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CVS Caremark 4th-quarter profit climbs nearly 4 pct, helped by pharmacy services revenue rise

CVS Caremark 4Q profit climbs nearly 4 percent

By TOM MURPHY | ASSOCIATED PRESS | February 8, 2012

CVS Caremark Corp.'s fourth-quarter earnings climbed nearly 4 percent as the drugstore operator's pharmacy services revenue swelled because of a long-term contract and new business.



A CVS pharmacy sign is displayed outside a store in Foxborough, Mass., Feb. 7, 2012. CVS Caremark said Wednesday, Feb. 8, 2012, its fourth-quarter earnings climbed nearly 4 percent, as the drugstore operator's... (Associated Press)

The Woonsocket, R.I., company also said Wednesday that it raised its 2012 earnings forecast by 3 cents per share to account for gains it expects because of a contract dispute between competitors Walgreen Co. and Express Scripts Inc.

Company shares climbed 47 cents to \$43.55 in pre-market trading.

CVS Caremark's net income rose to \$1.06 billion, or 82 cents per share, in the three months that ended Dec. 31. That compares with \$1.03 billion, or 75 cents per share, in the final quarter of 2010.

Adjusted earnings were 89 cents per share, in line with the average analyst forecast, according to FactSet.

Revenue rose 15 percent to \$28.32 billion, above the \$28.09 billion analysts expected.

CVS Caremark runs the second-largest chain of drugstores in the U.S., after Walgreen. Its Caremark business is one of the largest pharmacy benefits managers. Those businesses handle prescription drug benefits and are paid to reduce costs for health plan sponsors and members.

Revenue from the company's PBM side jumped 32 percent to \$15.9 billion in the quarter because of the addition of a long-term contract with health insurer Aetna Inc. and new sales that came from the acquisition of insurer Universal American Corp.'s Medicare prescription drug business.

Pharmacy network claims processed in the quarter climbed 46 percent to 193 million.

Drugstore revenue increased 4 percent, as pharmacy revenue at stores open at least a year climbed 3.6 percent. Revenue at stores open at least a year is a key indicator of a retailer's health, because it excludes the impact of recently opened or closed stores.

For the full year, CVS Caremark earned \$3.46 billion, or \$2.59 per share, on \$107.1 billion in revenue.

The company now forecasts 2012 adjusted earnings of \$3.18 to \$3.28 per share because of business it expects to gain in the first quarter from the Walgreen-Express Scripts dispute. The company said this new forecast doesn't reflect a benefit beyond the first quarter.

Analysts expect, on average, earnings of \$3.26 per share.

Walgreen stopped filling prescriptions for Express Scripts, a PBM, at the end of 2011, when a contract between the two companies ran out. The companies were unable to agree on how much money Express Scripts should pay Walgreen to fill prescriptions.

Walgreen said Friday that January revenue from stores open at least a year fell 4.6 percent, as the Express Scripts split and a weak flu season hurt business. While the dispute has taken a chunk out

of Walgreen's sales, the Deerfield, Ill., company has said it would prefer to lose that business rather than fill unprofitable prescriptions.

CVS Caremark opened 24 drugstores in the fourth quarter and closed one. It operated 7,327 as of Dec. 31.