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The following article written by a third party was made available to employees of CVS Health Corporation:

Walgreens s Deal Aversion Can t Last

Bloomberg Businessweek

By Max Nisen

Its incremental approach is cheaper than a CVS-Aetna-style acquisition, but less rewarding.

CVS Health Corp. wasn t frequently mentioned on Walgreens Boots Alliance Inc. s first quarter earnings call Thursday.

But CVS s $69 billion deal for insurer Aetna Inc. loomed large as Walgreens reported mixed results it beat analyst revenue estimates, but profit fell 22 percent from a year earlier due largely to an impairment charge. Shares fell as much as 6 percent Thursday morning.

Like CVS, Walgreens is trying to transform itself, but without a splashy deal. But unless its more modest efforts pay dividends soon, such ambition may be pushed upon it.

Falling Behind

Walgreens shares fell a good ways behind the broader market in 2017

Walgreens s pharmacy business is the key to its U.S. performance. Comparable-store pharmacy sales grew by 7.4 percent in the quarter. Retail sales fell by 0.9 percent, the sixth straight quarter of decline. The company s acquisition last summer of Rite Aid Corp. stores will help boost growth of both pharmacy and retail sales in the year to come.

But regulatory intervention meant the Rite Aid deal was for a smaller number of stores than Walgreens hoped. And it likely marked the end of the company s ability to substantially expand its pharmacy and retail footprint in the U.S.

Problems Up Front

Walgreens has had a hard time growing non-pharmacy sales

Neither Walgreens nor CVS can rely on torrid prescription growth forever. And retail success will be tough to achieve in an increasingly difficult environment for everything brick-and-mortar. Amazon.com Inc., already a competitor in retail, is reportedly considering getting into the pharmacy business too.

CVS s deal is a bet on providing more health care and squeezing more out of its pharmacy business. It s risky; CVS could alienate Aetna customers if it s too aggressive in pushing its own services, and it may irk competing insurance companies served by its pharmacy benefit management arm. CVS will have to take on a bunch of debt, which will constrain needed investment into expanding in-store clinics.

But the rewards could be substantial. Aetna enrollees are a large captive market for CVS offerings. Health care is increasingly moving away from traditional points of service and toward this kind of retail setting. And the combined company will have a stronger defense against Amazon, which isn t about to open clinics or start insuring people.

Walgreens is taking a different tack. CEO Stefano Pessina said on Thursday s call that he thinks partnerships such as those it has with distributor AmerisourceBergen Corp. and lab-testing service Laboratory Corp. of America Holdings are just as valuable as acquisitions.

Meanwhile, the company is focusing on geographic diversification and revamping its stores, with pilot programs testing new approaches to everything from its supply chain to beauty offerings.

While that approach is cheaper than an Aetna-style deal, there s arguably a ceiling on the benefits it can deliver. It s unlikely that even a radical, rapid, and flawlessly executed store redesign could do much to stop the general shift toward buying things elsewhere and online let alone counter a more aggressive Amazon entry.

Don t expect Walgreens to stick to limited partnerships and internal reinvention for too much longer. Link to Original

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Additional Information and Where to Find It

In connection with the proposed transaction between CVS Health Corporation (CVS Health) and Aetna Inc. (Aetna), on January 4, 2018, CVS Health filed with the Securities and Exchange Commission (the SEC) a registration statement on Form S-4, which includes a preliminary joint proxy statement of CVS Health and Aetna that also constitutes a preliminary prospectus of CVS Health, which will be mailed to stockholders of CVS Health and shareholders of Aetna once the registration statement becomes effective and the joint proxy statement/prospectus is in definitive form. INVESTORS AND SECURITY HOLDERS OF CVS HEALTH AND AETNA ARE URGED TO READ THE JOINT PROXY STATEMENT/PROSPECTUS AND OTHER DOCUMENTS FILED OR THAT WILL BE FILED WITH THE SEC CAREFULLY AND IN THEIR ENTIRETY BECAUSE THEY CONTAIN OR WILL CONTAIN IMPORTANT INFORMATION. Investors and security holders may obtain free copies of the registration statement and the joint proxy statement/prospectus and other documents filed with the SEC by CVS Health or Aetna through the website maintained by the SEC at http://www.sec.gov. Copies of the documents filed with the SEC by CVS Health are available free of charge within the Investors section of CVS Health s Web site at http://www.cvshealth.com/investors or by contacting CVS Health s Investor Relations Department at 800-201-0938. Copies of the documents filed with the SEC by Aetna will be available free of charge on Aetna s internet website at http://www.Aetna.com or by contacting Aetna s Investor Relations Department at 860-273-8204.

Participants in Solicitation

CVS Health, Aetna, their respective directors and certain of their respective executive officers may be considered participants in the solicitation of proxies in connection with the proposed transaction. Information about the directors and executive officers of CVS Health is set forth in its Annual Report on Form 10-K for the year ended December 31, 2016, which was filed with the SEC on February 9, 2017, its proxy statement for its 2017 annual meeting of stockholders, which was filed with the SEC on March 31, 2017, and certain of its Current Reports on Form 8-K. Information about the directors and executive officers of Aetna is set forth in its Annual Report on Form 10-K for the year ended December 31, 2016, which was filed with the SEC on February 17, 2017, its proxy statement for its 2017 annual meeting of shareholders, which was filed with the SEC on April 7, 2017, and certain of its Current Reports on Form 8-K. Other information regarding the participants in the proxy solicitations and a description of their direct and indirect interests, by security holdings or otherwise, are contained in the preliminary joint proxy statement/prospectus and will be contained in the definitive joint proxy statement/prospectus and other relevant materials to be filed with the SEC when they become available.

Cautionary Statement Regarding Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 (the Reform Act) provides a safe harbor for forward-looking statements made by or on behalf of CVS Health or Aetna. This communication may contain forward-looking statements within the meaning of the Reform Act. You can generally identify forward-looking statements by the use of forward-looking terminology such as anticipate, believe, can, continue, could, estimate, evaluate, expe forecast, guidance, intend, likely, may, might, outlook, plan, potential, predict, probable, pro or will, or the negative thereof or other variations thereon or comparable terminology. These forward-looking statements are only predictions and involve known and unknown risks and uncertainties, many of which are beyond CVS Health s and Aetna s control.

Statements in this communication regarding CVS Health and Aetna that are forward-looking, including CVS Health s and Aetna s projections as to the closing date for the pending acquisition of Aetna (the transaction), the extent of, and the time necessary to obtain, the regulatory approvals required for the transaction, the anticipated benefits of the transaction, the impact of the transaction on CVS Health s and Aetna s businesses, the expected terms and scope of the expected financing for the transaction, the ownership percentages of CVS Health s common stock of CVS Health stockholders and Aetna shareholders at closing, the aggregate amount of indebtedness of CVS Health following the closing of the transaction, CVS Health s expectations regarding debt repayment and its debt to capital ratio following the closing of the transaction, CVS Health s and Aetna s respective share repurchase programs and ability and intent to declare future dividend payments, the number of prescriptions used by people served by the combined companies pharmacy benefit business, the synergies from the transaction, and CVS Health s, Aetna s and/or the combined company s future operating results, are based on CVS Health s and Aetna s managements estimates, assumptions and projections, and are subject to significant uncertainties and other factors, many of which are beyond their control. In particular, projected financial information for the combined businesses of CVS Health and Aetna is based on estimates, assumptions and projections and has not been prepared in conformance with the applicable accounting requirements of Regulation S-X relating to pro forma financial information, and the required pro forma adjustments have not been applied and are not reflected therein. None of this information should be considered in isolation from, or as a substitute for, the historical financial statements of CVS Health and Aetna. Important risk factors related to the transaction could cause actual future results and other future events to differ materially from those currently estimated by management, including, but not limited to: the timing to consummate the proposed transaction; the risk that a regulatory approval that may be required for the proposed transaction is delayed, is not obtained or is obtained subject to conditions that are not anticipated; the risk that a condition to the closing of the proposed transaction may not be satisfied; the ability to achieve the synergies and value creation contemplated; CVS Health s ability to promptly and effectively integrate Aetna s businesses; and the diversion of and attention of management of both CVS Health and Aetna on transaction-related issues.

In addition, this communication may contain forward-looking statements regarding CVS Health s or Aetna s respective businesses, financial condition and results of operations. These forward-looking statements also involve risks, uncertainties and assumptions, some of which may not be presently known to CVS Health or Aetna or that they currently believe to be immaterial also may cause CVS Health s or Aetna s actual results to differ materially from those expressed in the forward-looking statements, adversely impact their respective businesses, CVS Health s ability to complete the transaction and/or CVS Health s ability to realize the expected benefits from the transaction. Should any risks and uncertainties develop into actual events, these developments could have a material adverse effect on the transaction and/or CVS Health or Aetna, CVS Health s ability to successfully complete the transaction and/or realize the expected benefits from the transaction. Additional information concerning these risks, uncertainties and assumptions can be found in CVS Health s and Aetna s respective filings with the SEC, including the risk factors discussed in Item 1.A. Risk Factors in CVS Health s and Aetna s most recent Annual Reports on Form 10-K, as updated by their Quarterly Reports on Form 10-Q and future filings with the SEC.

You are cautioned not to place undue reliance on CVS Health s and Aetna s forward-looking statements. These forward-looking statements are and will be based upon management s then-current views and assumptions regarding future events and operating performance, and are applicable only as of the dates of such statements. Neither CVS Health nor Aetna assumes any duty to update or revise forward-looking statements, whether as a result of new information, future events or otherwise, as of any future date.