

# CVS hikes wages and announces Q4 earnings

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Shannon Stapleton | Reuters

*A CVS Pharmacy store is seen in the Manhattan borough of New York City, New York, U.S., November 30, 2017.*

[CVS Health](#) will increase employee pay and sweeten benefits to some employees using a portion of the company's windfall from the new tax law.

CVS will boost starting pay for hourly employees to \$11 per hour from \$9 per hour, starting in April. Pay ranges and rates will be adjusted for many of its retail pharmacy technicians, front store associates and other hourly retail employees later in the year. Full-time employees will qualify for as much as four weeks of paid parental leave, and worker health-care premiums will hold steady at current rates.

The health-care company has more than 240,000 employees.

Retailers have started hiking their minimum wages to remain competitive in a tightening labor market. Numerous big names have announced raises and added benefits since President [Donald Trump](#) signed the Tax Cuts and Jobs Act in December.

[Walmart](#), the world's largest private employer, last month said it would [increase its starting pay](#) to \$11, give one-time bonuses to some employees and expand its parental and maternity leave policy.

CVS' stores are key to its proposed \$69 billion acquisition of health insurer [Aetna](#). The pair want to create an integrated health system that combines pharmacy and health benefits while delivering preventive care services through the drugstore chain's retail clinics. Shareholders are slated to vote on the deal on March 20.

The news came as CVS reported its fourth-quarter results, which were better than analysts expected on both the top and bottom line.

Net income in the latest quarter rose to \$3.29 billion, or \$3.22 per share, from \$1.71 billion, or \$1.59 per share, in the year-earlier quarter.

Earnings in the latest period, included a \$1.5 billion benefit related to the new tax law. After stripping out special items, such as the tax gain and a \$56 million charge related to the proposed acquisition of Aetna, the company earned \$1.92 per share, above analysts' estimates of \$1.89 cents per share.

CVS' revenue grew 5 percent to \$48.39 billion from \$45.97 billion in the year earlier. Its pharmacy services revenue surged 9.3 percent from the year-ago quarter, reaching \$34.15 billion, up from \$31.26 billion.

Same-store sales for the pharmacy chain's front store, which doesn't include pharmacy, dipped 0.7 percent in the quarter, though a particularly bad cold and flu season helped boost traffic a bit.

"As much as CVS is forward thinking and innovative in health, it is an extraordinarily unimaginative and backward-looking retailer," said Neil Saunders, managing director of GlobalData Retail. "This is one of the reasons why front of store sales are still in negative territory despite very weak prior year comparatives and a boost to sales from remedies for a particularly nasty flu and cold season."

Shares of CVS fell about 5 percent on Thursday.

CVS said the employee investments will total about \$425 million annually. This spending includes the wage increases and improved benefits.

The company also anticipates spending at least \$275 million of the tax windfall on investments in the business, including data analytics, care management solutions and pilot programs.

"The only thing we can think of for why the stock is down today is because a lot of these investments are going to be long-term phenomenons," said Edward Jones analyst John Boylan. "We think over the long-term they will help the company, but we think that's already reflected in the stock price."

As a result of these investments, the company expects operating profit for the year to be in the range of down 1.5 percent to up 1.5 percent. Previously, CVS expected growth between 1 percent and 4 percent.

For the first quarter, CVS now anticipates operating profit growth between 0.5 percent and 4.5 percent.

CVS expects the tax law changes to add \$1.2 billion to its cash flow.