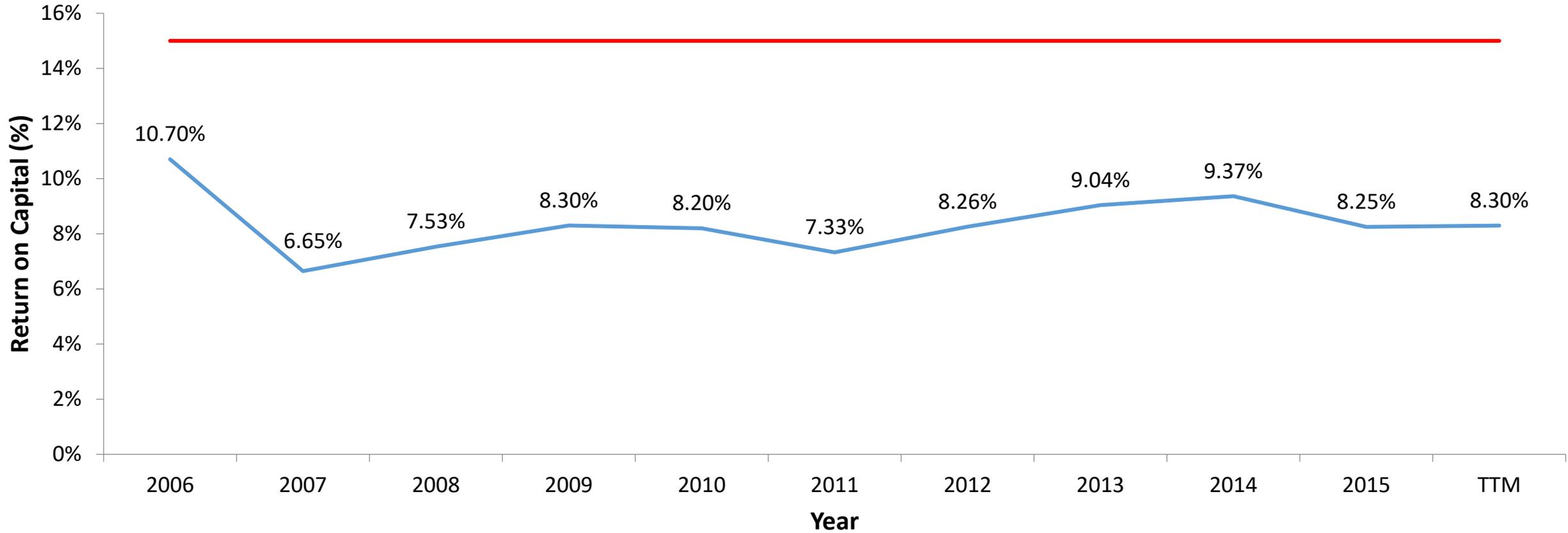


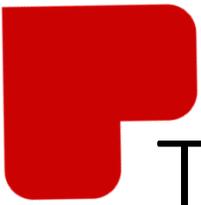
Return on Equity



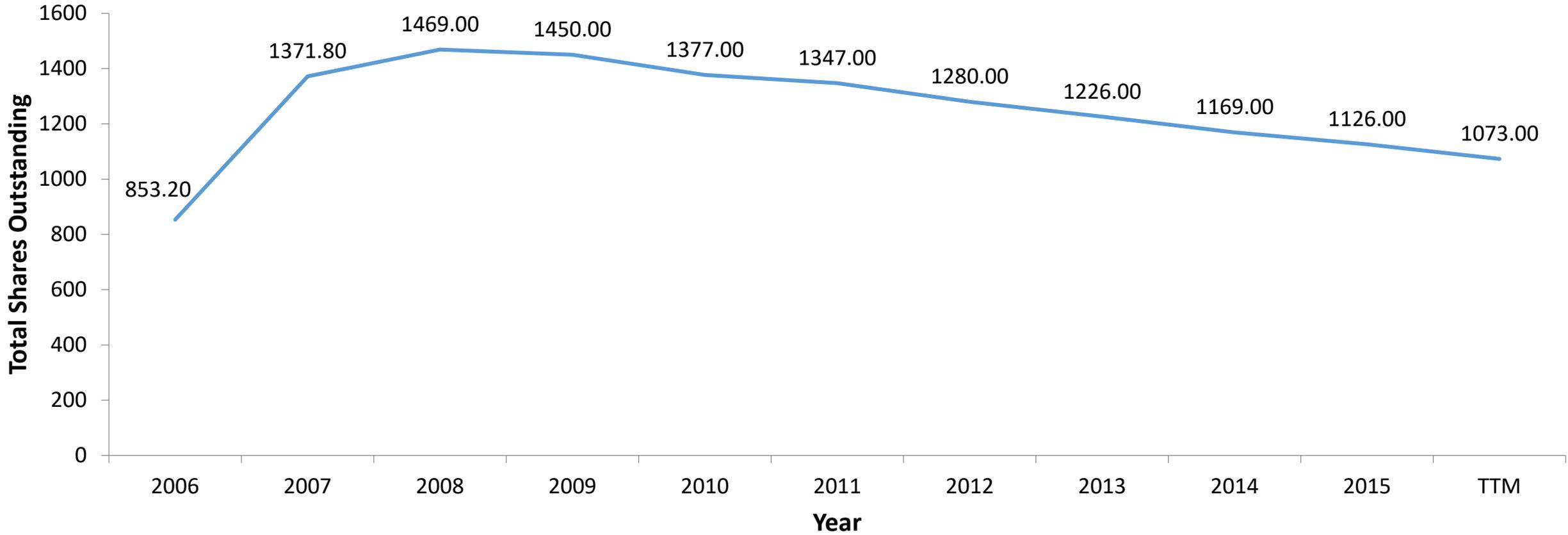


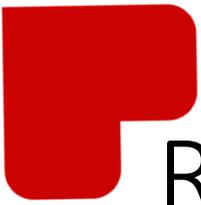
Return on Capital



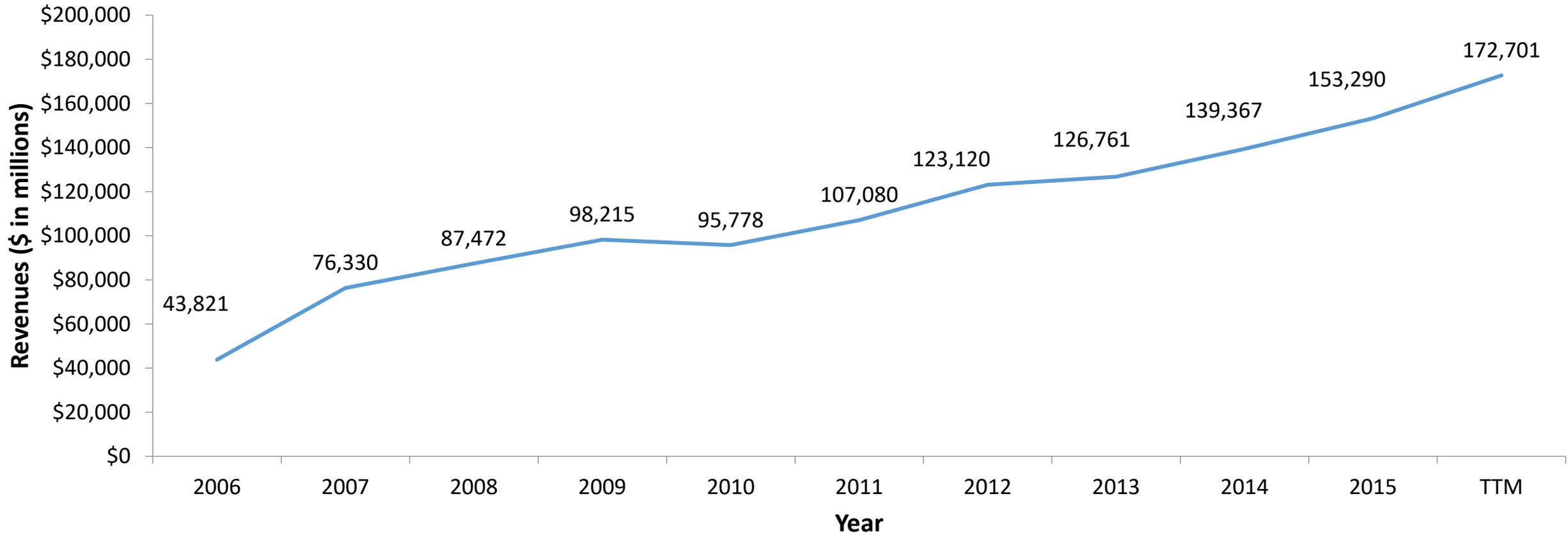


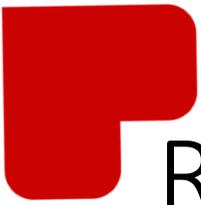
Total Shares Outstanding





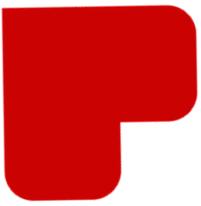
Revenues (10 Year)



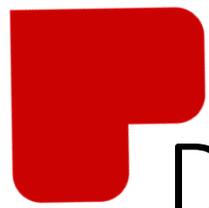


Retained Earnings



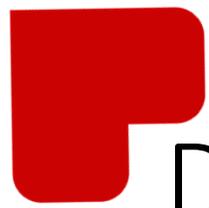


Statistical Array Analysis	Trends
Sales per Share	Increasing
Cashflow per Share	Increasing
Dividends Declared Per Share	Increasing
Book Value Per Share	Increasing
Revenues	Increasing
Gross Profit Margin	Decreasing
Number of Stores	Increasing
Net Profit	Increasing
Net Profit Margin	Consistent
Working Capital	Increasing
Return on Capital	Consistent
Return on Equity	Increasing
Common Shares Outstanding	Decreasing
Long-term Debt	Increasing*
LT Debt Payable in 5 Years	No
All dividends to net profit under 60%	Yes



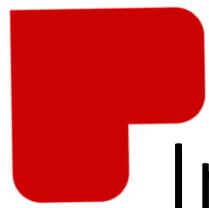
DuPont Historical

	Total Asset Turnover	Net Profit Margin (%)	Financial Leverage Multiplier	Return on Equity (%)
TTM	1.83	2.96	2.62	14.19
2015	1.66	3.42	2.49	14.14
2014	1.88	3.33	1.95	12.21
2013	1.77	3.62	1.89	12.1



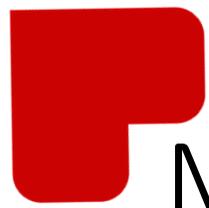
DuPont Competitors (TTM)

	Total Asset Turnover	Net Profit Margin (%)	Financial Leverage Multiplier	Return on Equity (%)
CVS	1.83	2.96	2.62	14.19
Walgreens	1.61	3.55	2.43	13.89
Rite Aid	2.81	.41	18.82	21.68
Express Scripts	1.99	2.70	3.26	17.52



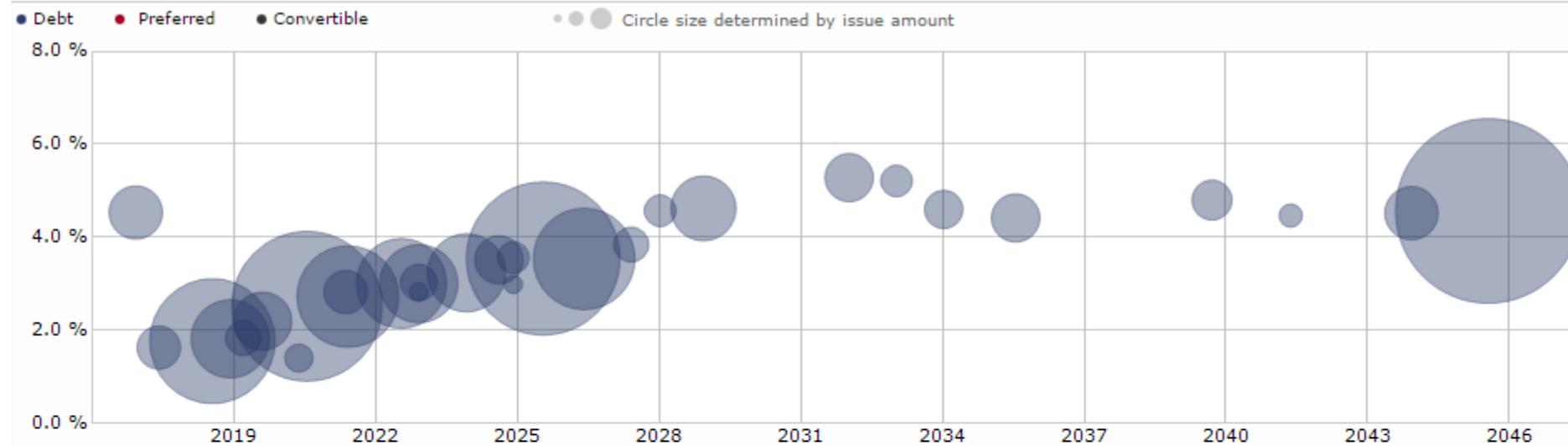
Industry Breakdown

	CVS	Walgreens	Rite Aid	Express Script
Market Cap (mil)	78,980	91,460	8,260	41,530
Revenue (mil)	172,701	117,351	32,638	101,600
P/E	15.86	22.16	60.38	17.96
P/S	0.47	0.79	0.25	.49
P/B	2.20	3.06	13.40	3.01
EV/EBIT	10.95	16.84	23.82	12.45
ROA	5.43	5.76	1.16	5.31
ROE	14.19	13.89	21.68	17.52
Operating Margin	5.83	5.11	1.96	4.75
Net Margin	2.96	3.55	0.41	2.70

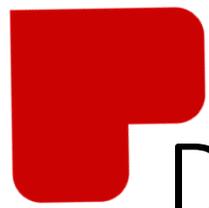


Morningstar Debt Analysis

Yield to Maturity

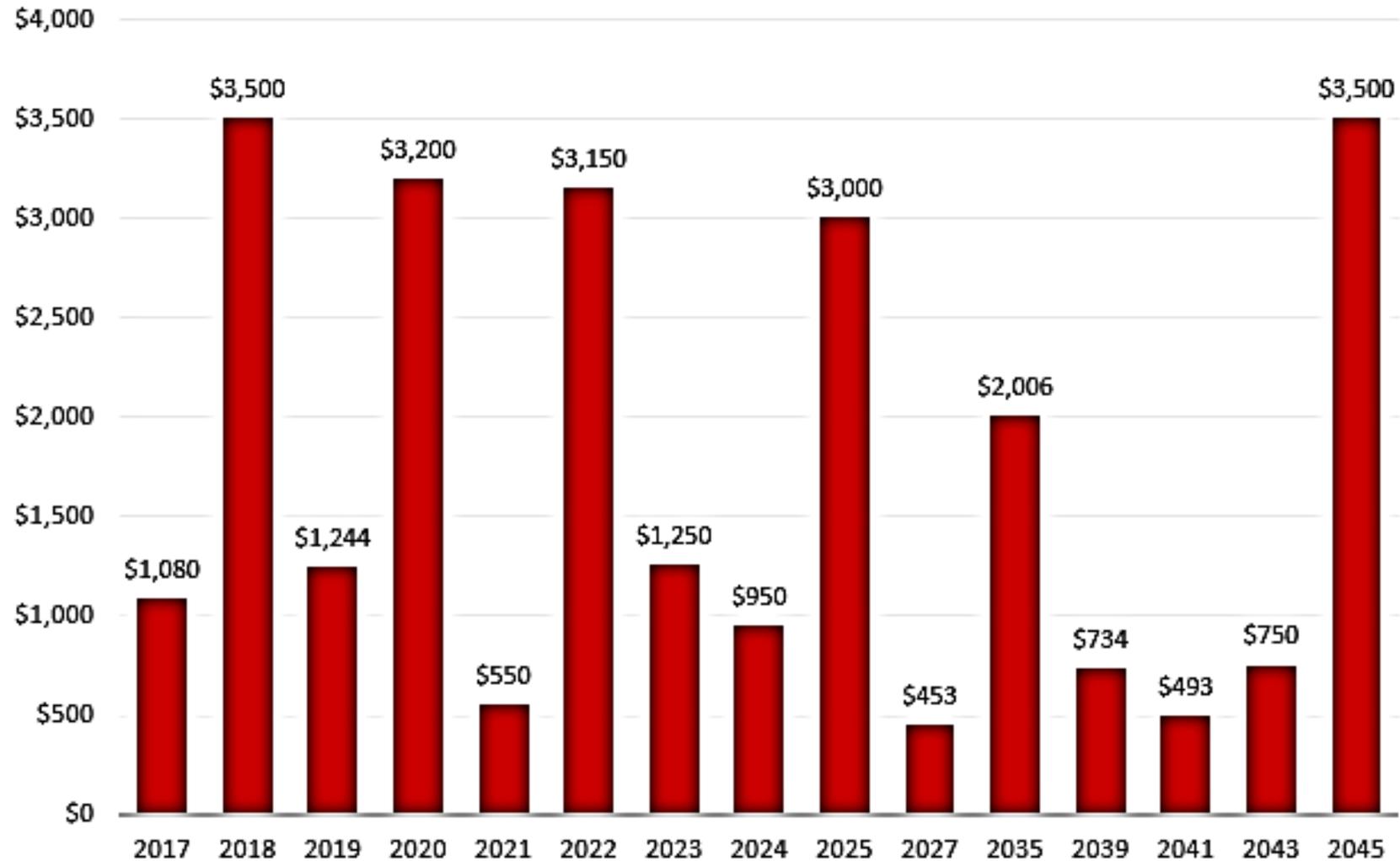


Name	Maturity Date	Amount \$(Mil)	Credit Quality	Price	Coupon %	Coupon Type (Fixed/Floating)	Callable	Rule 144A	Yield to Maturity %
Cvs Caremark Corporation 1.2%	12/05/2016	750.0	---	99.9	1.200	Fixed	No	No	4.53
Cvs Caremark Corporation 5.75%	06/01/2017	541.3	---	103.5	5.750	Fixed	No	No	1.63
Cvs Health 1.9%	07/20/2018	2,250.0	---	100.2	1.900	Fixed	No	No	1.76
Cvs Health	07/20/2018	1,000	---	---	0.000	FRN	No	No	---
Cvs Caremark Corporation 2.25%	12/05/2018	1,250.0	---	100.9	2.250	Fixed	No	No	1.81
Cvs Health 6.6%	03/15/2019	343.0	---	112.3	6.600	Fixed	No	No	1.83
Cvs Health 2.25%	08/12/2019	850.0	---	100.1	2.250	Fixed	No	No	2.19
Cvs Health 4.75%	05/18/2020	204.3	---	112.5	4.750	Fixed	No	No	1.40
Cvs Health 2.8%	07/20/2020	2,750.0	---	101.0	2.800	Fixed	No	No	2.51
Cvs Caremark Corporation 4.125%	05/15/2021	550.0	---	105.4	4.125	Fixed	No	No	2.82

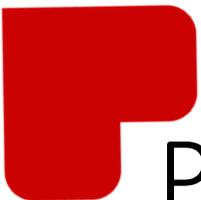


Debt Maturity Schedule

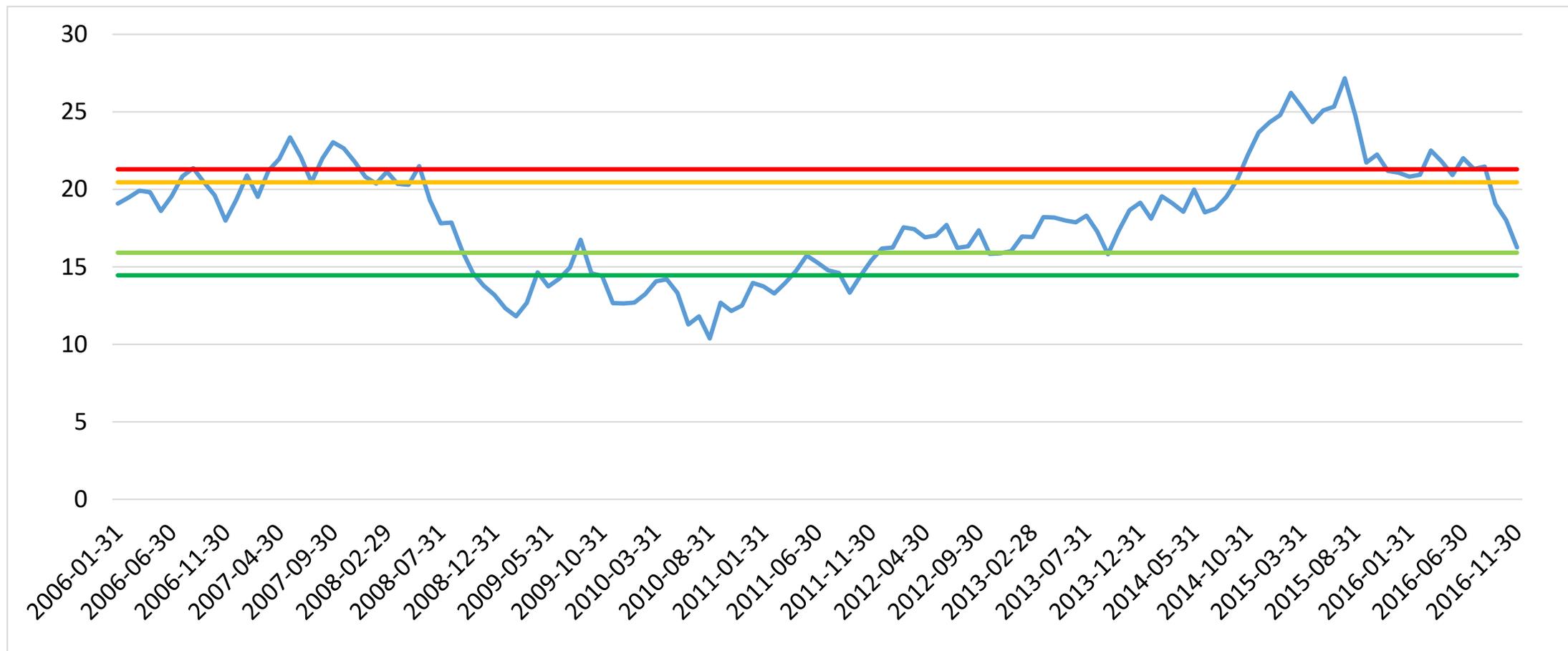
\$ Millions

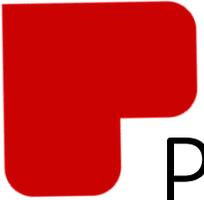


 Valuebands

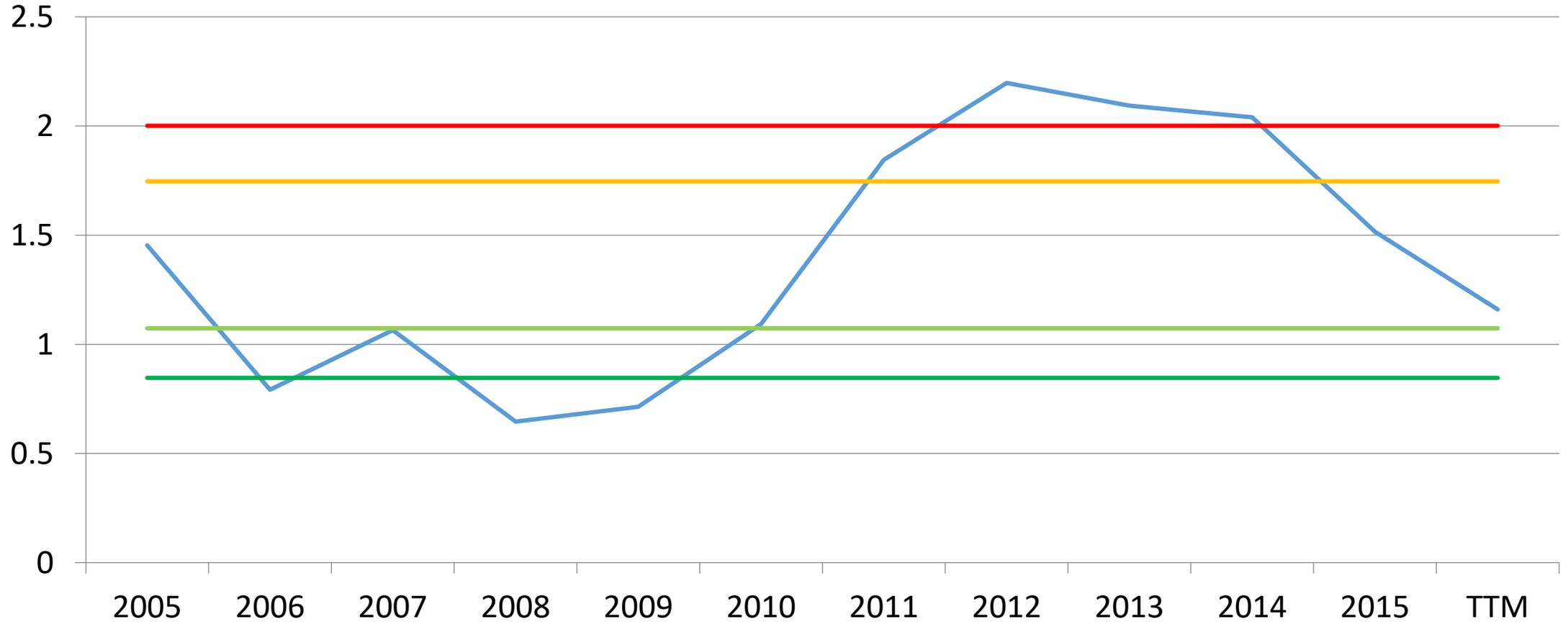


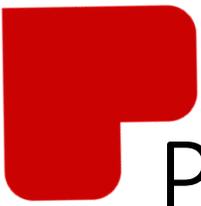
Price to Earnings



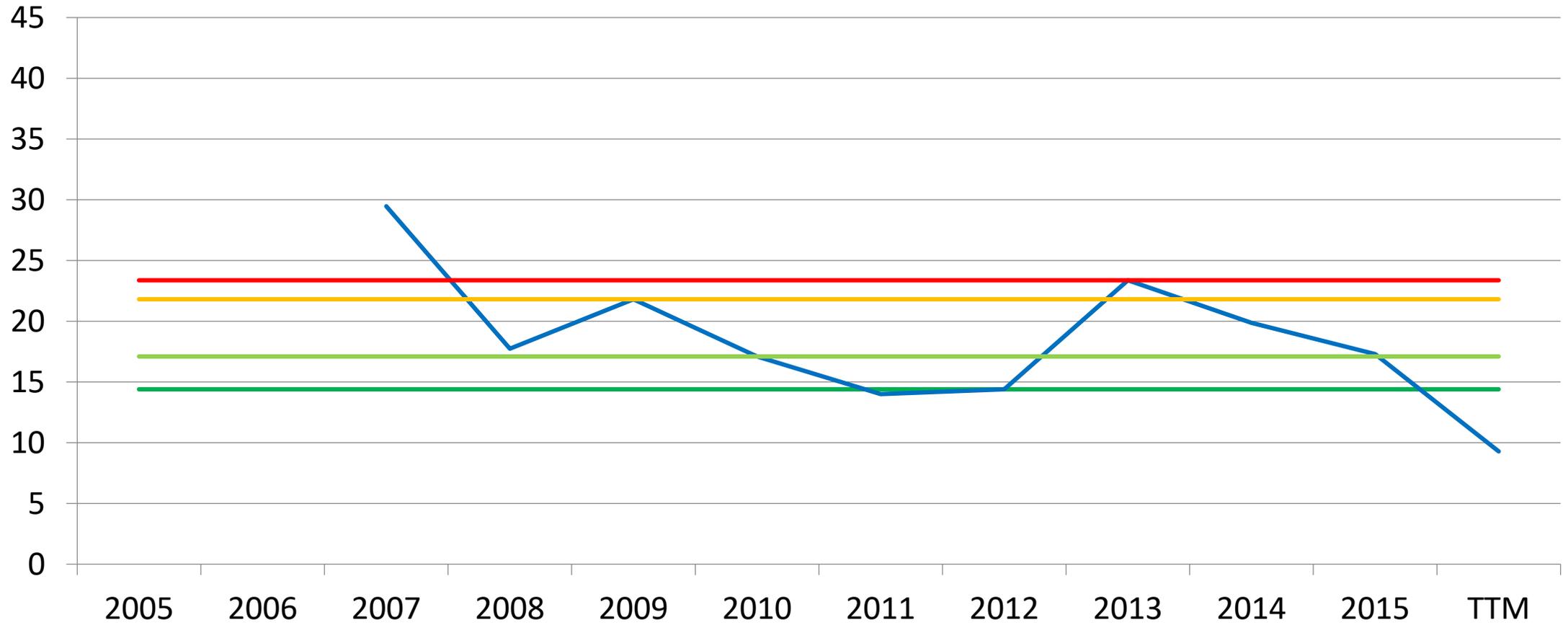


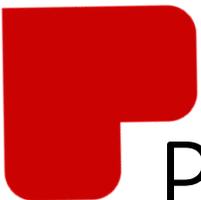
Price to Earnings Growth



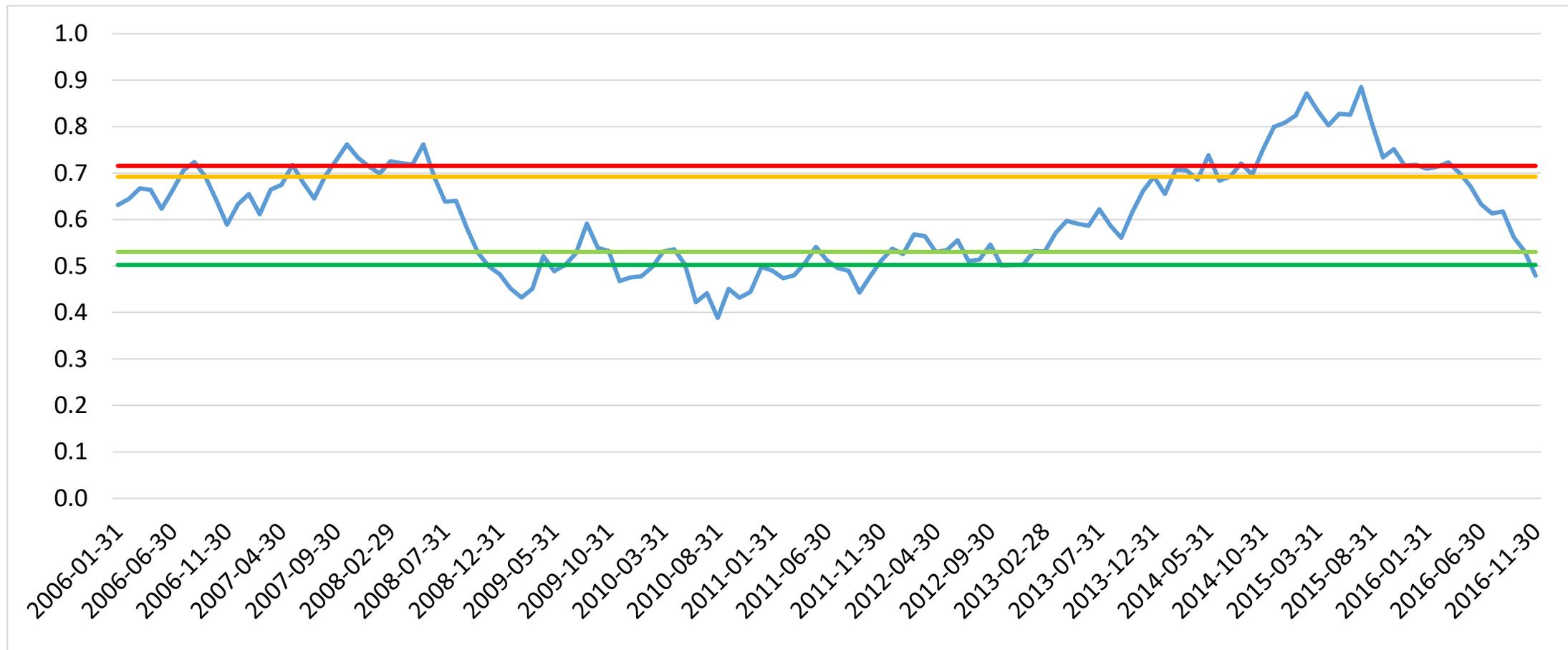


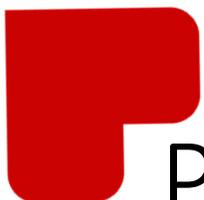
Price to Owner's Earnings



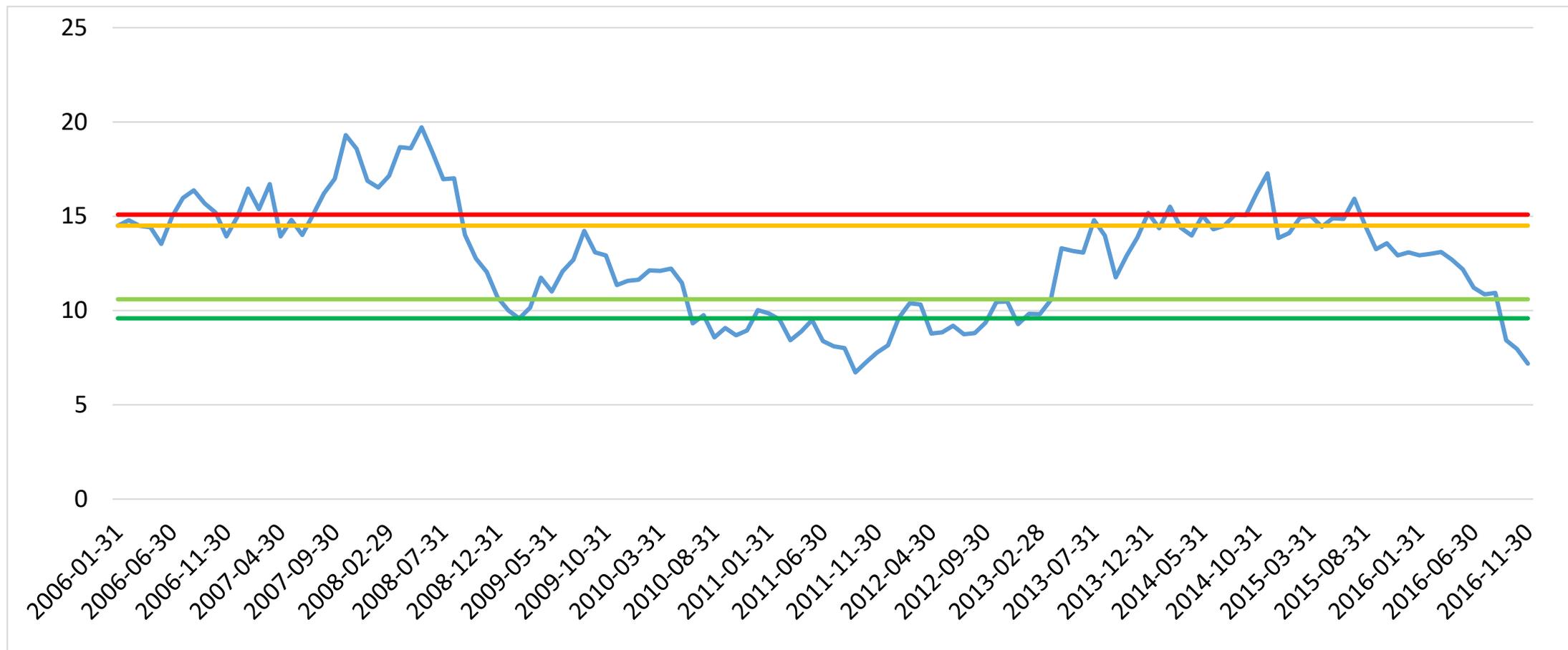


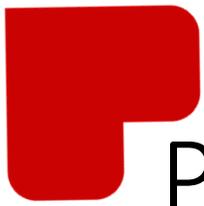
Price to Sales



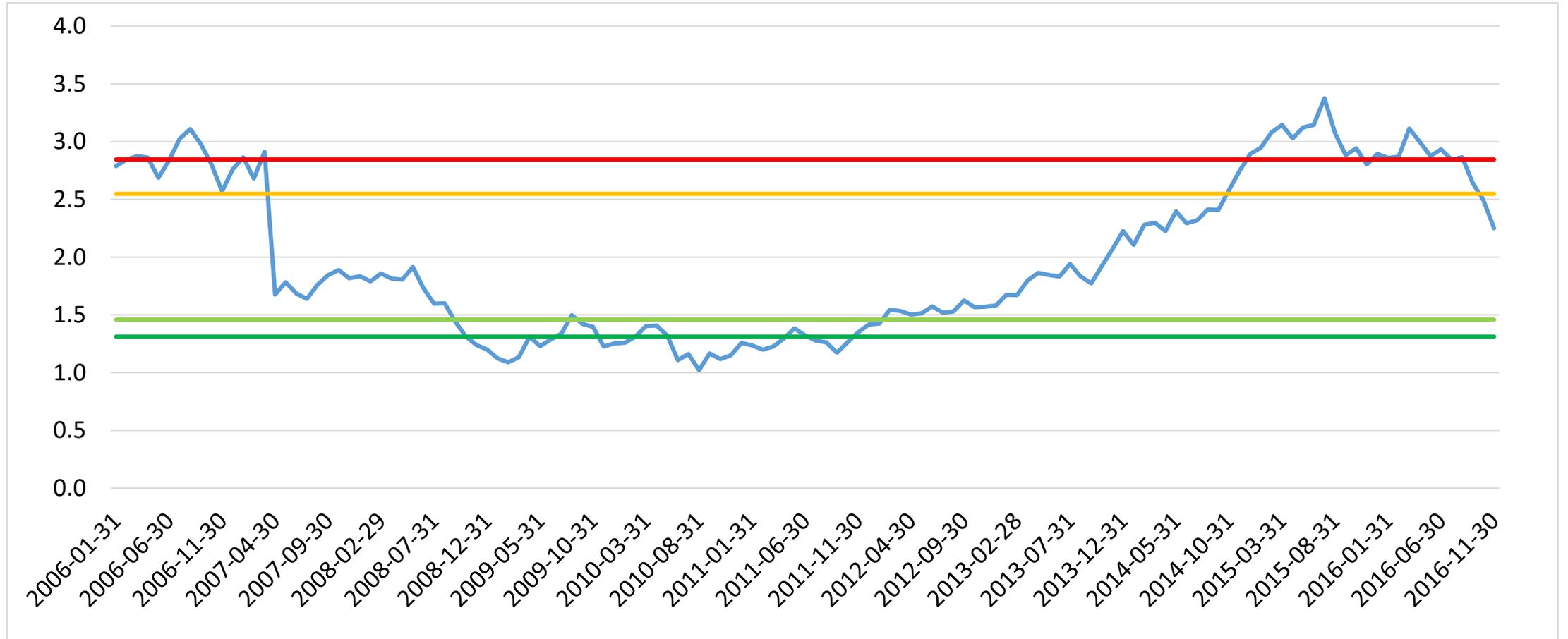


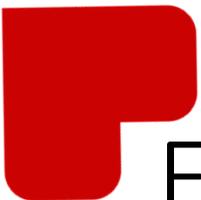
Price to Cashflow



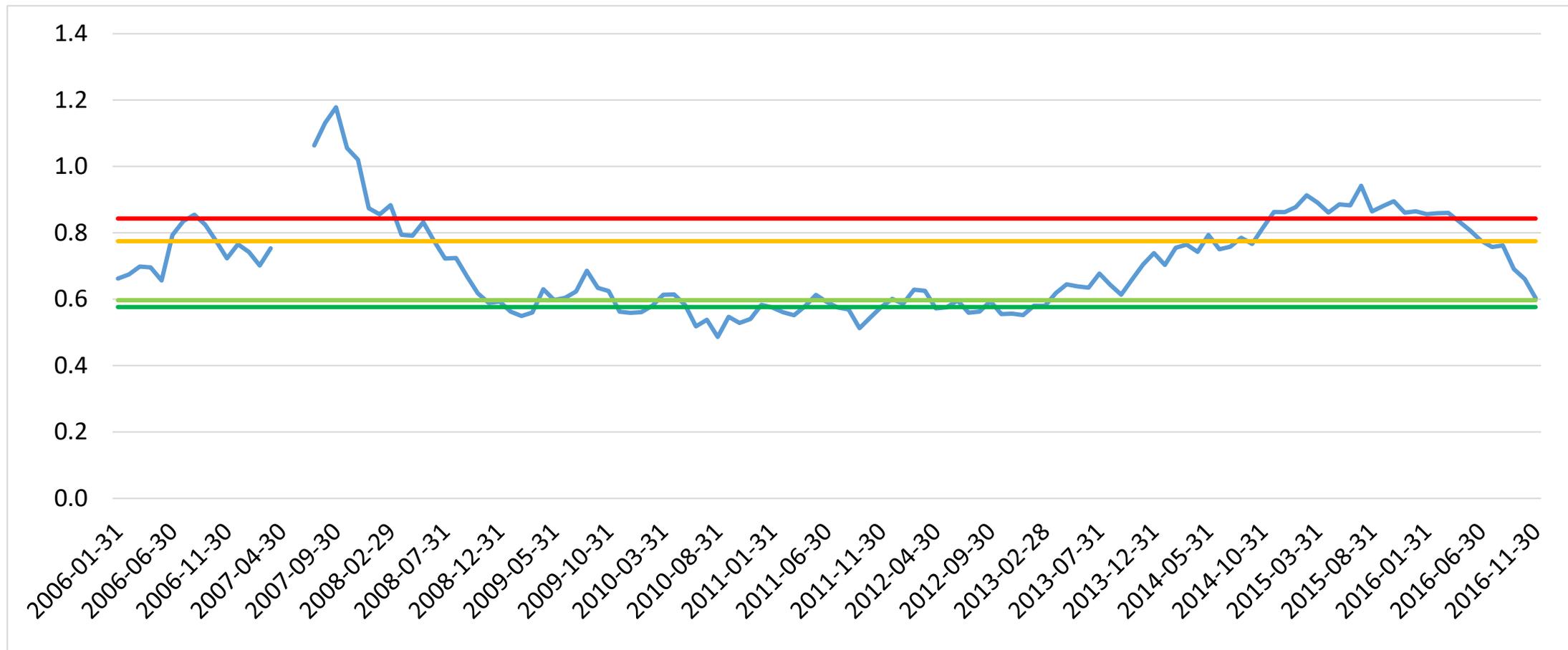


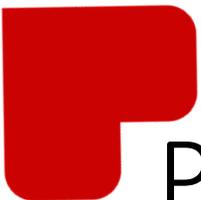
Price to Book



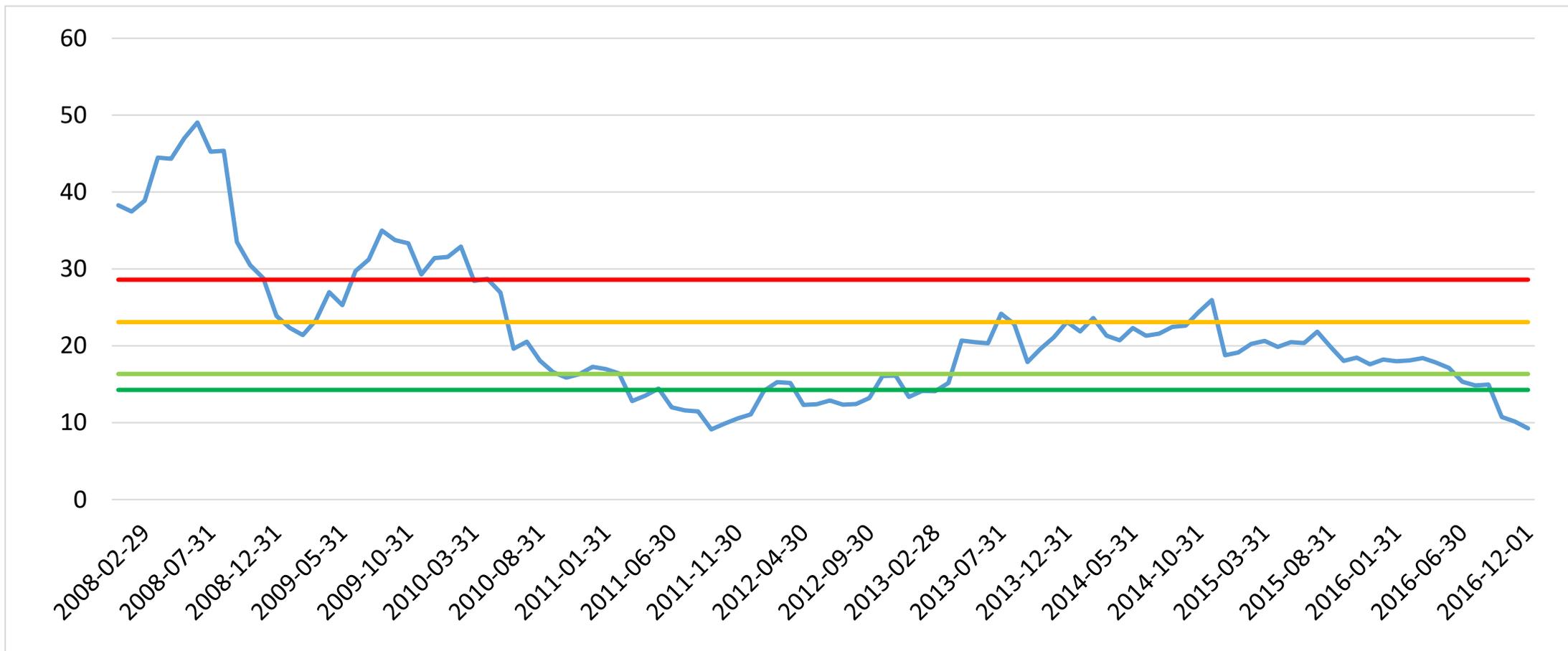


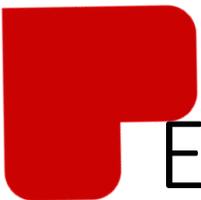
Enterprise Value to Revenue



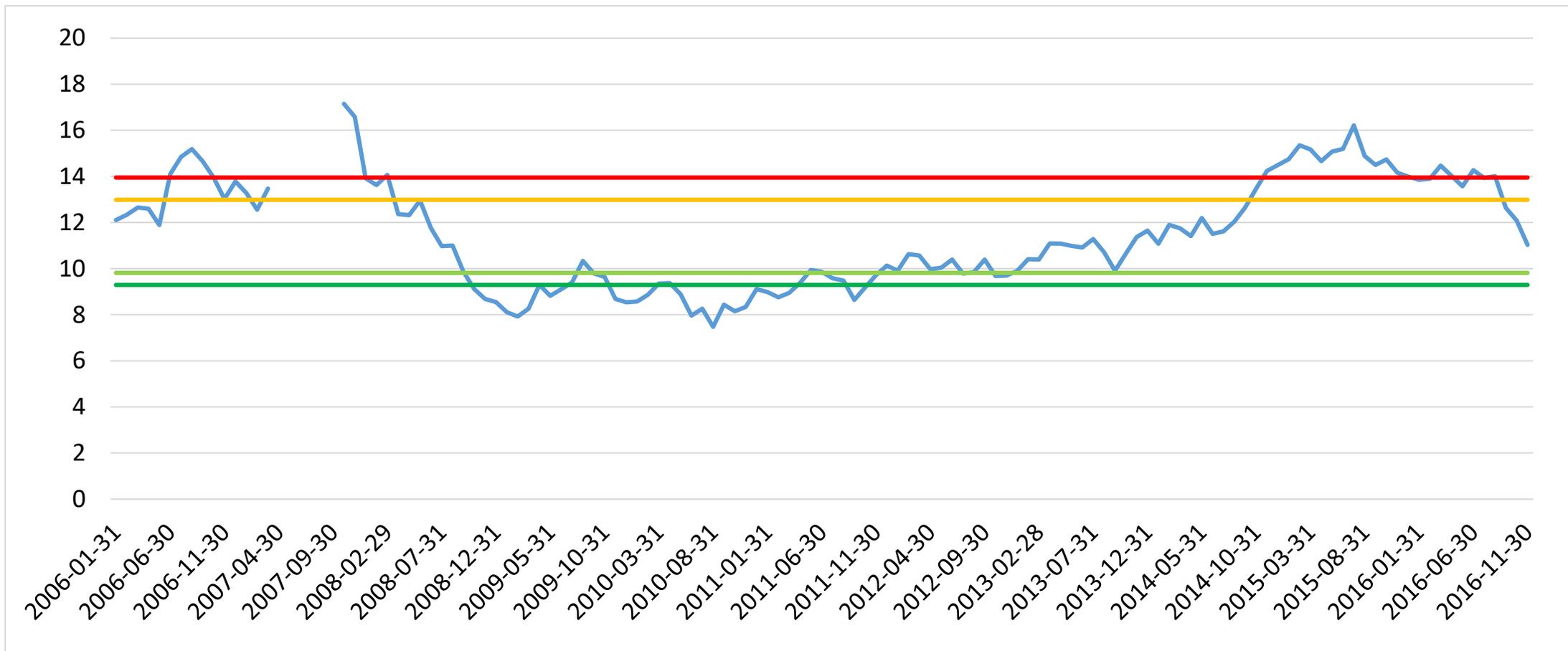


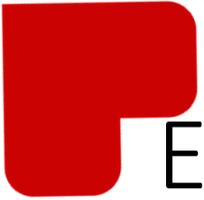
Price to Free Cashflow



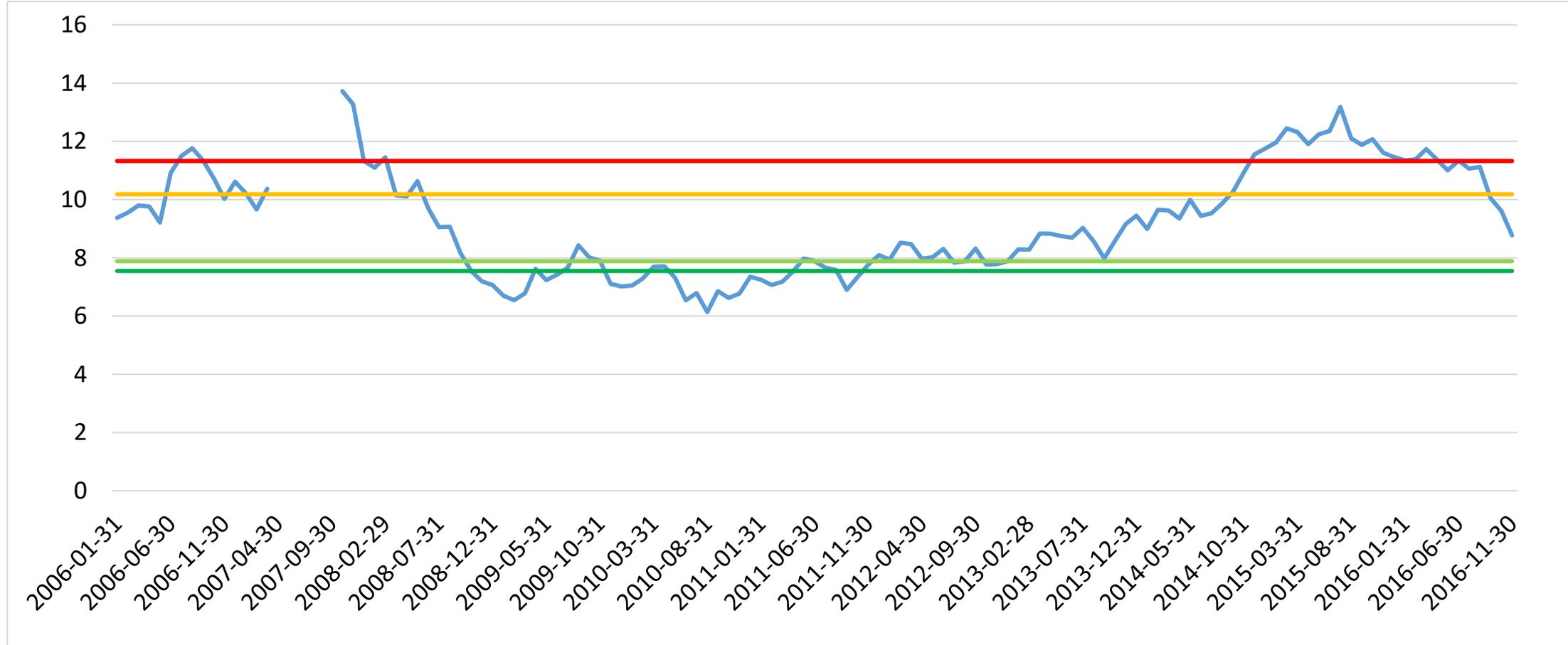


Enterprise Value to Earnings Before Interest and Taxes

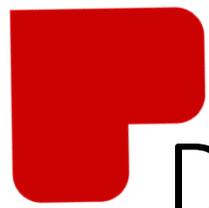




Enterprise Value to Earnings Before Interest, Taxes, Depreciation, and Amortization



Discounted Cash Flow Model



DCF – Guru Default

Earnings Per Share [?]: \$ 4.67

Growth Rate In the Next [?]: 10 Years: **11.5** %

Terminal Growth Rate [?]: 4 %

Years of Terminal Growth [?]: 10

Discount Rate [?]: 12 %

Business Predictability [?]: ★★★★★ [?]

Save Parameters



DCF Reverse DCF ^{NEW}

Fair Value [?]: \$ 75.95

Tangible Book Value [?]: \$ -14.85
 Add to Fair Value

Growth Value [?]: \$ 45.57

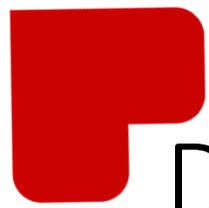
Terminal Value [?]: \$ 30.39

Stock Price: \$ 74.06

Margin Of Safety: **2%**

Financial Data of CVS Health Corp

Annual Rates (per share)	10 yrs	5 yrs	12 months
Revenue Growth (%)	11.50	14.20	20.70
EBITDA Growth (%)	11.50	13.70	11.80
EBIT Growth (%)	12.20	14.50	16.10
EPS without NRI Growth (%)	11.50	14.00	5.40
Free Cash Flow Growth (%)		20.10	56.00
Book Value Growth (%)	11.60	4.20	0.80



DCF – Valueline

Earnings Per Share ? : \$ 4.67

Growth Rate In the Next ? : 10 Years: **12** %

Terminal Growth Rate ? : 4 %

Years of Terminal Growth ? : 10

Discount Rate ? : 12 %

Business Predictability ? : ★★★★★ ?

Save Parameters



DCF Reverse DCF ^{NEW}

Fair Value ? : \$ 78.48

Tangible Book Value ? : \$ -14.85
 Add to Fair Value

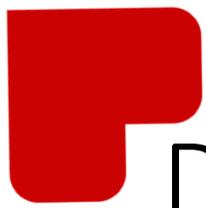
Growth Value ? : \$ 46.7

Terminal Value ? : \$ 31.78

Stock Price: \$ 74.78

Margin Of Safety: **5%**

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '13-'15 to '19-'21
Sales	12.0%	12.5%	11.0%
"Cash Flow"	13.5%	12.0%	11.0%
Earnings	14.5%	12.0%	12.0%
Dividends	24.0%	30.0%	16.0%
Book Value	14.5%	5.0%	6.0%



DCF – Reverse

Earnings Per Share ? : \$

Growth Rate In the Next ? : Years

Terminal Growth Rate ? : %

Years of Terminal Growth ? :

Discount Rate ? : %

Business Predictability ? :



DCF **Reverse DCF** NEW

Growth Rate ? : **11.11%**

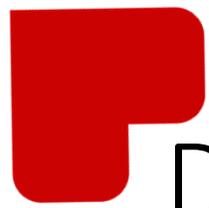
Revenue Growth Rate ? : 11.50%(10y) 14.20%(5y) 20.70%(1y)

EBITDA Growth Rate ? : 11.50%(10y) 13.70%(5y) 11.80%(1y)

Earnings Growth Rate ? : 11.50%(10y) 14.00%(5y) 5.40%(1y)

Free Cash Flow Growth Rate ? : 0.00%(10y) 20.10%(5y) 56.00%(1y)

Book Value Growth Rate ? : 11.60%(10y) 4.20%(5y) 0.80%(1y)



DCF – Trailing 12 Months Growth

Earnings Per Share ? : \$ 4.67

Growth Rate In the Next ? : 10 Years: **5.4** %

Terminal Growth Rate ? : 4 %

Years of Terminal Growth ? : 10

Discount Rate ? : 12 %

Business Predictability ? : ★★★★★ ?

Save Parameters



DCF Reverse DCF NEW

Fair Value ? : \$ 51.26

Tangible Book Value ? : \$ -14.85
 Add to Fair Value

Growth Value ? : \$ 33.95

Terminal Value ? : \$ 17.31

Stock Price: \$ 74.78

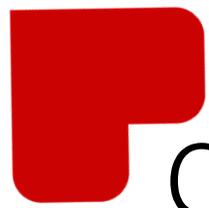
Margin Of Safety: **-46%**

Financial Data of CVS Health Corp

Annual Rates (per share)	10 yrs	5 yrs	12 months
Revenue Growth (%)	11.50	14.20	20.70
EBITDA Growth (%)	11.50	13.70	11.80
EBIT Growth (%)	12.20	14.50	16.10
EPS without NRI Growth (%)	11.50	14.00	5.40
Free Cash Flow Growth (%)		20.10	56.00
Book Value Growth (%)	11.60	4.20	0.80

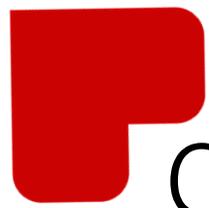


Conscious Investor Report



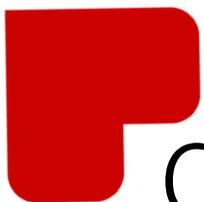
Conscious Investor – Ten Year

	12/06	12/07	12/08	12/09	12/10	12/11	12/12	12/13	12/14	12/15	EPSttm	Years	HGROWTH	STAEGR [®]
EPS (\$)	1.600	1.920	2.180	2.550	2.490	2.570	3.020	3.740	3.960	4.630	\$4.659	10	11.48%	94.91%
SPS (\$)	53.060	53.137	60.904	70.977	70.736	82.512	100.027	107.425	122.252	139.228		10	11.96%	96.21%



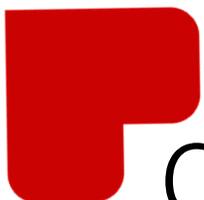
Conscious Investor – Six Year

	12/06	12/07	12/08	12/09	12/10	12/11	12/12	12/13	12/14	12/15	EPSttm	Years	HGROWTH	STAEGR [®]
EPS (\$)	1.600	1.920	2.180	2.550	2.490	2.570	3.020	3.740	3.960	4.630	\$4.659	6	13.98%	96.71%
SPS (\$)	53.060	53.137	60.904	70.977	70.736	82.512	100.027	107.425	122.252	139.228		6	14.14%	98.67%



Conscious Investor – Three Year

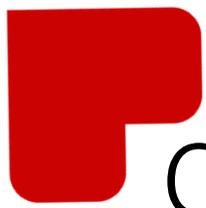
	12/06	12/07	12/08	12/09	12/10	12/11	12/12	12/13	12/14	12/15	EPSttm	Years	HGROWTH	STAEGR [®]
EPS (\$)	1.600	1.920	2.180	2.550	2.490	2.570	3.020	3.740	3.960	4.630	\$4.659	3	11.26%	98.38%
SPS (\$)	53.060	53.137	60.904	70.977	70.736	82.512	100.027	107.425	122.252	139.228		3	13.84%	100.00%



Conscious Investor – Three Year

	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRETD®
Default	75.88	\$4.659	19.38	11.48%	26.8%	12.81%
Safety	75.88	\$4.659	13.89	9.56%	20.5%	7.72%

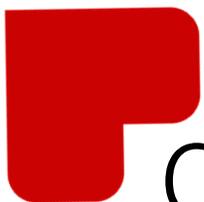
Cut P/E by 28.3%
Cut growth by 16.7%



Conscious Investor – Kill It

	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRETD®
Default	75.88	\$4.659	19.38	11.48%	26.8%	12.81%
Safety	75.88	\$4.659	13.89	9.56%	20.5%	7.72%
 Saved 2016-11-30	75.88	\$4.659	11.00	6.00%	20.5%	2.78%

Cut P/E by 43.0%
Cut growth by 47.7%

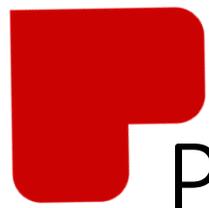


Conscious Investor – Kill It Again

	Price	EP Sttm	P/E Ratio	HGrowth	Payout	STRETD®
Default	75.88	\$4.659	19.38	11.48%	26.8%	12.81%
Safety	75.88	\$4.659	13.89	9.56%	20.5%	7.72%
 Saved 2016-11-30	75.88	\$4.659	8.75	4.50%	20.5%	-0.02%

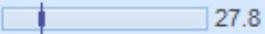
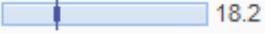
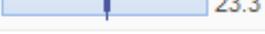
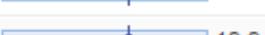
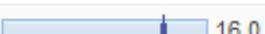
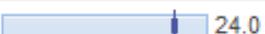
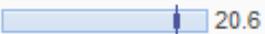
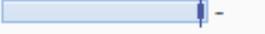
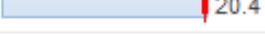
Cut P/E by 54.9%
Cut growth by 60.8%

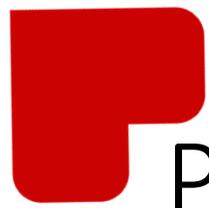
Intraportfolio Valuations



Price to Earnings

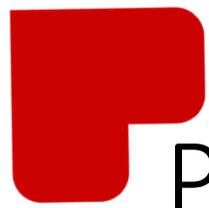
	Ticker	▲ Price / Earnings
▷	AIG-WT	-
▷	BBBY	9.3
▷	IBM	13.3
▷	NSRGY	15.0
▷	WMT	15.3
▷	CVS	16.1
▷	MCK	16.4
▷	BRK.B	16.8
▷	QCOM	17.9
▷	DG	18.7
▷	ORCL	19.1
▷	CMI	20.6
▷	CHRW	20.6
▷	UNP	20.8
▷	PEP	22.2
▷	MSFT	28.8
▷	AIG	99.7

	Ticker	▲ 5-Year Price / Earnings Range
▷	NSRGY	
▷	AIG-WT	
▷	CVS	14.6  27.8
▷	BBBY	7.9  18.2
▷	MCK	13.2  38.4
▷	DG	15.4  23.3
▷	PEP	15.4  31.5
▷	QCOM	12.4  24.9
▷	WMT	11.6  18.9
▷	BRK.B	13.4  19.9
▷	CHRW	14.0  28.2
▷	IBM	8.1  16.0
▷	UNP	11.9  24.0
▷	ORCL	13.3  20.6
▷	MSFT	8.8  44.2
▷	AIG	1.8  -
▷	CMI	8.3  20.4



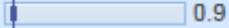
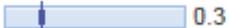
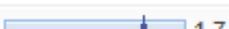
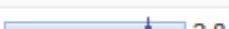
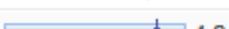
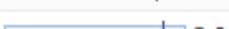
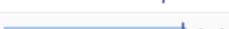
Price to Earnings Growth

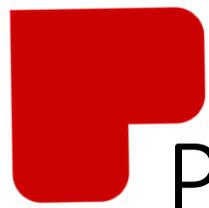
	Ticker	▲ PEG Forward
▷	AIG-WT	-
▷	CMI	-
▷	AIG	0.9
▷	CVS	1.1
▷	MCK	1.3
▷	DG	1.4
▷	QCOM	1.4
▷	BBBY	1.9
▷	ORCL	1.9
▷	MSFT	2.1
▷	BRK.B	2.5
▷	NSRGY	2.5
▷	UNP	2.9
▷	PEP	3.0
▷	CHRW	3.0
▷	IBM	4.2
▷	WMT	9.0



Price to Sales

	Ticker	▲ Price / Sales
▷	AIG-WT	-
▷	MCK	0.2
▷	CVS	0.5
▷	WMT	0.5
▷	BBBY	0.6
▷	CHRW	0.8
▷	DG	1.1
▷	CMI	1.4
▷	AIG	1.4
▷	BRK.B	1.8
▷	IBM	2.0
▷	NSRGY	2.3
▷	PEP	2.4
▷	UNP	4.3
▷	QCOM	4.3
▷	ORCL	4.6
▷	MSFT	5.7

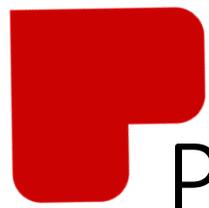
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▷	AIG-WT	
▷	NSRGY	
▷	CVS	0.5  0.9
▷	BBBY	0.5  1.9
▷	MCK	0.1  0.3
▷	WMT	0.4  0.6
▷	CHRW	0.6  1.2
▷	DG	0.9  1.4
▷	QCOM	2.8  7.2
▷	ORCL	3.6  5.4
▷	IBM	1.4  2.4
▷	CMI	0.8  1.7
▷	BRK.B	1.3  2.0
▷	UNP	2.5  4.9
▷	PEP	1.5  2.6
▷	AIG	0.4  1.4
▷	MSFT	2.9  5.7



Price to Cash Flow

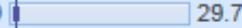
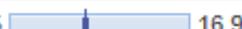
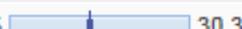
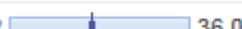
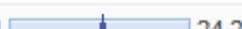
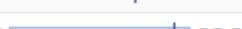
	Ticker	▲ P/CF
▷	AIG-WT	-
▷	MCK	6.3
▷	BBBY	6.7
▷	WMT	7.0
▷	CVS	7.1
▷	IBM	8.4
▷	CMI	10.9
▷	BRK.B	12.1
▷	UNP	12.2
▷	ORCL	12.6
▷	MSFT	13.3
▷	QCOM	13.8
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▷	DG	14.5
▷	NSRGY	15.0
▷	CHRW	17.0
▷	AIG	31.8

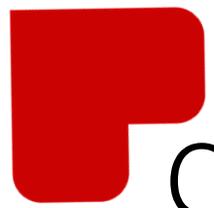
	Ticker	▲ 5-Year Price / Cash Flow Range
▷	AIG-WT	
▷	NSRGY	
▷	CVS	7.0 19.8
▷	WMT	6.6 12.3
▷	MCK	5.3 21.7
▷	BBBY	5.7 14.9
▷	CHRW	13.4 30.8
▷	DG	12.2 20.8
▷	IBM	6.5 12.8
▷	QCOM	11.1 19.2
▷	CMI	7.2 15.3
▷	PEP	11.1 16.6
▷	UNP	7.9 16.6
▷	AIG	9.8 -
▷	BRK.B	9.0 14.1
▷	ORCL	9.6 14.3
▷	MSFT	7.1 16.1



Price to Free Cash Flow

	Ticker	▲ Price / Free Cash Flow
▷	AIG-WT	-
▷	MCK	6.9
▷	CVS	9.1
▷	BBBY	9.9
▷	WMT	10.7
▷	IBM	10.8
▷	ORCL	13.8
▷	QCOM	14.8
▷	CMI	15.9
▷	MSFT	18.1
▷	CHRW	19.7
▷	PEP	19.7
▷	BRK.B	20.8
▷	DG	21.6
▷	NSRGY	21.9
▷	UNP	26.4
▷	AIG	31.5

	Ticker	▲ 5-Year Price / Free Cash Flow Range
▷	AIG-WT	
▷	NSRGY	
▷	CVS	8.9  29.7
▷	WMT	10.1  27.7
▷	MCK	6.1  27.0
▷	BBBY	8.4  21.3
▷	DG	18.2  42.5
▷	QCOM	12.5  23.8
▷	IBM	8.5  16.9
▷	CMI	11.5  30.3
▷	CHRW	14.2  36.0
▷	PEP	16.4  24.2
▷	UNP	17.9  37.8
▷	BRK.B	14.2  26.5
▷	AIG	9.8  -
▷	ORCL	10.1  16.3
▷	MSFT	7.7  20.2



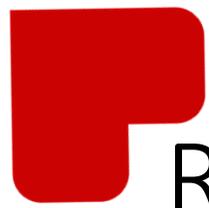
Conclusion

Retail/pharmacy segment operates in a duopoly

Economies of Scale

Sticky business

Large amount of growth opportunities



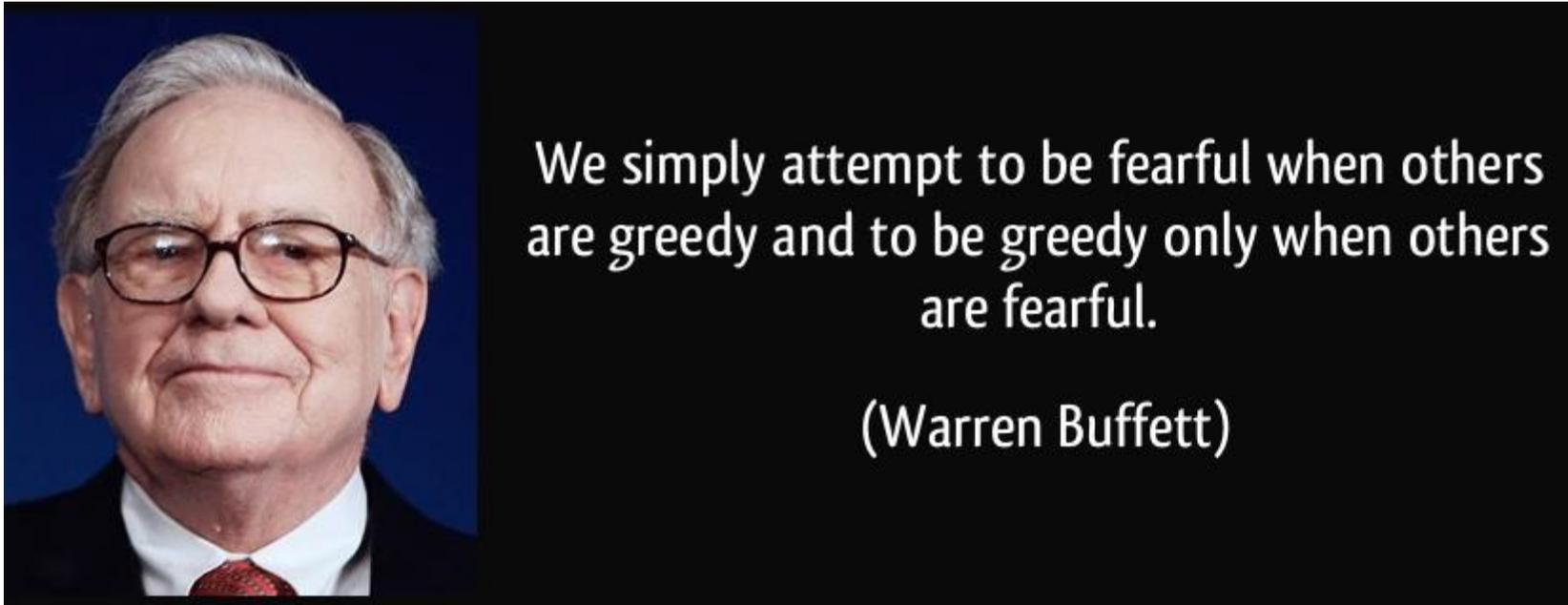
Recommendation

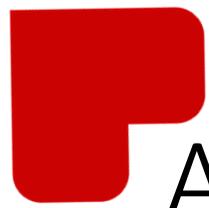
Put option

- Strike price: \$72.50
- Premium: \$1.00
- Expiration date: January 20th, 2017

	Price to Sales	Price to Earnings	Price to Book	Price to Free Cashflow
Current Valuation	0.48	16.25	2.25	9.16
Put Option: \$71.50	0.45	15.31	2.12	8.66

Questions





Appendix

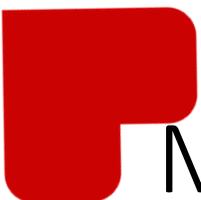
[Middle Men | The Role of Pharmacy Benefit Managers](#)

[Recent Marketplace Actions](#)

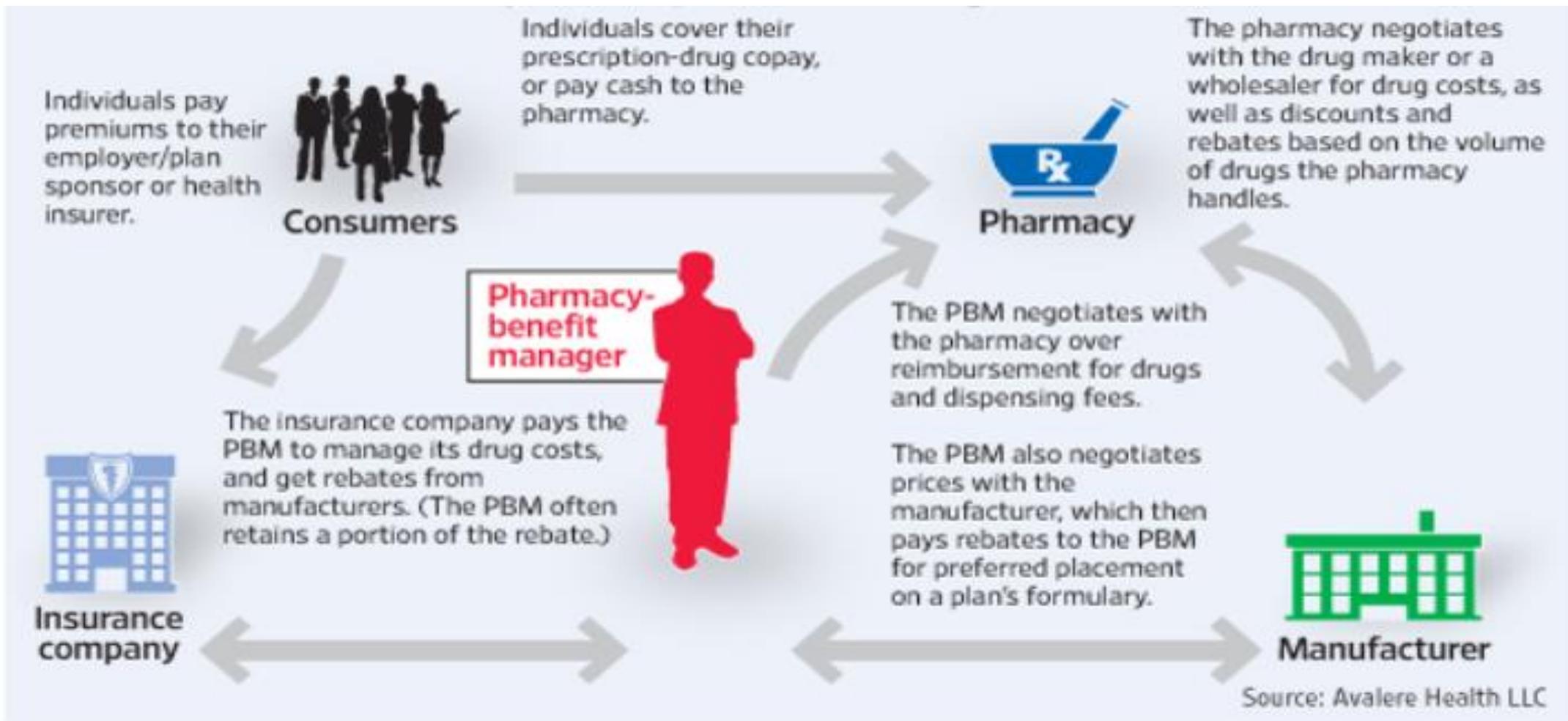
[Capital Allocation](#)

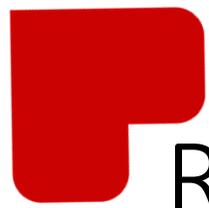
[Long-term Growth Plan](#)

[Share Repurchase Plan](#)



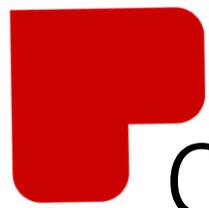
Middle Men | The Role of Pharmacy Benefit Managers





Recent Marketplace Actions

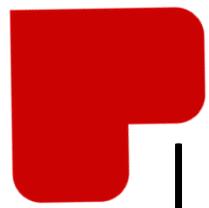
- Very recently, there have been a number of unexpected marketplace actions that will have a negative impact on our Q4 2016 results and a more meaningful impact on our outlook for 2017
 - In total, we believe these network actions will result in **more than 40 million** retail prescriptions shifting out of our stores on an annualized basis
 - For example, new restricted network relationships between Walgreens and Prime Therapeutics, as well as the Department of Defense Tricare program
 - DOD Tricare members already notified; we expect to begin seeing these prescriptions migrate out of our stores
 - Prime network changes impact CVS Pharmacy's participation in selected fully-insured networks in several key states and in many cases make CVS Pharmacy a non-preferred provider for Medicare Part D
 - Scripts we expect to lose will tend to be our most profitable scripts
 - Given our ability to leverage fixed costs with incremental volume, our last script is our most profitable script
 - Margin compression is a factor in this business
 - Strategy of driving more share through CVS channels is key to achieving retail growth objectives
 - Unexpected loss of share will make this difficult in the short-term



Capital Allocation

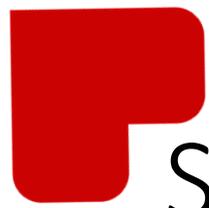
Three Key Pillars:

- Investing in high-return, value-enhancing projects
- Increase dividend to reach target payout ratio of 35% by 2018
- Targeted Buybacks of \$4 to \$5 Billion annually



Long-term Growth Plan

1. Leverage enterprise capabilities and CVS Pharmacy's compelling value proposition to partner more broadly with other PBMs and health plans
2. Focus on driving growth through new PBM product introductions that capitalize on benefits inherent in our unique integrated model
3. Launch multi-year enterprise operations improvement initiative that will generate significant annual savings, beginning in 2017 and accelerating beyond
4. Utilize strong cash generation to return value to shareholders, maintaining financial discipline and investing in the right opportunities to drive long-term growth



Share Repurchase Plan

- Significant cash generation capabilities are a real asset
- Continue to increase dividend annually
- Continue share repurchases after considering strategic acquisition opportunities
 - Board approved **\$15 billion** share repurchase authorization
 - Combined with what we have left in our prior authorization, we now have **\$18.7 billion available** for buybacks
 - Adjusted EPS estimates for 2017 assumes the completion of **\$5 billion** in share repurchases