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## CVS Caremark profit rises and sees market share gains

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By Karen Jacobs

ATLANTA (Reuters) - CVS Caremark Corp (CVS.N: Quote, Profile, Research, Stock Buzz) posted a higher quarterly profit on Thursday, helped by growth in its pharmacy services and retail drugstore units, and said it expected more market share gains, sending its shares up 7 percent.

The company stood by its profit forecasts for the current first quarter and full-year 2009.

Chief Financial Officer Dave Rickard will retire at the end of this year, and CVS will start a search for his successor, the company added.

Executives said on a conference call that the company saw record business in December for its private-label products, which climbed 17 percent, as shoppers seek lower-priced goods in the recession.

CVS also expects further gains against drugstore rivals like Walgreen Co (WAG.N: Quote, Profile, Research, Stock Buzz) and Rite Aid Corp (RAD.N: Quote, Profile, Research, Stock Buzz).

"I'm confident that we will continue to gain retail share because of our convenient locations and store hours, our focus on execution and customer service," and upside from acquisitions, said Chief Executive Tom Ryan.

Fourth-quarter earnings rose to \$949.3 million, or 65 cents per share, from \$811.2 million, or 55 cents per share, a year earlier. The results matched the analysts' average forecast, according to Reuters Estimates.

Sales rose 10 percent to \$24.1 billion at CVS, which runs more than 6,900 U.S. drugstores and is a major pharmacy benefits manager.

Sales at retail drugstores open more than one year rose 3.6 percent, CVS said. Pharmacy same-store sales were up 4.5 percent, but suffered from the introduction of generic medicines.

CVS bought Caremark, a major pharmacy benefits manager, in March 2007 to diversify beyond the typical drugstore business.

In January, CVS issued a bleak 2009 forecast after it gave lower rates to more than half of its pharmacy benefit clients in order to lock in their contracts.

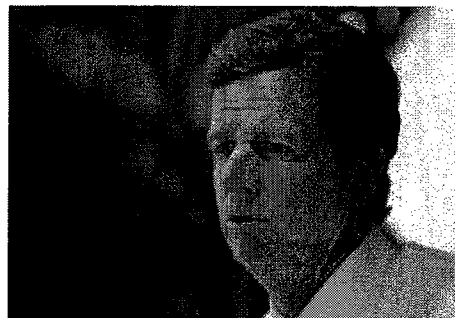
At that time, Ryan said CVS drugstores were doing "remarkably well," given the recession's impact on consumer spending, but the company was seeing margin pressure in its pharmacy benefit business.

CVS reiterated a 2009 forecast it had given in January calling for earnings of \$2.35 to \$2.43 per share, or adjusted profit of \$2.53 to \$2.61, which includes the impact of the Longs Drugs acquisition but excludes other items.

For the current first quarter, it backed a previous view of adjusted profit in the range of 53 cents to 55 cents a diluted share, or 48 cents to 50 cents a share on a GAAP basis.

CVS shares were up \$1.90 to \$28.89 in morning trading on the New York Stock Exchange. Walgreen shares rose 3.3 percent, and Rite Aid, which trades at about 25 cents, gained 4 percent.

(Additional reporting by Aarthi Sivaraman and Jessica Wohl; Editing by Lisa Von Ahn)



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