CVS Health Corp. operated more than 9,000 retail drugstores at the end of 2024, more than 1,000 walk-in and primary care medical clinics, a pharmacy benefits manager with approximately 90 million plan members and expanding specialty pharmacy solutions, and a dedicated senior pharmacy care business serving more than 800,000 patients per year. CVS also serves an estimated more than 36 million people through traditional, voluntary and consumer-directed health insurance products and related services. Aetna was acquired at the end of 2018. The corporate headquarters is in Woonsocket, Rhode Island.

Analyst's Notes

Analysis by Steve Silver, May 5, 2025

ARGUS RATING: BUY

- New GLP-1 drug partnership to leverage integrated model
- First-quarter adjusted EPS of $2.25 exceeds our $1.63 estimate and consensus of $1.67, delivering growth across all three of its segments.
- We think the new management team is taking decisive steps to advance and leverage its integrated healthcare delivery model and improve margin performance of its Health Benefits segment.
- We are maintaining our target price of $77, which represents more than 10% upside. The dividend yield around 4% adds to the total upside potential.

INVESTMENT THESIS

We are maintaining our BUY rating on CVS Health Corp. (NYSE: CVS) and our $77 target price.

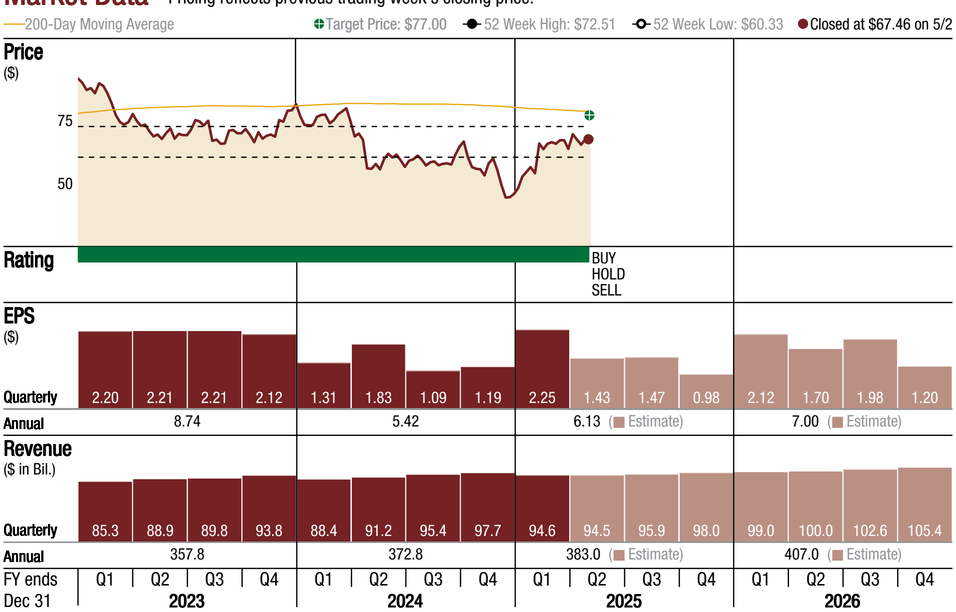
Despite an uneven performance over the past few years, we think CVS remains well positioned to capitalize on favorable demand trends for healthcare from an aging U.S. population, and to help to bring down rising health care costs that have pressured consumers, providers, and government payers alike. CVS recently estimated that its business assets have a reach of 185 million Americans.

For 2024, Health Care Benefits accounted for 30.5% of revenues, Health Services accounted for 40.4% and Pharmacy/Consumer Wellness accounted for 29%, all before factoring in inter-segment eliminations. In 2024, Health Care Benefits provided only $307 million in adjusted operating income, compared with $7.2 billion for Health Services and $5.8 billion for Pharmacy/Consumer Wellness.

Despite a choppy near-term outlook, we are encouraged by the early returns on CVS's new management team, led by David Joyner, who was appointed as CEO in October 2024 after previously serving as executive vice president of CVS Health and president of CVS Caremark. We see the company focusing on right sizing the business and sacrificing some negative margin generating revenues, which we see supporting future operating cash flows,

Market Data

Pricing reflects previous trading week's closing price.



Argus Recommendations

Twelve Month Rating	SELL	HOLD	**BUY**
Five Year Rating	SELL	HOLD	**BUY**
Sector Rating	Under Weight	Market Weight	**Over Weight**

Argus assigns a 12-month BUY, HOLD, or SELL rating to each stock under coverage.

- BUY-rated stocks are expected to outperform the market (the benchmark S&P 500 Index) on a risk-adjusted basis over the next year.
- HOLD-rated stocks are expected to perform in line with the market.
- SELL-rated stocks are expected to underperform the market on a risk-adjusted basis.

The distribution of ratings across Argus' entire company universe is: 73% Buy, 26% Hold, 0% Sell.

Key Statistics

Key Statistics pricing data reflects previous trading day's closing price. Other applicable data are trailing 12-months unless otherwise specified

Market Overview

Price	$67.10
Target Price	$77.00
52 Week Price Range	$43.56 to $72.51
Shares Outstanding	1.27 Billion
Dividend	$2.66

Sector Overview

Sector	Healthcare
Sector Rating	OVER WEIGHT
Total % of S&P 500 Market Cap.	10.80%

Financial Strength

Financial Strength Rating	MEDIUM
Debt/Capital Ratio	52.3%
Return on Equity	10.0%
Net Margin	1.4%
Payout Ratio	0.45
Current Ratio	0.81
Revenue	$378.96 Billion
After-Tax Income	$5.28 Billion

Valuation

Current FY P/E	10.95
Prior FY P/E	12.38
Price/Sales	0.22
Price/Book	1.10
Book Value/Share	$60.96
Market Capitalization	$84.88 Billion

Forecasted Growth

1 Year EPS Growth Forecast	13.10%
5 Year EPS Growth Forecast	15.00%
1 Year Dividend Growth Forecast	3.01%

Risk

Beta	0.73
Institutional Ownership	83.10%

Please see important information about this report on page 7

Analyst's Notes ...Continued

debt reduction and protecting its investment-grade credit rating and dividend.

In our view, the Aetna insurance business has been negatively impacted by higher utilization trends than its health insurance peers, amid large increases in membership in its Medicare Advantage (MA) and Affordable Care Act (ACA) Exchange segments. These have generated negative margins, representing a drag on CVS's overall business, offsetting strong results from its private commercial insurance portfolio.

As of March 31, 2025, Aetna's medical membership was 27.1 million. However, the unit has seen membership declines in the individual exchange and Medicare product lines, which were largely offset by an increase in commercial membership. As a result of this underperformance, Aetna decided to exit the individual exchange business in 2026, taking a $448 million premium deficiency reserve (PDR). Aetna now expects to end 2025 with around 26.4 million members. We view positively Aetna's plans to cull its insurance member base to help return its margins back to profitability from a current negative 4.5%-5% range to its long-term 3%-5% target range.

For 2024, its medical benefit ratio (MBR), the ratio of how much it spends as a percentage of premium dollars received was 92.5% (94.8% in 4Q), primarily driven by higher utilization, the impact of lower Medicare Advantage plan star ratings, and higher acuity in Medicaid. In 1Q25, the MBR decreased by 310 basis points, even including the 130 basis point impact from the PDR from the exit from the individual exchange. The business saw improved underlying performance in Medicare and Medicare Advantage star ratings. Health Care Benefits generated $2 billion in operating income in 1Q25, on 8% higher revenues to nearly $35 billion.

We have a positive view of the signs of emerging improvements to Aetna's business to eliminate key industry bottlenecks to improve patient experience, including streamlining the need for prior authorization. The company has cited one of the industry's shortest list of treatments and procedures that require prior authorization, and the approval of 95% of prior authorization requests within 24 hours. In our view, CVS's integrated model between Aetna and its pharmacies has improved therapy adherence, which has resulted in fewer acute events, emergency room visits and lower medical costs.

As cited earlier, Health Services, which includes its Caremark pharmacy benefit manager (PBM) business was CVS's largest contributor to adjusted operating income in 2024. Despite negative headlines and increased government scrutiny on PBM's and a perception that the industry is driving higher drug prices, we see PBM's supporting drug price containment, as a check to pricing decision by pharma manufacturers. CVS has cited economist estimates that PBM's generate net value for the U.S. health care system of over $100 billion per year.

We view positively CVS's leveraging of its PBM cost management strategies and integrated model in its new partnership

Growth & Valuation Analysis

GROWTH ANALYSIS ($ in Millions, except per share data)	2020	2021	2022	2023	2024
Revenue	268,706	292,111	322,467	357,776	372,809
COGS	219,660	239,991	267,965	303,345	321,408
Gross Profit	49,046	52,120	54,502	54,431	51,401
SG&A	—	—	—	—	—
R&D	—	—	—	—	—
Operating Income	13,911	15,099	16,290	14,599	9,795
Interest Expense	2,907	2,503	2,287	2,658	2,958
Pretax Income	9,770	10,537	5,836	11,173	6,148
Income Taxes	2,569	2,548	1,509	2,805	1,562
Tax Rate (%)	26	24	26	25	25
Net Income	7,179	8,001	4,311	8,344	4,614
Diluted Shares Outstanding	1,314	1,329	1,323	1,290	1,262
EPS	5.46	6.02	3.26	6.47	3.66
Dividend	2.00	2.00	2.20	2.42	2.66
GROWTH RATES (%)					
Revenue	4.6	8.7	10.4	10.9	4.2
Operating Income	13.9	8.5	7.9	-10.4	-32.9
Net Income	8.2	11.5	-46.1	93.6	-44.7
EPS	7.7	10.1	-45.8	98.5	-43.4
Dividend			10.0	10.0	9.9
Sustainable Growth Rate	8.1	6.9	0.4	7.5	2.3
VALUATION ANALYSIS					
Price: High	$76.44	$104.56	$111.25	$93.41	$83.25
Price: Low	$52.04	$68.02	$86.28	$64.41	$43.56
Price/Sales: High-Low	0.4 - 0.3	0.5 - 0.3	0.5 - 0.4	0.3 - 0.2	0.3 - 0.1
P/E: High-Low	14.0 - 9.5	17.4 - 11.3	34.1 - 26.5	14.4 - 10.0	22.7 - 11.9
Price/Cash Flow: High-Low	6.7 - 4.6	7.8 - 5.0	6.7 - 5.2	8.6 - 5.9	22.9 - 12.0

Financial & Risk Analysis

FINANCIAL STRENGTH	2022	2023	2024
Cash ($ in Millions)	12,945	8,196	8,586
Working Capital ($ in Millions)	-3,788	-11,331	-15,964
Current Ratio	0.95	0.86	0.81
LT Debt/Equity Ratio (%)	94.1	97.7	99.8
Total Debt/Equity Ratio (%)	99.0	103.8	109.7
RATIOS (%)			
Gross Profit Margin	16.9	15.2	13.8
Operating Margin	5.1	4.1	2.6
Net Margin	1.3	2.3	1.2
Return On Assets	1.9	3.5	1.8
Return On Equity	5.9	11.3	6.1
RISK ANALYSIS			
Cash Cycle (days)	19.0	18.4	17.8
Cash Flow/Cap Ex	5.9	4.4	3.3
Oper. Income/Int. Exp. (ratio)	3.6	5.2	3.1
Payout Ratio	34.9	90.7	36.2

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Analyst's Notes ...Continued

with Novo Nordisk to increase access to GLP-1 drug Wegovy, which is prescribed for diabetes and weight management. CVS plans to combine this enhanced drug access for its members with Caremark's lifestyle clinical support programs to help its members achieve better outcomes across its 9,000 location footprint.

In its Pharmacy segment, CVS recently completed a three-year store closure plan, for which it took severance and asset impairment charges. The company has cited favorable retail pharmacy script trends, despite the footprint reduction, in moving retained pharmacy customers to remaining locations. In our view, CVS has taken a leadership position in promoting price transparency through Caremark's TrueCost model, which enables patients to see the costs and rebate pass-through that it negotiates with drug manufacturers, as well as CVS Pharmacy's CostVantage program, which ties reimbursement to the pharmacy's acquisition costs to its commercial customers, which we see helping to support lower prices to its customers. CVS is looking to expand this program to include Medicare and Medicaid markets as well.

In 1Q25, pharmacy revenues increased 7.9% and adjusted operating income rose 17.6%, driven by a favorable pharmacy drug mix, growth in specialty pharmacy and brand inflation. Comparable script growth increased by 7%, year-over-year, and its market share was 27.6%, up 70 basis points. CVS has estimated that it processes around 1.7 billion prescriptions annually.

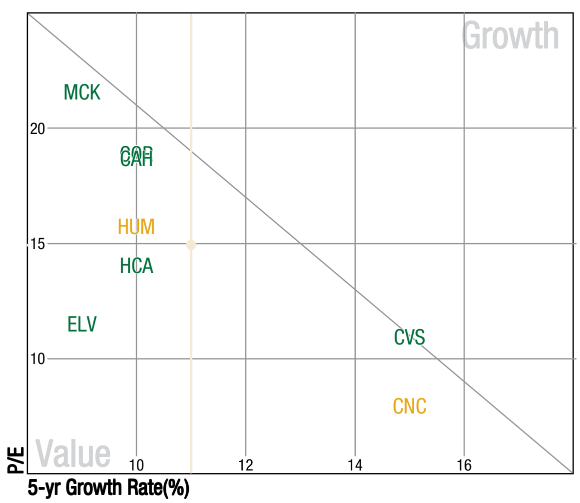
CVS has been quite acquisitive over the past decade. In addition to the acquisition of Aetna in late 2018, it acquired Oak Street Health in 2023, to add 600 care professionals at 169 medical centers, many in underserved areas, aimed at helping recovering patients avoid hospital re-admission. The combination of Oak Street and MinuteClinic makes CVS one of the largest providers of primary and episodic care in the U.S. While the Medicare Advantage industry experienced elevated utilization throughout 2024, Oak Street's care model achieved a trend lower than the broader industry, achieving more than 30% growth in the fourth quarter of 2024, and in both revenues and members, year over year. That said, signs of cost pressures emerged at Oak Street in 1Q25, which it is monitoring.

In addition, CVS acquired Signify Health in 2023 to expand the company's reach into consumers' homes with Signify Health conducting 3 million in-home evaluations in 2024. In the future, CVS plans to utilize the capabilities of Signify in other businesses, including Individual Exchange and Medicaid. Lastly, the company's wholly owned Cordavis subsidiary works directly with pharmaceutical manufacturers to commercialize and/or co-produce biosimilar products to support a viable biosimilar market in the United States. We see this initiative gaining traction in driving biosimilar adoption at a greater savings level than the industry has seen since the first biosimilar was approved by the FDA in 2015. While encouraging, we note that it cited $1 billion in net customer savings generated to date is quite modest in the context of total savings to the U.S. healthcare system. As such, we see the recent Novo Nordisk partnership for Wegovy furthering our view of CVS

Peer & Industry Analysis

The graphics in this section are designed to allow investors to compare CVS versus its industry peers, the broader sector, and the market as a whole, as defined by the Argus Universe of Coverage.

- **The scatterplot shows how CVS stacks up versus its peers on two key characteristics: long-term growth and value. In general, companies in the lower left-hand corner are more value-oriented, while those in the upper right-hand corner are more growth-oriented.**
- **The table builds on the scatterplot by displaying more financial information.**
- **The bar charts on the right take the analysis two steps further, by broadening the comparison groups into the sector level and the market as a whole. This tool is designed to help investors understand how CVS might fit into or modify a diversified portfolio.**



Ticker	Company	Market Cap ($ in Millions)	5-yr Growth Rate (%)	Current FY P/E	Net Margin (%)	1-yr EPS Growth (%)	Argus Rating
ELV	Elevance Health Inc	94,057	9.0	11.5	3.2	7.1	BUY
MCK	Mckesson Corporation	88,606	9.0	21.6	.8	12.1	BUY
CVS	CVS Health Corp	84,883	15.0	10.9	1.4	14.2	BUY
HCA	HCA Healthcare Inc	84,052	10.0	14.1	8.1	12.3	BUY
COR	Cencora Inc	56,558	10.0	18.9	.5	8.4	BUY
CAH	Cardinal Health, Inc.	36,277	10.0	18.7	.7	11.9	BUY
HUM	Humana Inc.	30,981	10.0	15.7	1.4	-16.6	HOLD
CNC	Centene Corp.	29,747	15.0	8.0	2.0	6.7	HOLD
Peer Average		**63,145**	**11.0**	**14.9**	**2.3**	**7.0**	

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Analyst's Notes ...Continued

as an innovative company that can introduce new programs aimed at alleviating industry pain points for its customers and having an impact at scale.

Although we have a positive outlook for CVS in regard to its exposure to tariffs, we note that it has identified the front store as an area of monitoring, though it sources most of its items from American-based companies. We do see more uncertainty over the pharma supply chain, as the new administration has signaled policy coming on that front. This would also have implications for the Aetna business, as it relates to the cost of drugs and medical devices. However, we note that the recent partnership with Novo Nordisk will not be subject to tariffs, as the drug is manufactured in the U.S.

CVS has historically generated cash flow that allowed management to augment net income growth with share purchases at a consistent leverage ratio. We expect management to maintain focus on turning around its Health Care Benefits segment, so that it can reduce its debt ratios, solidify credit ratings, maintain access to commercial paper markets and, ultimately, allow the company to enhance net income growth with share repurchases.

The shares are trading at around 11-times the consensus EPS estimate for 2025, and its dividend is yielding around 4%, even after year-to-date appreciation around 50%. The dividend payout is more than 40% of our 2025 EPS estimate. Thus, we are maintaining our BUY rating.

RECENT DEVELOPMENTS

In May 2025, CVS Caremark announced a partnership with Novo Nordisk to increase member access to GLP-1 drug Wegovy at a more affordable price. The formulary change takes effect on July 1, 2025.

In March 2025, CVS appointed Brian Newman as its new Chief Financial Officer, effective May 12, 2025, and Amy Compton-Phillips as Chief Medical Officer effective May 19, 2025. Mr. Newman is succeeding Thomas F. Cowhey, who had been in the role since early 2024.

In May 2025, CVS reported 1Q25 financial results which were highlighted by adjusted EPS of came to $2.25, compared with consensus of $1.67 and our estimate of $1.63. Notably, this compares with $1.31 for the same period in 2024. Revenues were 7% higher at $94.6 billion, and CVS reported growth in all segments. The outperformance was largely attributable to the 310 basis point improvement in medical loss ratio (87.3% vs 90.4%), year-over-year.

In May 2025, CVS raised its issued full-year guidance for 2025, including adjusted EPS in the range of $6.00 to $6.20, which would represent more than 12.5% growth at the midpoint. The company also raised its full-year 2025 cash flow from operations guidance to approximately $7.0 billion from $6.5 billion, but was still down from $9.1 billion in 2024. Management has identified Health Care Benefits as the primary segment for upside potential.

CVS has estimated that a medical benefit ratio improvement of 100 basis points would equate to approximately $800 million in adjusted operating income. We note that CVS's revised guidance expects to be front-half loaded, with approximately 60% of its consolidated earnings occurring in the first half, amid macro-economic concerns.

EARNINGS & GROWTH ANALYSIS

We expect mid-single-digit revenue growth from CVS over the next few years, as it navigates changes to its product mix and Benefits member base mix. We estimate that Healthcare Services will account for more than 40% of revenues in 2025, with approximately 30% for both Health Benefits and Pharmacy/Wellness. We project 2025 revenues of approximately $383 billion and $407 billion, which would represent 3% and 6% growth, respectively.

We anticipate Benefits segment growth to moderate over the course of 2025, as it reduces its aggregate membership and reduces its exposure to Medicare Advantage and Individual Exchange offerings. We see these moves better aligning margins and should take several years to fully achieve. We think higher margins from its member base, driven by a more favorable medical benefit ratio, are likely to generate segment adjusted operating income close to $2 billion, well above 2024's $307 million, supported by healthy trends for its commercial/self-insured business. In 2025, we see results being front-half weighted due to lower expected utilization and the impacts of the Inflation Reduction Act on Medicare Part D premiums, which are paid upfront. We project continued momentum on reducing the medical benefit ratio in 2026, albeit at a more modest rate. CVS has projected a MBR of 91.3% for 2025.

For the Health Services business, we see expansion at its Caremark unit but largely offset by contraction in its Health Care Delivery business, which is correlated to the Medicare Advantage medical cost trends that CVS is addressing in its Benefits business. We also see Health Services navigating the impacts of the 2024 loss of its Centene contract, in and continued pharmacy client price improvements. While CVS is optimistic on its Home Delivery business, growth is more likely in 2026, as the industry digests more normalized utilization and cost dynamics into future rates. Thus, we expect adjusted operating income modestly above 2024's $7.2 billion.

For CVS's Pharmacy & Consumer Wellness segment, we are encouraged by script growth trends that saw same-store pharmacy sales increase by 18% in 1Q25, and same-store prescription volumes increased nearly 7%, both year over year, continuing recent trends. We see continued script growth contributing to mid-to-high single-digit segment growth. However, we note that operating income from the segment has been challenged by pharmacy reimbursement pressures and the impact of implementing the CostVantage pricing model. As such, we expect operating income from this segment to decline by mid-single digits in 2025.

Our 2025 adjusted EPS estimate is $6.13, above the mid-point of CVS's revised guidance range, and $0.03 above our prior estimate. This would represent 13% growth over 2024. We note that our previously estimate was above the prior range, given our view of upside for the Health Benefits segment. For 2026, our adjusted EPS estimate is $7.00, which would represent 14% growth.

FINANCIAL STRENGTH & DIVIDEND

Our financial strength rating for CVS is Medium, the midpoint on our five-point scale. We note that CVS's financial position has fluctuated over time, given its history as an acquisitive company. We see reducing its debt and maintaining investment-grade ratings as keys to maintaining this financial strength rating, and we view getting its leverage ratio back below 3-times (around 4-times presently, down from 4.6-times at the end of 2024) as a key gauge of its financial health. For reference, its leverage ratio was 3.7-times adjusted EBITDA at the end of 2023, and 2.85-times at the end of

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Analyst's Notes ...Continued

2022.

As of May 2025, CVS's ratings were BBB from S&P and Baa3 from Moody's. Moody's lowered its rating from Baa2 in December 2024. The short-term ratings were A2/P2, and both agencies had negative outlooks. We note that CVS must keep its A2/P2 short-term ratings to maintain its access to the commercial paper market, as a one notch reduction would bring them to the lowest investment-grade level. We see CVS committing to returning leverage ratios to more normalized levels and improving its investment grade rating over time, as it turns around the Aetna business. As of December 31, 2024, CVS stated in its annual 10-K filing that it was in compliance with all of its debt covenants.

As of March 31, 2025, CVS had $12.6 billion of cash and short-term investments, consisting of cash ($10.0 billion) and short-term investments ($2.6 billion). It had total debt of $80.3 billion ($66.3 billion in debt/$16.7 billion in lease obligations). Within its debt position, it had $1.3 billion in commercial paper outstanding, down from $2.1 billion at the end of 2024. For reference, the company had $27 billion in debt outstanding prior to the Aetna merger. CVS also issued approximately 285 million new shares to fund the transaction (approximately 23% of current shares outstanding.)

In 1Q25, CVS generated $4.6 million in cash from operations. The company raised its full-year cash flow outlook to around $7 billion, from approximately $6.5 billion, which we see suggesting a more conservative outlook for the balance of the year. The company generated cash flows from operations of approximately $9.1 billion for the full year, down from $13.4 billion in 2023. In our view, CVS has signaled a focus on generating cash flow that would allow it to maintain investment-grade ratings; pay a healthy, growing dividend; and return to making share purchases, which it does not anticipate for 2025.

The company initiated a $10 billion repurchase plan in December 2021 and repurchased approximately $5.5 billion of shares in 2022 and 2023. It entered into an accelerated share repurchase agreement at the beginning of 2024 and repurchased $3.2 billion of shares in 2024. Over the longer-term, we would prefer that CVS reduce debt over repurchasing shares.

CVS has paid a dividend for more than 90 consecutive quarters. Annual dividends totaled $2.00 per share between 2018 and 2021, but increases were paused, as it integrated Aetna and restored its leverage to pre-acquisition levels. Between 2022 and 2024, the dividend increased to $2.20, $2.42, and $2.66, respectively. For 2025, we expect the annual dividend of $2.74 per share, which would represent around 45% of our 2025 EPS estimate, moderating from a payout of 49% on its 2024 results. We expect more modest dividend expansion over the next few years, compared with historical growth trends. Our 2026 dividend estimate is $2.80.

Our five-year growth rate forecast is 15%. We recently raised this outlook from 7% to reflect a more constructive outlook over the challenging 2024, and our view of firming fundamentals.

MANAGEMENT & RISKS

David Joyner was appointed as CEO of CVS in October 2024. Mr. Joyner was previously executive vice president of CVS Health and president of CVS Caremark. He replaced Karen S. Lynch, who had been president of Aetna from 2015-2021, before becoming CEO in February 2021. As mentioned earlier, Brian Newman will replace Thomas F. Cowhey as CFO in May 2025.

The company also appointed four new board members after discussions with Glenview Capital Management and the company's decision to maintain its 'integrated' business model rather than pursuing some form of breakup. Steve Nelson became President of Aetna. Prem Shah became Group President, responsible for CVS Caremark, CVS Pharmacy and the Health Care Delivery businesses.

CVS Health faces risks from both rising healthcare costs and the efforts of governments, businesses, and individuals to limit these costs. While government entities have been focused on promoting individuals' have access to healthcare, we see the need for new dynamics in healthcare coverage, which will likely require higher volumes of business at a lower gross margin to industry players, as reimbursement pressures persist.

We think CVS Health is likely to face, among other issues, the possibility of heightened price negotiations among drug companies and providers of pharmacy services, pressure from an increase in customer co-payments, as well as potential changes from the new Trump administration, which could negatively impact the practices of pharmacy benefit managers (PBMs), potential for renewed attempts to repeal the Affordable Care Act, which provided health insurance to more than 24 million Americans in 2025, and new practices at the FDA that could impact new drug approvals and oversight.

Lastly, we note that the company is also listed as defendant in many legal proceedings, which are disclosed in its annual report.

Ernst & Young has been the company's auditor since 2007.

COMPANY DESCRIPTION

CVS Health Corp. operated more than 9,000 retail drugstores at the end of 2024, more than 1,000 walk-in and primary care medical clinics, a pharmacy benefits manager with approximately 90 million plan members and expanding specialty pharmacy solutions, and a dedicated senior pharmacy care business serving more than 800,000 patients per year. CVS also serves an estimated more than 36 million people through traditional, voluntary and consumer-directed health insurance products and related services. Aetna was acquired at the end of 2018. The corporate headquarters is in Woonsocket, Rhode Island.

VALUATION

CVS shares are up nearly 50% year-to-date in 2025 and 21% higher year-over-year. With this recent momentum, the shares are currently trading around 11-times our 2025 adjusted EPS estimate and are now trading near the high end of its 52-week range between approximately $43-$72.50.

In our view, this is intuitively cheap for CVS, but we note that the company and its operating environment has changed significantly in recent years, rendering historical metrics as less insightful. We believe that reimbursement pressure, higher medical benefit costs, a new CEO/management team and the cost of growth initiatives will likely continue to weigh on its margins over the near-term. Still, with a robust footprint and reach, and signs of firming fundamentals as evidenced by its 2025 outlook, we see value in the shares and expect CVS to maintain its investment-grade credit rating.

Our five-year growth rate is 15%. Using a 40% payout and an 8% discount rate, followed by steady-state growth of 2.5% with a 40% payout and an 8% discount rate, we estimate the shares merit a forward multiple of 12.6-times. Applying this multiple to our

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Analyst's Notes ...Continued

2025 adjusted EPS estimate of $6.10, we maintain our target price of $77. We note that the current dividend yield around 4% adds to the total upside potential.

On May 5, BUY-rated CVS closed at $67.10, down $0.36.

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About Argus

Argus Research, founded by Economist Harold Dorsey in 1934, has built a top-down, fundamental system that is used by Argus analysts. This six-point system includes Industry Analysis, Growth Analysis, Financial Strength Analysis, Management Assessment, Risk Analysis and Valuation Analysis.

Utilizing forecasts from Argus' Economist, the Industry Analysis identifies industries expected to perform well over the next one-to-two years.

The Growth Analysis generates proprietary estimates for companies under coverage.

In the Financial Strength Analysis, analysts study ratios to understand profitability, liquidity and capital structure.

During the Management Assessment, analysts meet with and familiarize themselves with the processes of corporate management teams.

Quantitative trends and qualitative threats are assessed under the Risk Analysis.

And finally, Argus' Valuation Analysis model integrates a historical ratio matrix, discounted cash flow modeling, and peer comparison.

THE ARGUS RESEARCH RATING SYSTEM

Argus uses three ratings for stocks: BUY, HOLD, and SELL. Stocks are rated relative to a benchmark, the S&P 500.

- A BUY-rated stock is expected to outperform the S&P 500 on a risk-adjusted basis over a 12-month period. To make this determination, Argus Analysts set target prices, use beta as the measure of risk, and compare expected risk-adjusted stock returns to the S&P 500 forecasts set by the Argus Market Strategist.
- A HOLD-rated stock is expected to perform in line with the S&P 500.
- A SELL-rated stock is expected to underperform the S&P 500.

Argus Research Disclaimer

Morningstar Disclaimer

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