

Growth in pharmacy, retail spark CVS earnings

By Tess Stynes, Wall Street Journal

CVS Caremark Corp.'s fourth-quarter earnings rose 2.6 percent as the company reported revenue growth in its pharmacy-services and retail drugstore operations.

For the year, the company raised its forecast for per-share adjusted earnings from continuing operations by 2 cents and now expects \$3.86 to \$4.

CVS's retail pharmacy business gained customers last year in the wake of a contract dispute between rival Walgreen Co.'s and pharmacy-benefits manager Express Scripts Holding Co. that has since been resolved.

A wave of major generic drugs introductions is having a mixed effect on the industry. Though the copycat drugs carry higher margins than branded products, they command lower prices, hurting sales revenue.

CVS Caremark reported a profit of \$1.13 billion, or 90 cents a share, up from \$1.1 billion, or 81 cents a share, a year earlier. Excluding debt-extinguishment losses, acquisition-related charges and other items, adjusted earnings from continuing operations were \$1.14. Revenue increased 11 percent to \$31.39 billion.

Analysts polled by Thomson Reuters most recently projected earnings of \$1.10 on revenue of \$31.13 billion.

Revenue in the larger pharmacy-services business climbed 17 percent to \$18.6 billion, reflecting new client starts, higher prices and growth of its Medicare Part D program. Pharmacy network claims processed rose 6.5 percent.

On the retail side, revenue increased 5.1 percent to \$16.3 billion. Same-store sales were up 4 percent from a year earlier, as pharmacy same-store sales also improved by 4 percent. Same-store sales in the front end of the store grew 3.9 percent.