MIKE McGUIRE, CVS HEALTH IRO

Good morning, everyone. Thanks so much for joining us this morning to hear about the definitive merger agreement we announced yesterday to acquire Aetna, one of the nation's leading diversified health care benefits companies.

I'm here this morning with CVS Health's president and CEO, Larry Merlo, and CFO, Dave Denton, as well as Aetna's chairman and CEO, Mark Bertolini, and CFO, Shawn Guertin. Following our prepared remarks, we'll open it up for your questions.

During the Q&A, we ask that you please limit yourself to one question with one quick follow-up to allow more people a chance to ask their questions. At last count, combined we have 53 analysts who cover us, so it will be a challenge to get to everyone during this call.

Before we get into our remarks, in light of this pending transaction, I want to announce the cancellation of CVS Health's Annual Analyst Day scheduled for December 12th as well as the cancellation of Aetna's Investor Day, which was scheduled for December 14th. We apologize for any inconvenience this might cause. Because the CVS Health Analyst Day is typically our forum to provide guidance for the upcoming year, please note that we now plan to issue 2018 guidance during our 4th quarter 2017 earnings call in February.

Additionally, please note that today's presentation is neither an offering of securities nor solicitation of a proxy vote. The information discussed today is qualified in its entirety by the registration statement and joint proxy statement that CVS Health and Aetna will be filing with the SEC in the future. The shareholders of CVS Health and Aetna are urged to read those filings carefully when they become available because they will contain important information about the proposed transaction.

Additionally, during this presentation, we will make certain forward-looking statements that reflect our current views related to our future financial performance, future events, and industry and market conditions as well as forward-looking statements related to the acquisition, including the expected consumer benefits, financial projections, synergies, financing and the timing for the completion of the transaction. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from what may be indicated in the forward-looking statements. We strongly encourage you to review the information in the reports CVS Health and Aetna file with the SEC regarding these specific risks and uncertainties, in particular those that are described in the Risk Factors section of CVS Health’s and Aetna’s most-recently filed Annual Reports on Form 10-K and the Cautionary Statement disclosures in our respective Quarterly Reports on Form 10-Q.

During this call, we will also use some non-GAAP financial measures when talking about the performance of CVS Health and Aetna, including adjusted EBITDA. In accordance with SEC regulations, you can find the definitions of these non-GAAP items, as well as reconciliations to comparable GAAP measures, on the Investor Relations portion of our website.

Also on the Investor Relations portion of CVS Health’s website, you can find a page dedicated to this transaction, including a presentation that outlines the strategic rationale of the transaction as well as the compelling benefits this transaction will create for our stakeholders. The page also contains the press release we issued yesterday, an investor fact sheet, and will include a link to the relevant SEC documents associated with the transaction. That website will be updated as we work to close the transaction during the upcoming months.

And, as always, today's call is being webcast on our website and it will be archived there following the call for one year.

So with that, let me turn it over to Larry Merlo.

LARRY MERLO, CVS HEALTH CEO

Good morning everyone and thanks for joining us this morning.

Yesterday we announced that we have entered into a definitive merger agreement to acquire Aetna, a leading health care benefits company that serves more than **22** million medical members across their diverse book of business, for a purchase price of approximately **$69** billion. With the assumption of Aetna debt, the total transaction value is **$77** billion.

This transaction will create a leading health care platform that will revolutionize the consumer health care experience. This compelling strategic combination will unlock meaningful value for patients, payers, providers and shareholders. For health care stakeholders, we will deliver high-touch connectivity to consumers and improve the quality of life, while driving efficiencies and lowering the cost of care. For shareholders, not only does this transaction make sense strategically, but it also makes sense financially.

As many of you know, CVS and Aetna have been close partners for most of the past decade, since we entered into a strategic agreement to provide pharmacy benefits to Aetna members. We shared a vision of the critical role that pharmacy care plays in delivering quality outcomes with lower overall health care costs. As partners, we have worked diligently together to deliver on those goals to improve care for Aetna members, while providing competitive pharmacy pricing to allow Aetna to continue to expand its book of business. And although we have taken steps to deepen our relationship, we both recognize that to truly impact patient health and lower costs, more needs to be done.

What we are announcing today is the natural evolution of our two companies – a combination of two great organizations with the expertise to remake the consumer health care experience. Together we plan to build an entirely new health care concept based on the principles of making care easier to use and more affordable while offering consumers the ability to interact with trusted and familiar health care experts in their communities across the country.

Independently, CVS and Aetna have been able to utilize their enterprise strengths to deliver significant value, both to the clients that we support as well as the members that we serve. CVS delivers value through its unparalleled reach, significant scale, and deep clinical expertise to support health care stakeholders. Aetna delivers value through its world class consumer health and engagement model, offering innovative plan designs and best-in-class service.

And we know this value can only be enhanced by tighter integration of pharmacy and medical benefits management with unmatched consumer touch points.

The current U.S. health care system is failing too many people. Health care costs continue to rise and a paradigm shift is needed to bend the cost curve and put spending back on a sustainable path. Our current system of fragmented care has made some strides to control costs but more is needed to truly impact the trajectory of health care spending. Through our integrated health care management and delivery platform, we will be able to better coordinate care, eliminate waste and unnecessary spending, and drive efficiencies throughout the entire health care system. This will not only lead to better care for patients but also lower costs for payers.

We also see the ongoing aging of America with more than 10,000 baby boomers turning 65 every day. By combining Medicare Advantage with our Medicare Part D assets, we can more effectively serve our Medicare beneficiaries. This will enable us to improve our quality metrics and become more competitive in this fast-growing segment of the market.

And, we continue to see the shift of health care decision making into the hands of the consumer. This trend was intended to empower health care consumers but has frequently left them without the tools necessary to make informed decisions. So, we will use our high-touch connectivity to become the front door to health care for consumers. We will also improve consumer engagement by marrying physical and digital touch points with a broader use of data and analytics capabilities to inform health care decision making and help patients navigate the complex health care system.

Additionally, we see the health care marketplace evolving into a more value-based system, where a premium is placed on the efficiency with which care is delivered. We'll become a leader in driving further adoption of value-based care models through our combined assets, promoting lower-cost sites of care, eliminating unnecessary spending and enhancing our clinical care programs. By integrating data across our enterprise assets and through the use of predictive analytics, we will create targeted interactions with patients to promote healthy behaviors and drive adherence. This will further improve the quality of care for patients while also resulting in healthier outcomes.

Before passing this over to Mark, I want to emphasize a few important points. First, this transaction will not in any way diminish the strong relationships CVS and Aetna have with our clients and their health care partners, nor will it reduce the value that we both create for them every day. CVS has a long history of developing solutions that deliver on the cost-quality-access goals of our partners and we see no reason for that not to continue into the future. As we have shown with the merger of CVS and Caremark, we have the ability to integrate where needed while maintaining the necessary firewalls in order to protect client data and ensure competition.

Second, upon the closing of the transaction, Mark, and two other Aetna directors, will be joining the CVS board of directors. I'm excited to welcome Mark and the others as we embark on this shared purpose, and I look forward to continuing to benefit from Mark's vision and expertise.

Lastly, members of the Aetna management team will play significant roles in the newly combined company. Aetna will operate as a stand-alone business unit within the CVS Health enterprise, and will be led by members of their current management team. Mark has assembled a great team, and I look forward to their contributions as we revolutionize the consumer health care experience.

Again, this transaction fills an unmet need in our current system and presents a unique opportunity to remake the health care experience. Let me turn it over to Mark and welcome him and his team to CVS Health.

MARK BERTOLINI, AETNA CEO

Thank you, Larry, and thank you all for joining us today.

This deal represents a major step forward in creating consumer centric health care. We believe with these two great companies coming together we will remake the consumer health care experience. We will not only improve affordability and quality, but we will eliminate the unnecessary complexities that frustrate today's health care consumers.

This combination will enable us to accelerate our strategy and more effectively deliver on our mission to build a healthier world. By creating a new front door to the health care system, the combined company will be able to gain the trust of consumers in new ways. We will provide services, products and information that will enable consumers to get more value out of the health care system when they need support, or as they look to maintain their best health. This is also a transaction that I believe has incredible potential for Medicare and Medicaid members by p providing them some of the high touch interaction they need to navigate the complexities of the health care system. It holds great potential for group commercial clients as well in the form of lower costs and more productive employees. We could see a very different type of benefit plan for these groups that truly puts the financing in the background and rewards the consumer for being proactive about their health.

This transaction will also give us the opportunity to drive costs out of the system by increasing patient access to quality, lower-cost sites of care. The overuse of emergency departments adds an estimated **$38** billion in wasteful spending every year, so tremendous savings can be realized by utilizing local care solutions in a more integrated fashion. Lower-cost sites of care are often more convenient for patients, so in addition to saving money, it also improves their experience.

Additionally, our combined data and analytics will provide a more holistic view of each individual. This will enable us to use pharmacy care to not only drive down prescription costs, but to drive down overall health care costs. We have demonstrated that integrating medical with pharmacy has resulted in a **45 percent** increase in case management engagement and a $20 PMPM reduction in total medical cost. For members with chronic conditions, the savings can approach $117 per member per month.

These medical savings have tremendous implications for our financial performance as well. Every 50 basis points that we can reduce medical cost trend, results in nearly $500 million of additional underwriting margin for our customers and for Aetna. This improvement in margin will enable us to:

- Reinvest in the health of our members, helping to improve their health and drive increased loyalty and retention;
- Continue to improve the quality and affordability of the products and services we offer; and
- Expand into new geographies enabling us to serve additional members and drive profitable top line growth.

In closing, we believe this deal can revolutionize the consumer experience in health care. As our combined strategy matures I am confident we will redefine and modernize the consumer health care experience in ways that meet and exceed the expectations of the modern consumer.

I want to say that I'm excited about the new opportunities this transaction creates for our combined enterprise. Aetna has a talented and dedicated group of employees who are working to build a healthier world every day. And I believe that our combined company will be more competitive in the marketplace and accelerate progress toward achieving this mission. We are bringing together two premier health care companies that, individually, have demonstrated they can deliver meaningful value to all stakeholders. Together, we believe we can achieve even more.

So with that, let me pass it to Dave Denton to discuss the financial implications of the transaction.

DAVE DENTON, CVS HEALTH CFO

Let me start by providing a brief overview of the transaction. Under the terms of the agreement, Aetna shareholders will receive **$145** per share in cash and **0.8378** CVS Health shares for each Aetna share. The transaction values Aetna at approximately **$207** per share or approximately **$77** billion including the assumption of debt.

We expect the transaction to close sometime in the second half of 2018, subject to both regulatory and shareholder approvals. After it closes, CVS Health shareholders will own approximately **78** percent of the combined company, while Aetna shareholders will own approximately **22** percent.

This transaction will create a new leader in health care with pro forma revenues of more than $220 billion and more than $18 billion in adjusted EBITDA. Together, we will generate strong, highly diversified, and stable cash flows.

In addition to the strategic benefits this transaction offers, it also offers significant financial benefits to our shareholders. While this transaction will not having a meaningful impact on our performance in year one, we expect low- to mid-single digit accretion in the second full year after close.

This transaction has the potential to deliver **$750** million in near-term synergies in the 2nd full year after close through activities such as streamlining of redundant corporate functions and combining PBM and PDP operations. In addition, the near-term synergies include reducing medical costs through improved care management and shifting care to lower cost settings. Importantly, these synergies can be realized with our existing capabilities with limited incremental investments needed.

Over the longer-term, we see the potential to deliver significant incremental savings and value. These synergies include further reducing our medical costs, increasing our presence in Medicare and Medicaid, and growing our customer base across all platforms.

Moving to the financing of the transaction, the cash portion will be financed with existing cash on-hand as well as through **$45** billion of new debt.

After the closing of the transaction, our adjusted debt-to-EBITDA ratio is expected to increase to approximately **4.6X**, well above our current targeted ratio. Additionally, our debt-to capitalization ratio, is expected to climb to approximately **60%**, largely dependent upon the month we close. It is our intention to quickly get back to the leverage that is in line with our ratings category, and we have a goal of **mid 3X** leverage in two years, post-acquisition. Our ultimate longer-term goal is to get down to low **3X**. Maintaining our strong credit ratings, including our tier-2 commercial paper rating, is very important to us, and we are very focused on debt pay down. To achieve this, we plan to suspend our share repurchase program, maintain our current dividend per share, and forego any large-scale M&A activity.

It is our strong belief that this plan along with the significant, diversified cash flow that this new enterprise will generate, will allow us to maintain investment grade ratings. Additionally, we plan to maintain our insurance subsidiaries' existing investment grade financial strength ratings by maintaining their capital structure.

Let me turn it back to Larry for some closing comments.

LARRY MERLO, CVS HEALTH CEO

As you've heard from our prepared remarks, this new platform will unlock significant value for health care consumers, clients, the health care system at large, and our shareholders.

Health care consumers will benefit from a uniquely integrated, community-based health care experience helping them better navigate the system to achieve their best health.

Clients, through the combined entity will be able to help address the growing cost of treating chronic conditions through the broader use of data and analytics, leading to improved patient health at a substantially lower cost.

The health care system will be able to reduce wasteful spending by promoting lower cost sites of care and helping to avoid costly hospital readmissions.

And for investors, this transaction is attractive, accretive in the second full year after close with the real power lying in its long-term value creation.

So with that, let's open it up for questions.