



Strong Buy

NYSE:CVS

DREW DOW
LUKE PHILLIPS



CONSUMER VALUE STORES

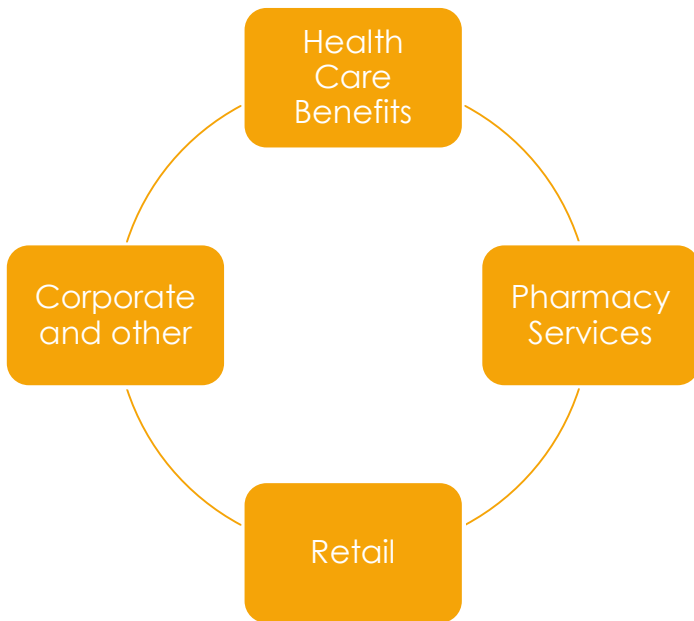
Your Headquarters

FOR HEALTH *and* BEAUTY AIDS



- Founded in 1963 as small chain of health and beauty stores
- Added pharmacies and saw major growth in 80s-90s
- Acquired Aetna for \$69 billion in 2017, focus shifts to insurance and benefits

Background



- ▶ More than 9,000 retail locations, 1,100 walk-in clinics, over 110 million benefits plan members
- ▶ Serves 35 million customers through traditional, voluntary, and consumer-directed health insurance products and services

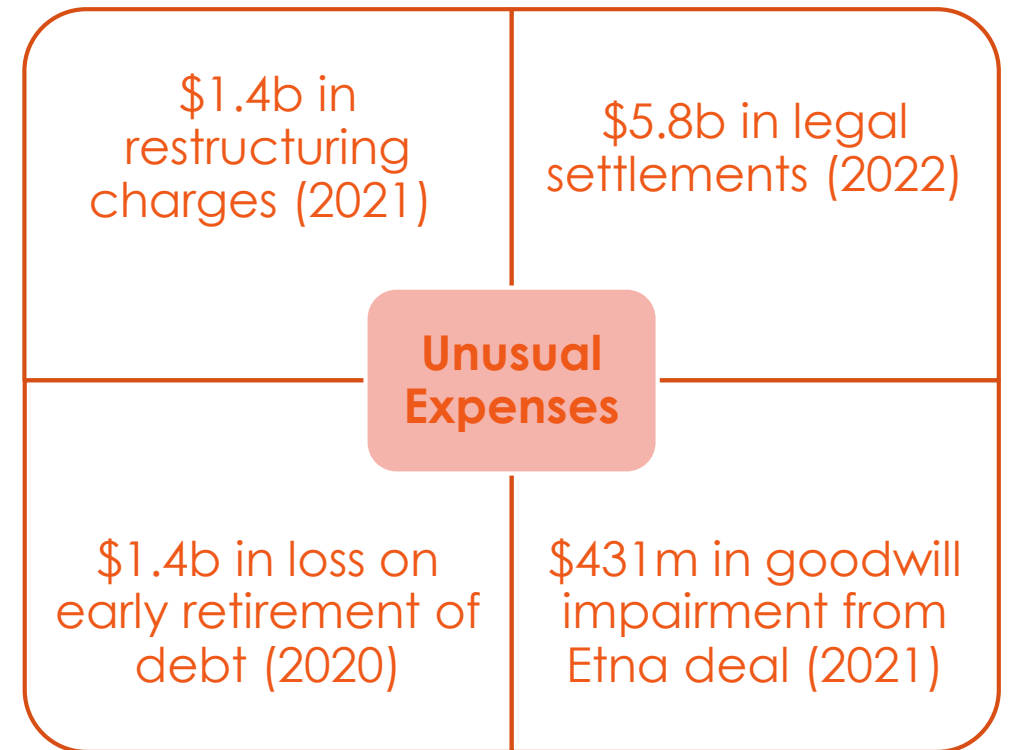
FY 2022(millions)	Health Care Benefits	Pharmacy Services	Retail	Corporate/Other
Revenue	\$91,409	\$169,236	\$106,594	\$530
% of Total	28.4%	52.5%	33.1%	0.2%

Operating and Unusual Items

Operating Statistics

Year	GM %	EBITDA %	EV/EBITDA
2020	18%	6.8%	7.95x
2021	17.5%	6.4%	8.53x
2022	16.6%	6.1%	8.81x

- Decreasing Gross Margin and EBITDA %
- Increasing TEV/EBITDA
- **Signals future growth**

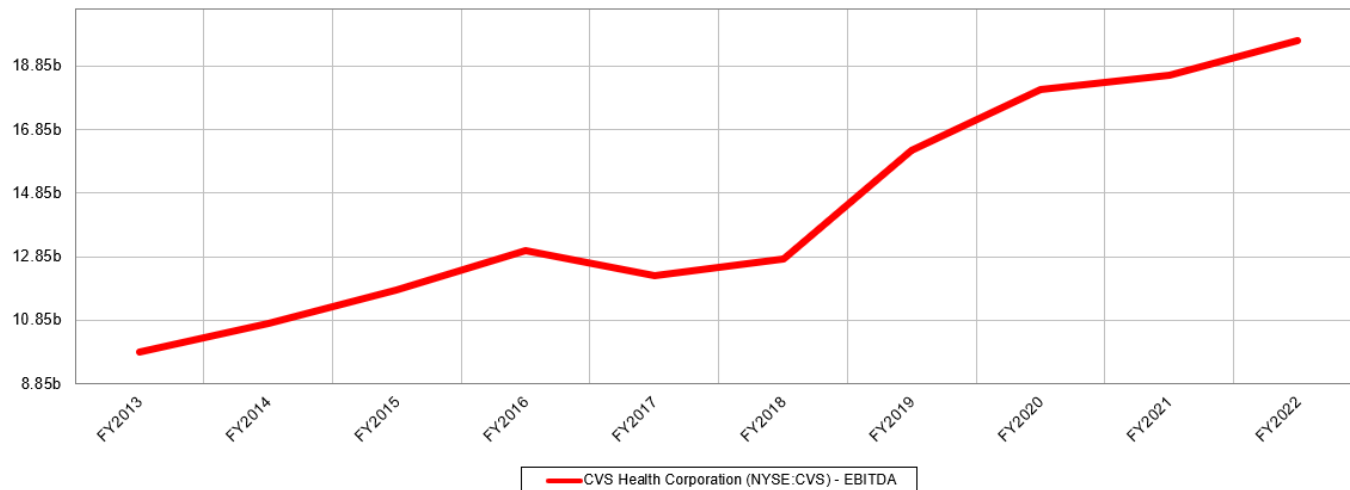


Financial History

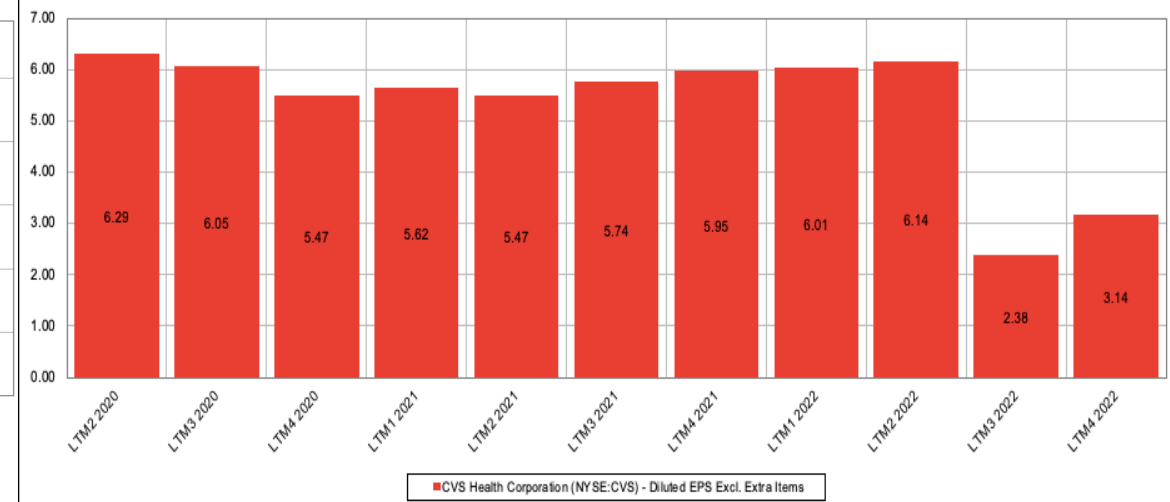
EBITDA GROWTH REFLECTS STEADY GROWTH IN OPERATIONS

LOW EPS REFLECTS LOSS ON SALE OF ASSETS OF (\$2,533) & LEGAL SETTLEMENTS OF (\$5,803)






CVS Health Corporation (NYSE:CVS) - EBITDA



CVS Health Corporation (NYSE:CVS) - Diluted EPS Excl. Extra Items



Competitive Landscape

	EV	Net Debt	P/E	Mkt. Cap	Revenue
	\$75,174.2	\$36,718	7.54x	\$30,051.2	\$133,291
	\$101,778	\$25,629	10.35x	\$76,070	\$180,021
	\$68,630	\$6,971	17.53x	\$61,600.1	\$92,870
	\$123,937	\$15,324	13.55x	\$108,509.3	\$160,676
	\$150,285.1	\$55,009	8.45x	\$94,976.1	\$321,629

Investment Thesis



- DECREASING GROSS AND EBIT MARGIN WHILE INCREASING TEV/EBITDA

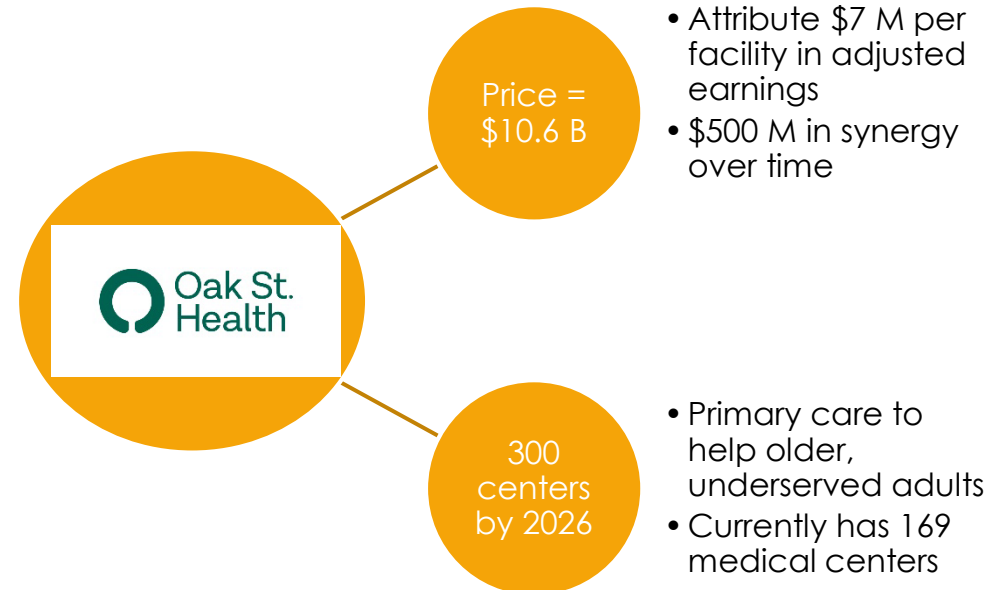
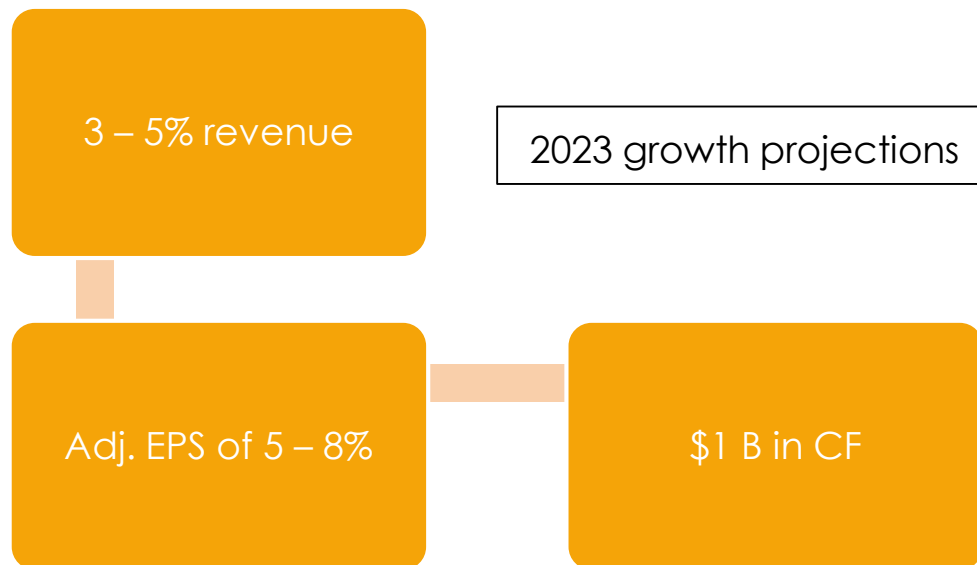
Revenue,
Net Debt,
EV

P/E

- STEADY REVENUE, CASH FLOW, EPS GROWTH IS EXPECTED

Future Growth

- ▶ In Q2 of 2023, they will close an \$8 billion deal to acquire Signify Health
- ▶ CEO has discussed how M&A will be a driver in expanding its health services segment in primary care, provider enablement, and home health



Current \$CVS stock price: **\$73.39**

Bear Case

1-2% revenue growth

additional liabilities and challenges

\$71.20

Base Case

3-5% revenue growth

continued synergies with Aetna + Signify

\$113.96

Bull Case

5-8% revenue growth

acquisitions provide substantial growth

\$152.79

Valuation Analysis

Case	DCF Value	Weight	Comp. Value	Weight	Weighted Price	Premium
BEAR	\$42.00	80%	\$187.90	20%	\$71.20	-3.0%
BASE	\$89.30	75%	\$187.90	25%	\$113.96	55.3%
BULL	\$137.80	70%	\$187.90	30%	\$152.79	108.1%

Conclusion

STRONG BUY

- BASE CASE UPSIDE = 55%
- STRATEGIC M&A GROWTH TARGETED AT EXPANDING PHARMACY AND HEALTH CARE BENEFITS SEGMENT
- SUPERIOR TO COMPETITORS BUT IS NOT YET REFLECTED IN PRICE
- LEGAL SETTLEMENTS DUE TO OPIOIDS ALLEGATIONS HURT EARNINGS

