

## Deal of the Week: CVS to Buy Aetna for \$69B

Announcement Date	<ul style="list-style-type: none"> <li>December 3, 2017</li> </ul>	
Acquirer	<ul style="list-style-type: none"> <li>CVS Health Corporation (NYSE: CVS)</li> </ul>	
Acquirer Description	<ul style="list-style-type: none"> <li>Pharmacy innovation company with 9,700 retail locations, more than 1,100 walk-in medical clinics and a leading pharmacy benefits manager with nearly 90 million plan members</li> <li>Founded in 1892 and headquartered in Woonsocket, Rhode Island</li> </ul>	
Acquirer Financial Statistics	<ul style="list-style-type: none"> <li>Mkt Cap: \$72.7 billion</li> <li>EV: \$97.5 billion</li> <li>LTM Revenue: \$182.4 billion</li> </ul>	<ul style="list-style-type: none"> <li>LTM EBITDA: \$12.3 billion</li> <li>LTM EV / Revenue: 0.5x</li> <li>LTM EV / EBITDA: 7.9x</li> </ul>
Target Company	<ul style="list-style-type: none"> <li>Aetna Inc. (NYSE: AET)</li> </ul>	
Target Description	<ul style="list-style-type: none"> <li>Diversified health care benefits company serving ~44.6 million people</li> <li>Offers a broad range of traditional, voluntary and consumer-directed health insurance products and related services, including medical, pharmacy, dental, behavioral health, group life and disability plans, and medical management capabilities, Medicaid health care management services, workers' compensation administrative services and health IT products and services</li> <li>Founded in 1853 and headquartered in Hartford, Connecticut</li> </ul>	
Target Financial Statistics	<ul style="list-style-type: none"> <li>Mkt Cap: \$58.8 billion</li> <li>EV: \$61.1 billion</li> <li>LTM Revenue: \$61.4 billion</li> </ul>	<ul style="list-style-type: none"> <li>LTM EBITDA: \$6.0 billion</li> <li>LTM EV / Revenue: 1.0x</li> <li>LTM EV / EBITDA: 10.2x</li> </ul>
Acquirer Advisors	<ul style="list-style-type: none"> <li>Barclays and Goldman Sachs; Centerview Partners (Board of Directors)</li> </ul>	
Target Advisors	<ul style="list-style-type: none"> <li>Lazard and Allen &amp; Company; Evercore (Board of Directors)</li> </ul>	
Price / Consideration	<ul style="list-style-type: none"> <li>\$69 billion</li> </ul>	<ul style="list-style-type: none"> <li>Cash and stock</li> </ul>
Rationale	<ul style="list-style-type: none"> <li>Represents an effort to make both companies more appealing to consumers as health care that was once delivered in a doctor's office more often reaches consumers over the phone, at a retail clinic or via an app</li> <li>CVS operates a chain of pharmacies and retail clinics that could be used by Aetna to provide care directly to patients, while the merged company could be better able to offer employers one-stop shopping for health insurance</li> <li>Critics worry that customers could also find their choices sharply limited. The deal risks leaving patients with less choice of where to get care or fill a prescription if those with Aetna insurance are forced to go to CVS for care</li> <li>The merger agreement came as another factor weighs on the minds of all in the health care industry: Amazon, which has been rumored to be preparing for an entry into the pharmacy business</li> <li>Expected low- to mid-single digit accretion in the second full year after the close, including the ability to deliver \$750 million in near-term synergies</li> </ul>	
Deal Points	<ul style="list-style-type: none"> <li>CVS will pay about \$207 a share, based on Friday's closing prices (\$145.00 per share in cash and 0.8378 CVS Health shares for each Aetna share)</li> <li>Including the assumption of debt, the total transaction value is \$77 billion</li> <li>CVS Health intends to fund the cash portion of the transaction through a combination of existing cash on hand and debt financing. Barclays, Goldman Sachs and BAML are providing \$49 billion of financing commitments</li> </ul>	