

## **Exhibit 18-A**

# **Financial Strength and Debt Ratings of the Applicant.**

## Credit Ratings

### Moody's

<u>Debt Type</u>	<u>Rating</u>	<u>As of</u>
Long-Term Debt	Baa1	9/30/2017
Short-Term Debt	P-2	9/30/2017
Outlook	Ratings Under Review	12/4/2017

### Standard & Poor's

<u>Debt Type</u>	<u>Rating</u>	<u>As of</u>
Long-Term Debt	BBB+	9/30/2017
Short-Term Debt	A-2	9/30/2017
Outlook	Watch Neg	12/4/2017

# CVS Health

Ticker: **CVS** Moody's Org ID: **482600** LEI: **549300EJG376EN5NQE29** Market Segment: **Corporates**  
 Industry: **RETAIL: DRUG STORES** Peer Group: **Retail** Domicile: **UNITED STATES**

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Rating Group:	Corporate Finance

**LONG TERM RATING**  
 Rating: **Baa1, Possible Downgrade**  
 Type: **Senior Unsecured - Dom**  
 Curr  
 Date: **04 Dec 2017**

**SHORT TERM RATING**  
 Rating: **P-2, Not on Watch**  
 Type: **Commercial Paper - Dom**  
 Curr  
 Date: **04 Dec 2017**

**OUTLOOK**  
 Ratings Under Review  
 Date: **04 Dec 2017**

**OTHER DEBTS ON WATCH?**  
 Yes

## Recent Issuer News and Reports

### Moody's Investors Service

- 07-Dec-17  
 Issuer Comment: CVS Health; Aetna Inc.: CVS' credit metrics will weaken with Aetna purchase
  - 04-Dec-17  
 Issuer Comment: CVS Health: CVS's debt will jump with Aetna purchase, a credit negative
  - 04-Dec-17  
 Rating Action: Moody's places CVS' ratings on review for downgrade pending Aetna acquisition; affirms P-2 Short-Term Prime rating
  - 21-Nov-17  
 Peer Snapshot: CVS Health - September 2017 (LTM): Peer Snapshot
  - 07-Sep-17  
 Peer Snapshot: CVS Health - June 2017 (LTM): Peer Snapshot
- More >>

## Market Signals

Moody's Analytics

### Market Implied Ratings (as of 15-Dec-17) ?

Senior Unsecured or Equivalent Rating (Current)	Baa1	
Implied-Rating Type	Current	Gap*
Bond-Implied	Baa2	-1
CDS-Implied	Baa2	-1
EDF-Implied	Baa2	-1

\* Gap to Senior Unsecured or Equivalent Rating

More Market Signals Data >>

## Credit Opinion

Moody's Investors Service

11-Jul-17

### Summary

CVS Health's Baa1 senior unsecured rating and Prime-2 commercial paper rating is supported by its strong market position and solid fundamentals of its industry sectors given its focus on providing prescription drugs. CVS Health is a solid number two player in its retail pharmacy division and is now the number one player in the pharmacy services sector ("PBM"). Omnicare is the leading provider of pharmacy services to the long term care sector. The retail pharmacies, pharmacy services in long term care facilities, and PBM all benefit from broad demographic trends which continues to drive increasing usage of prescription medication. The rating reflects CVS Health's ability to maintain fairly consistent operating margins despite on-going reimbursement pressures. The Baa1 also considers CVS Health's clearly stated financial policy including its 2.7 times lease adjusted debt to rent adjusted EBITDA target, targeted 35% dividend payout ratio in 2018, and good liquidity. CVS Health's credit metrics have temporarily weakened due to the debt incurred to finance the acquisitions of Omnicare and the Target pharmacies and clinics in 2015. Moreover, in late 2016, CVS announced the projected loss of more than 40 million retail prescriptions related to new restricted pharmacy networks which will exclude CVS. This will slow down CVS bringing its leverage back in

## Key Indicators

Moody's Investors Service

Ratio	2014	2015	2016	LTM
	Dec	Dec	Dec	
Debt / EBITDA	2.65	3.47	3.19	3.27
EBIT / Interest Expense	7.11	6.44	6.11	5.82
RCF / Net Debt	23.34	15.51	18.79	17.85

Source: Moody's Financial Metrics™

All data displayed for fiscal year end.

View More Financial Data >>

Access Standard Reports and Methodology Scorecards\* >>

\*FM add-on subscribers only

## Peer Comparison

Moody's Investors Service

Debt / EBITDA

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line with its target. However, we believe earnings growth at the PBM will more than offset the earnings pressure on the retail pharmacy division which supports over time, CVS Health bringing its debt to EBITDA back in line with its leverage target.

### Rating Outlook

The stable outlook acknowledges that we expect CVS Health to hold off on any further acquisitions until it brings its debt to EBITDA back in line with its leverage target.

### What Could Change the Rating - Up

- CVS Health revises its financial policy such that its debt to EBITDA leverage target would be at or below 2.5 times and its operating results support it maintaining leverage at this level
- Retained cash flow to net debt sustained above 25%
- EBITA to interest expense above 6.0 times

### What Could Change the Rating - Down

- Operating performance deteriorates
- Financial policy become more aggressive
- Debt to EBITDA were to remain above 3.25 times
- EBITA to interest expense were to fall below 5.0 times

[Read Full Report](#)

[Additional Issuer Research](#)

[Rating Factors Grid](#)

### Related Issuers

[Omnicare, Inc.](#)

[Big B, Inc.](#)

[Revco D.S., Inc.](#)

[Hook-SupeRx Inc.](#)

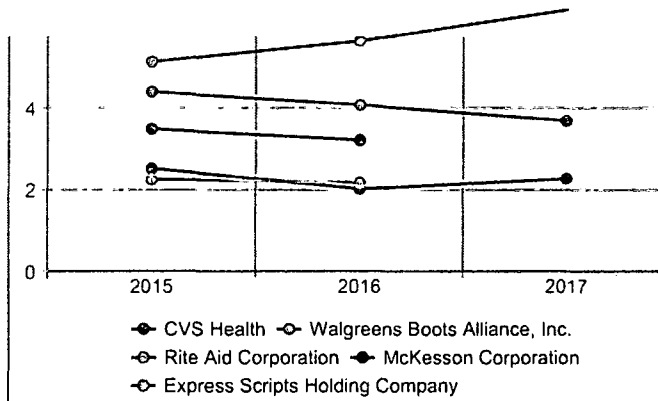
[Omnicare Capital Trust I](#)

[View Family Tree >>](#)

### Long-term Rating

Moody's Investors Service

Rating Class History : Senior Unsecured (Domestic)



	2015	2016	2017	LTM
CVS Health	3.47	3.19	--	3.27
Walgreens Boots Alliance, Inc.	4.39	4.06	3.67	3.67
Rite Aid Corporation	5.13	5.65	6.42	6.98
McKesson Corporation	2.49	1.99	2.24	2.47
Express Scripts Holding Comp.	2.22	2.14	--	2.04

Source: Moody's Financial Metrics™

All data displayed for fiscal year end.

[Build Peer Comparison Report >>](#)

### Industry Research

#### Moody's Investors Service

14-Dec-17

Retail Apparel Restaurant - US: 2018 Outlook – E-commerce will continue to outperform in retail while restaurants face cautious diners (Slides)

14-Dec-17

Gaming Lodging and Cruise - US: 2018 Outlook

04-Dec-17

Cross-Sector: CVS/Aetna cost-containment strategies would pressure other healthcare companies

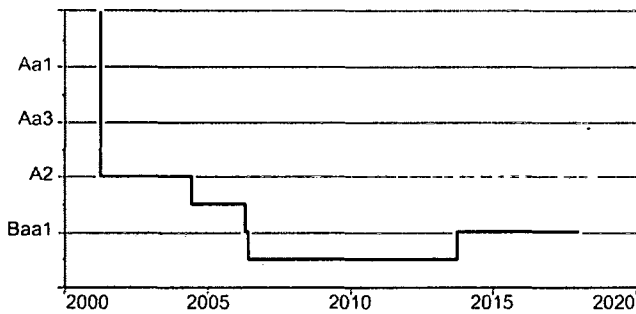
27-Nov-17

US Retail : Retail & Apparel Quarterly Insights

22-Nov-17

US Retail : Many are hoping for something to be grateful about this Thanksgiving holiday

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[Go to Retail & Business Products Industry Page >>](#)

## Rating Methodologies Moody's Investors Service

26-Oct-17  
 Notching Corporate Instrument Ratings Based on Differences in Security and Priority of Claim [🔗](#)

26-Oct-17  
 Moody's Proposes Update to Notching Corporate Instrument Ratings Based on Differences in Security and Priority of Claim

21-Aug-17  
 Government-Related Issuers [🔗](#)

21-Aug-17  
 Proposed Updates to Government-Related Issuers

14-Jul-17  
 Moody's Proposes Update to Notching Corporate Instrument Ratings Based on Differences in Security and Priority of Claim [🔗](#)

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## Company Profile Moody's Investors Service

11-Jul-17

CVS Health Corp., headquartered in Woonsocket, Rhode Island, is the only fully integrated pharmacy health care company in the United States. It fills or manages more than 1 billion prescriptions annually. It operates more than 9,700 retail pharmacies in the US, Puerto Rico, and Brazil. In addition, it has a pharmacy benefits management operation, a mail order and specialty pharmacy division, an on-line pharmacy, more than 1,100 walk in clinics, and a dedicated senior pharmacy care business. Revenues are about \$178 billion.

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