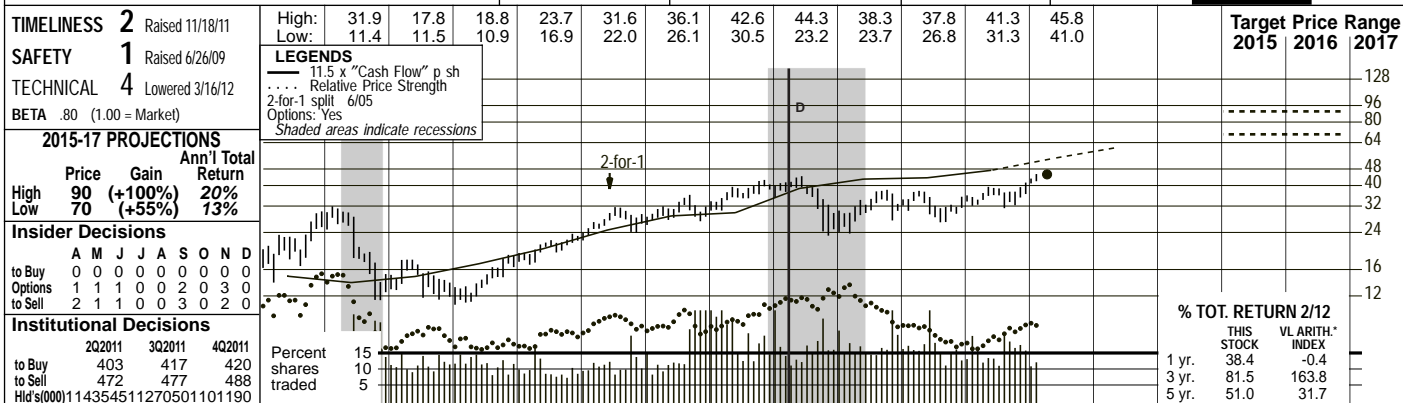


CVS CAREMARK NYSE-CVS

RECENT PRICE **45.23** P/E RATIO **14.5** (Trailing: 16.1 Median: 16.0) RELATIVE P/E RATIO **0.93** DIV'D YLD **1.4%** VALUE LINE



2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	90	(+100%)	20%
Low	70	(+55%)	13%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	0	0	0	0
Options	1	1	1	0	0	2	0	3	0
to Sell	2	1	1	0	0	3	0	2	0

Institutional Decisions

	2Q2011	3Q2011	4Q2011
to Buy	403	417	420
to Sell	472	477	488

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"Consumer Value Stores" began as a health and beauty aids chain in '63. It grew to 17 stores in '64. The first pharmacy opened in '67. In '69, the chain was sold to Melville, which aggressively expanded the operation, and coupled that with an aggressive acquisition strategy that included Revco and Arbor Drug. Melville restructured in '95, and changed its name to CVS on 11/19/96.

CAPITAL STRUCTURE as of 12/31/11
 Total Debt \$9834 mill. Due in 5 Yrs \$1880 mill.
 LT Debt \$9028 mill. LT Interest \$584 mill.
 (Total interest coverage; 11.6x)

Leases, Uncapitalized Annual rentals \$2230 mill.
 Pension Assets-12/11 \$463.0 mill. Oblig. \$685.0 mill.

Pfd Stock None

Common Stock 1,302,378,570 shs. as of 2/12/12

MARKET CAP: \$58.9 billion (Large Cap)

CURRENT POSITION

(\$MILL)	2009	2010	12/31/11
Cash Assets	1091.0	1431.0	1418.0
Receivables	5457.0	4925.0	6047.0
Inventory (FIFO)	10343.0	10695.0	10046.0
Other	646.0	655.0	1083.0
Current Assets	17537.0	17706.0	18594.0
Accts Payable	3560.0	4062.0	4370.0
Debt Due	2419.0	1405.0	806.0
Other	6321.0	5603.0	6780.0
Current Liab.	12300.0	11070.0	11956.0

ANNUAL RATES

	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 of change (per sh)
Sales	11.5%	10.5%	10.5%
"Cash Flow"	12.5%	12.5%	10.0%
Earnings	12.5%	15.0%	11.0%
Dividends	13.0%	21.5%	24.0%
Book Value	18.5%	22.5%	6.0%

QUARTERLY SALES (\$ mill.)

Cal-endar	Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2009	23394	24871	24642	25822	98729
2010	23760	24007	23875	24771	96413
2011	25695	26414	26674	28317	107100
2012	30000	30400	30700	31150	122250
2013	31650	32000	32350	32900	129000

EARNINGS PER SHARE ^

Cal-endar	Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2009	.55	.65	.65	.78	2.63
2010	.60	.65	.65	.80	2.69
2011	.57	.65	.70	.89	2.80
2012	.64	.75	.85	1.06	3.30
2013	.75	.85	1.00	1.20	3.80

QUARTERLY DIVIDENDS PAID ^

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.060	.060	.069	.069	.26
2009	.076	.076	.076	.076	.30
2010	.0875	.0875	.0875	.0875	.35
2011	.125	.125	.125	.125	.50
2012	.1625				

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
30.76	33.62	38.15	45.45	53.06	53.14	60.80	70.98	70.74	82.51	97.80	107.50	134.55	Sales per sh	134.55
1.29	1.49	1.75	2.15	2.50	2.59	3.37	3.73	3.79	4.11	4.70	5.30	6.85	"Cash Flow" per sh	6.85
.88	1.03	1.10	1.38	1.57	1.92	2.44	2.63	2.69	2.80	3.30	3.80	5.00	Earnings per sh ^	5.00
.12	.12	.14	.15	.16	.23	.26	.31	.35	.50	.65	.82	1.36	Div'ds Decl'd per sh ^	1.36
6.29	7.31	8.43	9.96	11.75	21.66	23.90	25.71	27.66	29.32	31.20	33.20	38.75	Book Value per sh ^	38.75
786.14	790.77	801.92	814.31	825.74	1436.5	1438.8	1391.0	1363.0	1298.0	1250.00	1200.00	1100.00	Common Shs Outst'g ^	1100.00
16.8	14.1	18.4	19.6	19.3	19.1	15.0	12.0	12.1	12.9	12.9	12.9	16.0	Avg Ann'l P/E Ratio	16.0
.92	.80	.97	1.04	1.04	1.01	.90	.80	.77	.82	.82	.82	1.05	Relative P/E Ratio	1.05
.8%	.8%	.7%	.5%	.5%	.6%	.7%	1.0%	1.1%	1.4%	1.4%	1.4%	1.7%	Avg Ann'l Div'd Yield	1.7%
24182	26588	30594	37006	43814	76330	87472	98729	96413	107100	122250	129000	148000	Sales (\$mill)	148000
25.1%	25.8%	26.3%	26.8%	27.2%	22.5%	22.8%	22.5%	20.0%	20.0%	20.0%	20.0%	21.0%	Gross Margin	21.0%
6.3%	6.6%	6.4%	7.0%	7.2%	7.7%	8.8%	8.4%	8.4%	7.8%	7.5%	7.5%	8.0%	Operating Margin	8.0%
4087	4179	5375	5471	6150	6245	6923	7025	7182	7300	7325	7600	8500	Number of Stores	8500
718.6	847.3	918.8	1172.1	1343.3	2637.0	3588.8	3803.0	3700.0	3766.0	4225	4650	5650	Net Profit (\$mill)	5650
38.0%	38.4%	34.2%	38.6%	38.5%	39.5%	39.6%	40.0%	38.9%	39.3%	39.5%	39.5%	40.0%	Income Tax Rate	40.0%
3.0%	3.2%	3.0%	3.2%	3.1%	3.5%	4.1%	3.9%	3.8%	3.5%	3.4%	3.6%	3.8%	Net Profit Margin	3.8%
2876.2	3007.3	3060.7	3808.8	3390.8	3383.1	3036.3	5237.0	6636.0	6638.0	8275	9750	16250	Working Cap'l (\$mill)	16250
1076.3	753.1	1925.9	1594.1	2870.4	8349.7	8057.2	8756.0	8652.0	9208.0	9000	8700	6900	Long-Term Debt (\$mill)	6900
5197.0	6021.8	6987.2	8331.2	9917.6	31322	34574	35768	37700	38051	39000	39825	42600	Shr. Equity (\$mill)	42600
11.8%	12.8%	10.6%	12.2%	11.1%	7.0%	8.8%	9.0%	8.4%	8.4%	9.5%	10.0%	12.0%	Return on Total Cap'l	12.0%
13.8%	14.1%	13.1%	14.1%	13.5%	8.4%	10.4%	10.6%	9.8%	9.9%	11.0%	11.5%	13.5%	Return on Shr. Equity	13.5%
12.4%	12.8%	11.8%	12.8%	12.4%	7.4%	9.3%	9.4%	8.5%	8.1%	8.5%	9.0%	9.5%	Retained to Com Eq	9.5%
15%	12%	13%	11%	10%	12%	11%	12%	13%	18%	20%	21%	27%	All Div'ds to Net Prof	27%

BUSINESS: CVS Caremark Corp. is the nation's foremost integrated services provider, combining one of the nation's leading pharmaceutical services companies with the country's largest pharmacy chain. It fills more than one billion prescriptions per year and has about 7,200 locations in 41 states, Puerto Rico, and the District of Columbia. New stores average about 11,500 square feet.

CVS Caremark ought to continue posting impressive earnings growth this year. The drug provider reported an 11% share-net advance in the fourth quarter of 2011, thanks to particular strength in the Pharmacy Services business. Indeed, sales there jumped more than 32%, owing to its long-term contract with Aetna and contributions from Universal American's Medicare prescription drug business. And now a new door has been opened by the split between Walgreen and Express Scripts. Unable to come to a compromise on reimbursement, Walgreen will no longer be the exclusive prescription provider for Express' patients. CVS' size and scope give it a leg up in attracting a fair share of these customers. Although gross margin pressures, and the ramp-up of generics scheduled to hit the market in the second half of the year, ought to pinch profits, we look for margins to stabilize a bit now that the kinks associated with the Caremark merger look to be in the rear-view mirror.

Share buybacks are being used to boost the bottom line. The company retired 65 million shares in 2011, and

there is another \$3 billion being earmarked for repurchases this year. Although management may choose to use some of these funds to reduce debt or perhaps reenter the M&A market, we suspect that repurchases will help produce a 15%-20% share-net gains this year and next.

Wall Street has taken notice. The stock is up roughly 20% in price since our December report. It is currently ranked 2 (Above Average) for Timeliness, based on the earnings power we suspect over the next six to 12 months.

This stock is a standout for the longer term, too. Despite the recent run-up in price, CVS still holds above-average 3- to 5-year appreciation potential. Company fundamentals and strong cash flow generation should support management's objective to up the payout ratio to 25%-30% by mid-decade, thus adding to its total return appeal. Meanwhile, CVS stock is ranked 1 (Highest) for Safety and scores very favorable marks for other performance indicators. We think that investors will be hard-pressed to find a better investment on a risk-adjusted basis.

Andre J. Costanza
 March 23, 2012

(A) From cont. oper.; based on diluted shares. Excl. net nonrecurring items: '01, (.56c); '05, (.7c); '06, 3c; '08 (17c); '09, 8c; '10 (18c); '11 (23c). Excludes amortization as of 2008. May not add due to rounding. Next egs. report due early May. (B) Dividends are historically paid in early Feb., May, Aug., Nov. ■ Div'd reinvest. plan avail. May not add due to rounding. (C) In mill., adj. for stk. split. (D) Merged with Caremark, 3/07. (E) Includes intangibles of \$36.3 billion or \$27.99 a share as of 12/31/11.

Company's Financial Strength A

Stock's Price Stability 90

Price Growth Persistence 90

Earnings Predictability 95

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