



# **Transforming to a Diversified Healthcare Services Company**

McKesson Investor Day

# McKesson Corporation Investor Day

**Holly Weiss** | SVP, Investor Relations  
and Corporate FP&A

# Cautionary Statements

This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements may be identified by their use of terminology such as “believes,” “expects,” “anticipates,” “may,” “will,” “should,” “seeks,” “approximately,” “intends,” “projects,” “plans,” “estimates” or the negative of these words or other comparable terminology. The discussion of financial outlook, trends, strategy, plans, assumptions, or intentions may also include forward-looking statements. Readers should not place undue reliance on forward-looking statements, such as financial performance forecasts, which speak only as of the date they are first made. Except to the extent required by law, we undertake no obligation to update or revise our forward-looking statements. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those projected, anticipated, or implied. Although it is not possible to predict or identify all such risks and uncertainties, we encourage investors to read the risk factors described in our most recent annual and periodic report filed with the Securities and Exchange Commission.

These risk factors include, but are not limited to: we experience costly and disruptive legal disputes and settlements, including regarding our role in distributing controlled substances such as opioids; we might experience losses not covered by insurance; we might be adversely impacted by changes in tax legislation or challenges to our tax positions; we from time to time record significant charges from impairment to goodwill, intangibles, inventory and other assets or investments; we experience cybersecurity incidents and might experience significant computer system compromises or data breaches; we might experience significant problems with information systems or networks; we may be unsuccessful in retail pharmacy profitability; we might be harmed by large customer purchase reductions, payment defaults or contract non-renewal; our contracts with government entities involve future funding and compliance risks; we might be harmed by changes in our relationships or contracts with suppliers; we might be adversely impacted by delays or other difficulties with divestitures; we might be adversely impacted by healthcare reform such as changes in pricing and reimbursement models; we might be adversely impacted by changes or disruptions in product supply and we have experienced and may experience difficulties in sourcing products and changes in pricing due to the effects of the COVID-19 pandemic on supply chains; we might be adversely impacted as a result of our distribution of generic pharmaceuticals; we might be adversely impacted by an economic slowdown (including the effects we have experienced from the COVID-19 pandemic) or recession and by disruption in capital and credit markets that might impede our access to credit, increase our borrowing costs and impair the financial soundness of our customers and suppliers; we might be adversely impacted by fluctuations in foreign currency exchange rates; we might be adversely impacted by events outside of our control, such as widespread public health issues (including the effects we have experienced from the COVID-19 pandemic), natural disasters, political events and other catastrophic events; we may be adversely affected by global climate change or by legal, regulatory or market responses to such change; and we face uncertainties and risks related to COVID-19 vaccination mandates and to vaccination distribution and related ancillary supply kit programs.



# Basis of presentation

- Baseline metrics exclude the impacts related to the following items: the U.S. government's COVID-19 vaccine distribution; the kitting, storage, and distribution of ancillary supplies; COVID-19 tests and impairments for personal protective equipment and related products. Also excludes Adjusted Operating Profit related to European assets and gains or losses associated with McKesson Ventures' portfolio investments.
- Unless noted otherwise, all references to data points, estimates, market sizes, market share positions, and market growth rates (e.g. total addressable market (TAM) and compounded annual growth rate (CAGR)) are McKesson internal estimates.
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- Reconciliation of non-GAAP items can be found in the Supplemental Information section.



# Transforming to a Diversified Healthcare Company

Brian Tyler | CEO



# “McKesson Moments”





A photograph of three scientists in a laboratory setting. A man with grey hair and a beard, wearing a white lab coat over a blue checkered shirt, is looking at a tablet held by a woman with brown hair tied back. Another person is partially visible on the left. In the background, there is a laptop and various lab equipment. The text is overlaid on the image.

# **The foundation of our company**

- Evolving and driving innovation
- Addressing the changing needs of our customers, their patients and the broader healthcare industry



# McKesson Investor Day Agenda

<b>Brian Tyler</b>	Chief Executive Officer	<b>Transforming to a Diversified Healthcare Company</b>
<b>Britt Vitalone</b>	EVP & Chief Financial Officer	<b>FY22 Guidance and Baseline</b>
<b>Kirk Kaminsky</b> <b>Susan Shiff</b>	President, U.S. Pharmaceutical President, Ontada	<b>Developing our Oncology Ecosystem</b>
<b>Nathan Mott</b>	President, Prescription Technology Solutions	<b>Developing Our Biopharma Services Ecosystem</b>
<b>Britt Vitalone</b>	EVP & Chief Financial Officer	<b>Driving Sustainable Growth and Superior Shareholder Value</b>
<b>Brian Tyler</b> <b>Britt Vitalone</b>		<b>Q&amp;A</b>



# Delivering on Multi-Year Strategic Initiative:

- Innovation
- Growth
- Long-term performance
- Balance sheet and capital structure

## Our Company Priorities

Focus on  
**People**  
and  
**Culture**

**Sustainable  
Core  
Growth**

**Streamline  
the  
Portfolio**

**Expand  
Oncology  
and  
Biopharma  
Ecosystems**







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**Brian Tyler**  
Chief Executive  
Officer



**Kelvin Baggett**  
Chief Impact Officer



**Tracy Faber**  
EVP & Chief Human  
Resources Officer



**Nancy Flores**  
EVP & Chief Information  
and Technology Officer



**Kevin Kettler**  
President, McKesson  
International



**Kirk Kaminsky**  
President,  
U.S. Pharmaceutical



**Stanton McComb**  
President,  
Medical-Surgical



**Rebecca  
McKillican**  
Chief Executive Officer,  
McKesson Canada



**Nathan Mott**  
President, Prescription  
Technology Solutions



**Tom Rodgers**  
EVP, Chief Strategy &  
Business Dev. Officer



**Lori Schechter**  
EVP, Chief Legal Officer &  
General Counsel



**Britt Vitalone**  
EVP & Chief Financial  
Officer

# Foundation for long-term growth



## **Purpose:**

Advancing health outcomes for all.



## **Vision:**

Improve care in every setting – one product, one partner, one patient at a time.

## **ICARE Values:**



**Integrity/Inclusion**



**Customer-first**



**Accountability**



**Respect**



**Excellence**



# Impact-driven organization



## Diversity, Equity and Inclusion



## Community Investment and McKesson Foundation

**\$7M+** in funding over the past year to support employees and communities



## Sustainability and ESG



**40%** expected reduction in lighting electricity usage through expanded LED sources

Focus on  
**People**  
and  
**Culture**



**Sustainable  
Core  
Growth**

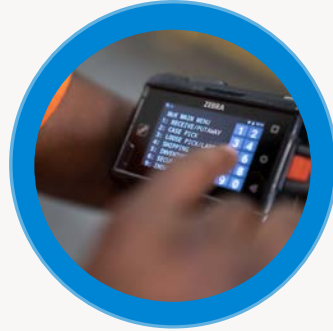
**Streamline**  
the  
**Portfolio**

**Expand**  
**Oncology**  
and  
**Biopharma**  
**Ecosystems**

# Our strength in distribution



**40 million+**  
prescription  
deliveries  
per year



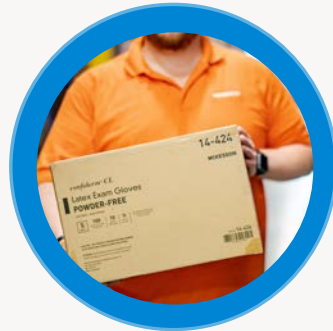
**99.9%**  
pharmaceutical  
order accuracy  
in North America



**275,000+**  
SKUs of medical-  
surgical supplies



**One-third**  
of North America  
prescription  
medicines daily



**Market leader**  
in U.S. medical-  
surgical  
alternate site  
distribution



**>50%**  
U.S. physicians  
served with  
medical-surgical  
products each year



Focus on  
**People**  
and  
**Culture**

**Sustainable  
Core  
Growth**

**Streamline  
the  
Portfolio**

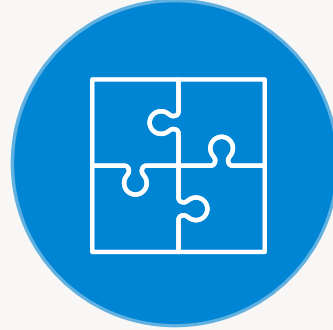
**Expand  
Oncology  
and  
Biopharma  
Ecosystems**



# Innovation and speed accelerate profit



**Centralization of functional services**



**Realigned operating structure:**

- U.S. Pharmaceutical
- Prescription Technology Solutions
- Medical-Surgical Solutions
- International



**Change Healthcare split-off**



**Spend Smart program**



**Intent to fully exit European region**

Focus on  
**People**  
and  
**Culture**

**Sustainable  
Core  
Growth**

**Streamline  
the  
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**Expand  
Oncology  
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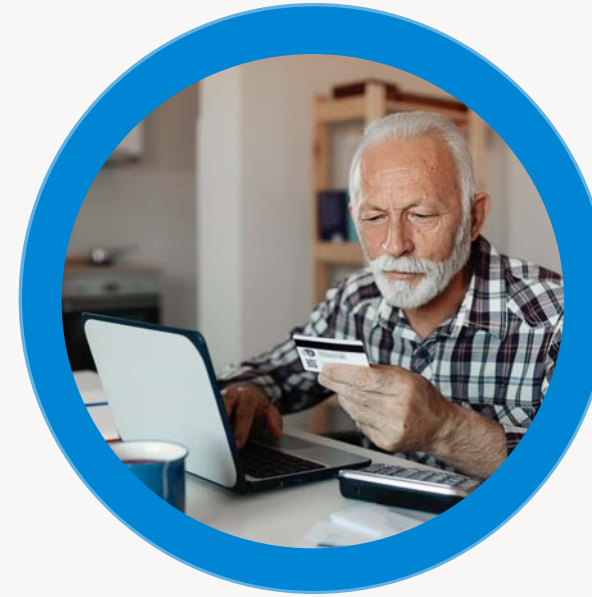


# Leveraging strengths to address healthcare challenges and drive growth



## **Oncology**

18 million patients are living with cancer today<sup>1</sup>



## **Biopharma**

13 million+ Americans skip or delay filling prescriptions due to financial considerations<sup>2</sup>





## Key takeaways from today

- Transforming to a diversified healthcare services company
- Executing on our strategy to deliver sustainable profit growth and cash flows
- Positioned to win in Oncology and Biopharma Services
- Focusing on shareholder value creation
- Investment thesis for McKesson is compelling



**McKESSON**

The image features the McKesson logo in a bold, blue, sans-serif font. The letter 'M' is dark blue, and the letter 'c' is a lighter blue with a small orange square above it. The letters 'K', 'E', 'S', 'S', 'O', and 'N' are all dark blue. The logo is centered horizontally and positioned in the middle of the frame. The background is white with a pattern of light gray, stylized, interconnected shapes that resemble a molecular or cellular structure. These shapes are more densely packed on the left side and become sparser towards the right.

# **FY22 Guidance and Baseline**

**Britt Vitalone**

EVP & Chief Financial Officer

# Raising FY22 Adjusted EPS outlook

**\$22.35 — \$22.95**

Previously **\$21.95 — \$22.55**

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Central distributor of  
COVID-19 vaccines for  
the U.S. government

**Expanded to include  
booster distribution**

Full year FY22 adjusted EPS<sup>1</sup>  
contribution ~\$0.90 to \$1.10<sup>2</sup>  
(from \$0.50 to \$0.70)



# McKesson’s FY22 baseline for long-term target modeling

## FY22 Adjusted EPS Guidance

**\$22.35 to \$22.95**

Items excluded from Baseline:<sup>1</sup>

COVID-19 vaccine distribution for U.S. government	\$0.90 to \$1.10 Previously \$0.50 to \$0.70
Kitting, storage, and distribution of ancillary supplies for U.S. government	\$0.80 to \$1.10
COVID-19 tests and impairments for PPE and related products	\$0.50 to \$0.75
Gains or losses associated with McKesson Ventures’ equity investments	\$0.49
Divestitures of European assets	\$1.70 to \$2.00
<b>Total impact of items excluded from Baseline</b>	<b>\$4.39 to \$5.44</b>

**Strong baseline performance is creating momentum for long-term growth**

# Developing our Oncology Ecosystem

Kirk Kaminsky

President | U.S. Pharmaceutical





# Oncology market is large and growing

## 1.9M

People in America will  
be diagnosed with  
cancer this year<sup>1</sup>

## 18M

Patients living  
with cancer today<sup>2</sup>

## 300+

Oncology drugs on the  
market in 2021

## >1/3

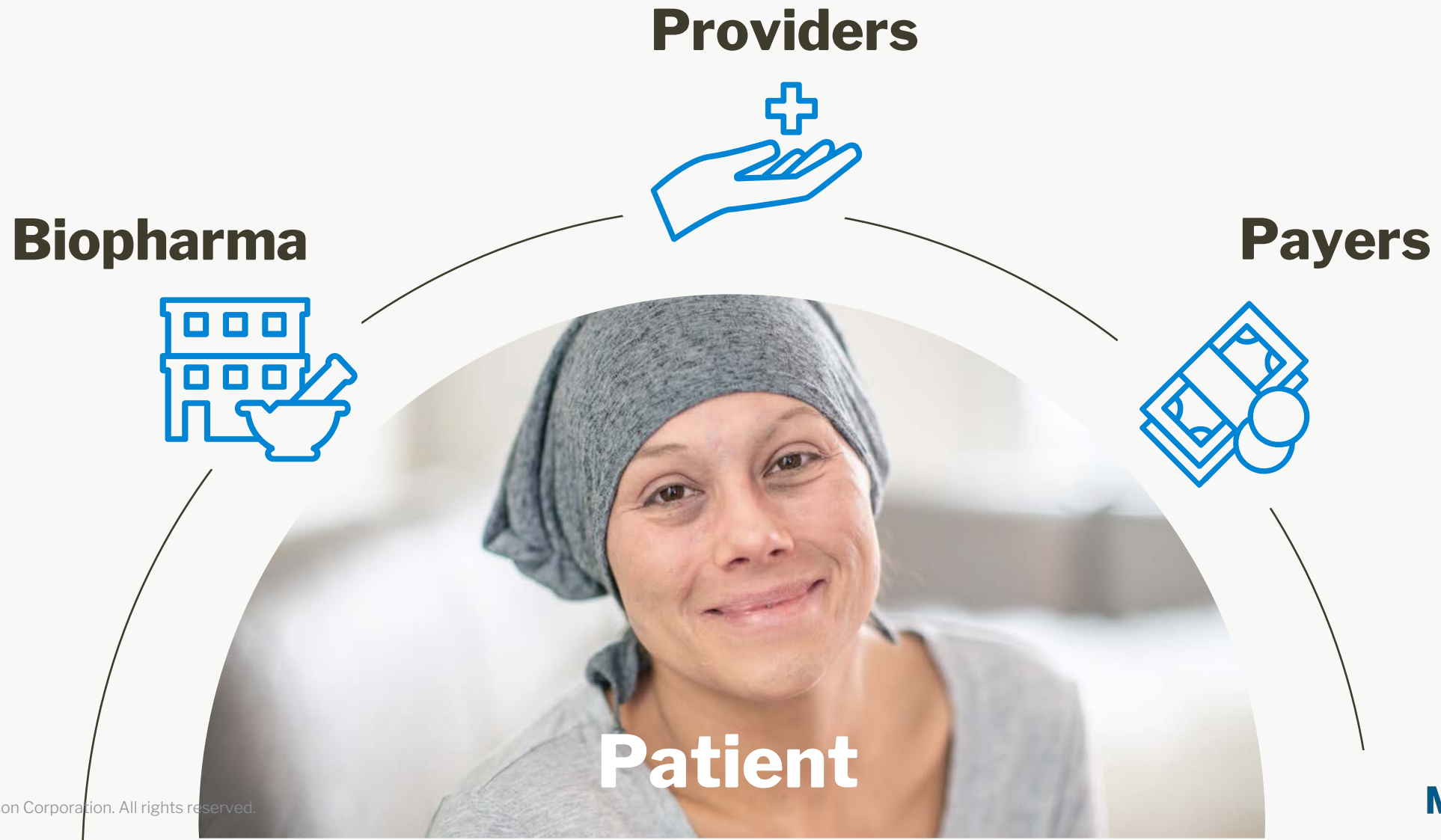
All new medicines are in  
oncology over next five years

## ~14%

Oncology drug growth  
5-year CAGR (2021 – 2026)

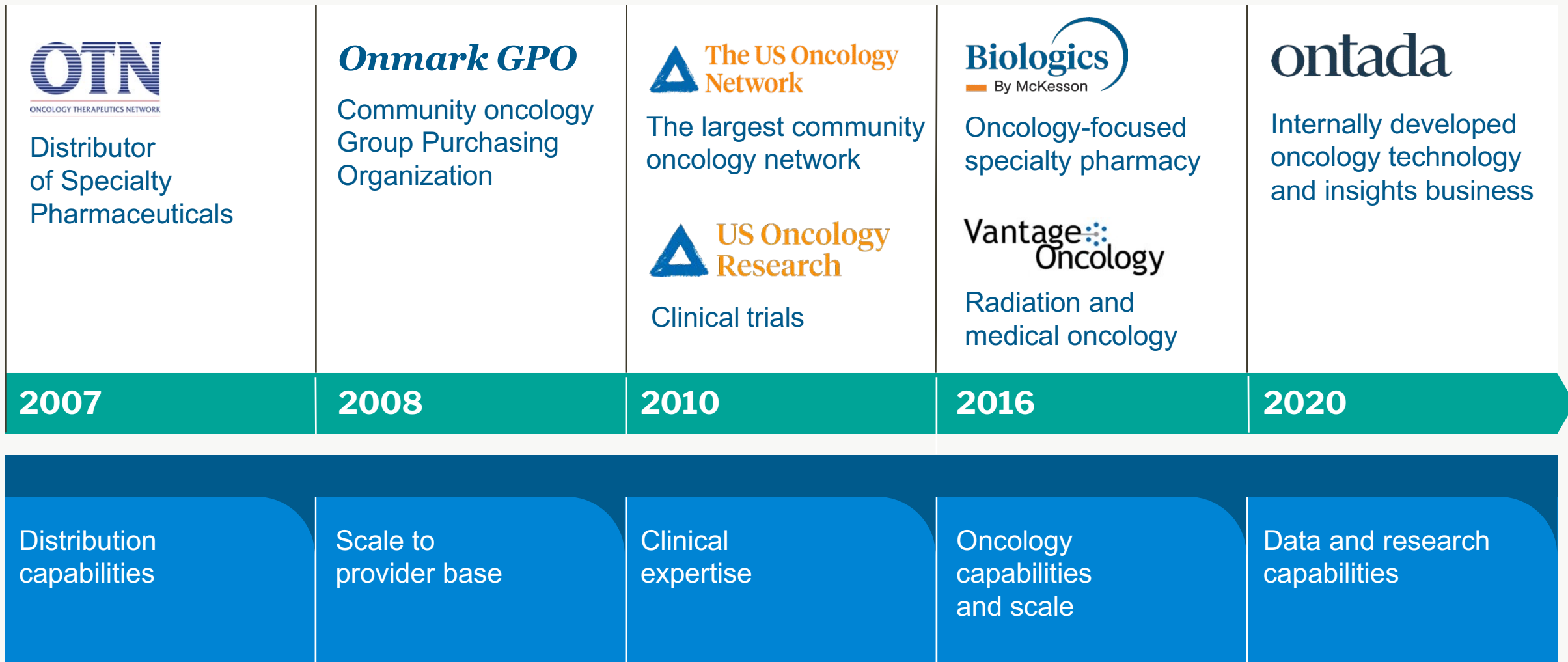


# Cancer care is increasingly complex

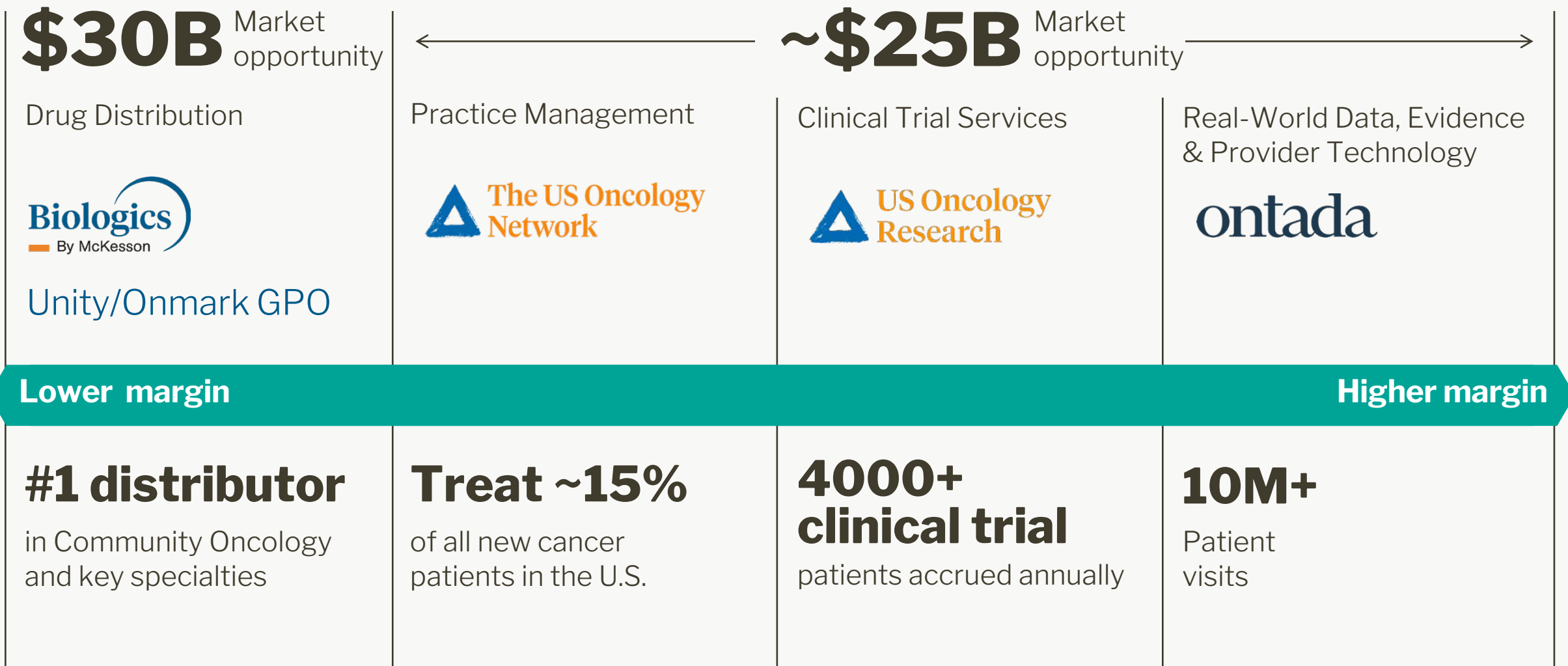




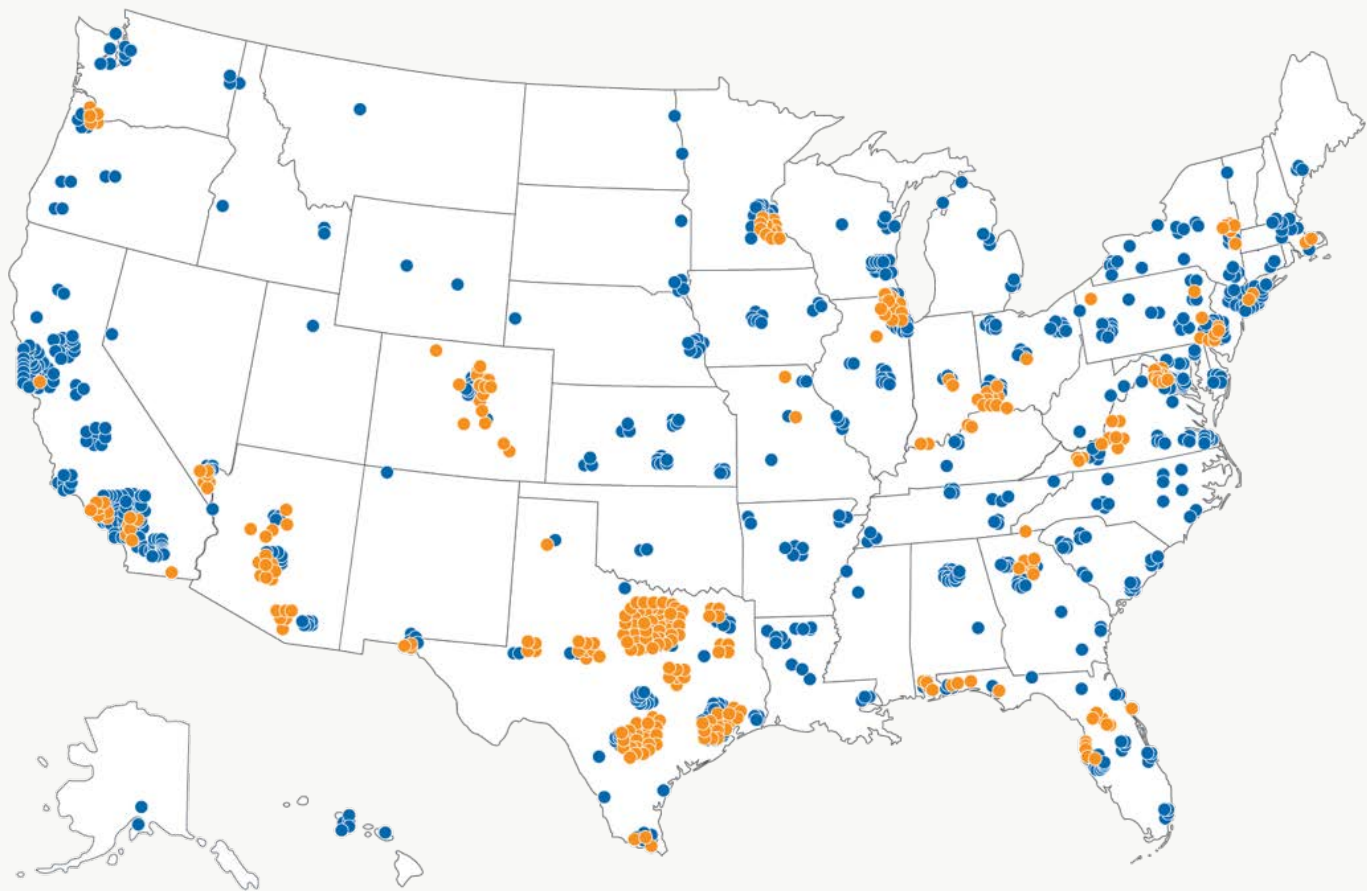
# Differentiated portfolio built over time



# End-to-end offerings in sizable markets



# Unparalleled reach in community care



The US Oncology Network  
practice locations



Onmark  
practice locations

## Growth of The US Oncology Network

	2014	2021
Number of Providers	~1,300	<b>2000+</b>
Total Sites of Care	350	<b>500+</b>
Number of States	17	<b>25</b>

**And we continue to expand our  
provider footprint**

# Scaled connectivity advantage

Creates differentiated value across stakeholders

**Provider  
Technology**

**Provider  
Network**



**Evidence & Insights**

**Providers | Biopharma | Payer**



# Ontada Powers Oncology Solutions

Susan Shiff

President | Ontada

# Essential evidence-driven research and care

# ontada



A business focused on oncology real-world data and evidence, clinical education and provider technology

Launched in **Dec 2020**

Generate **oncology insights** at the intersection of **technology and data analytics**

Support **community oncology providers** with **precise cancer care** insights that improve **patient outcomes**

Deliver real-world evidence that accelerates **biopharma research**



# Better patient care through technology

Suite of software enables providers to effectively manage their practices and deliver better patient care



## + **Practice Insights<sup>SM</sup>**

Dashboards to inform and optimize practice performance

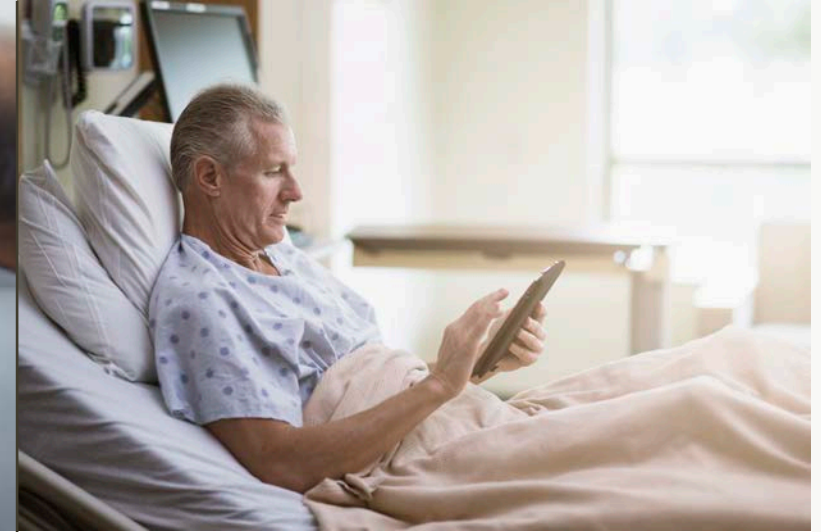


## + **iKnowMed<sup>SM</sup>**

Electronic Health Record (EHR)

## + **Clear Value Plus<sup>SM</sup>**

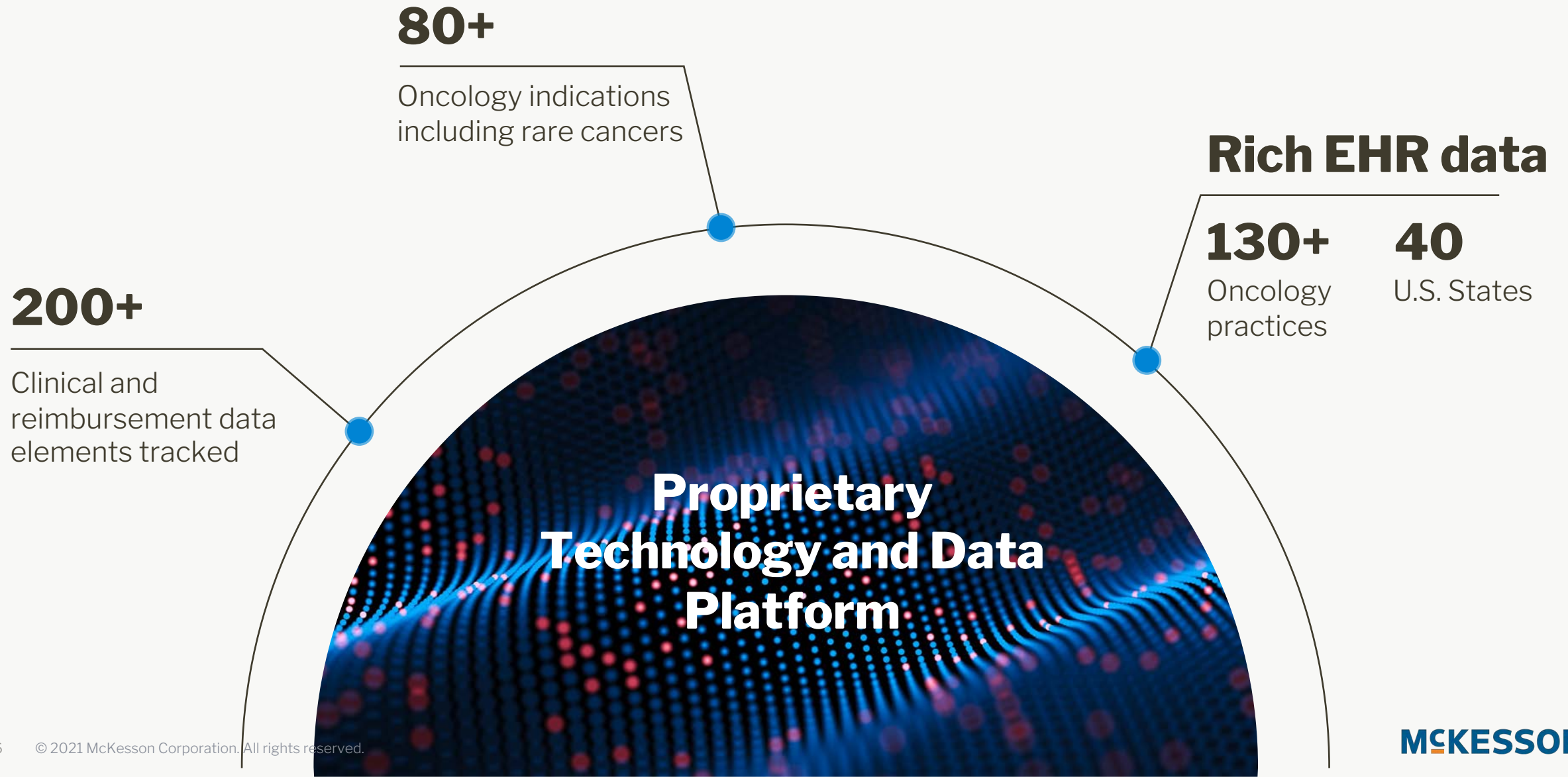
Clinical Decision Support



## + **My Care Plus<sup>SM</sup>**

Patient Portal

# Transforming cancer care in the real world



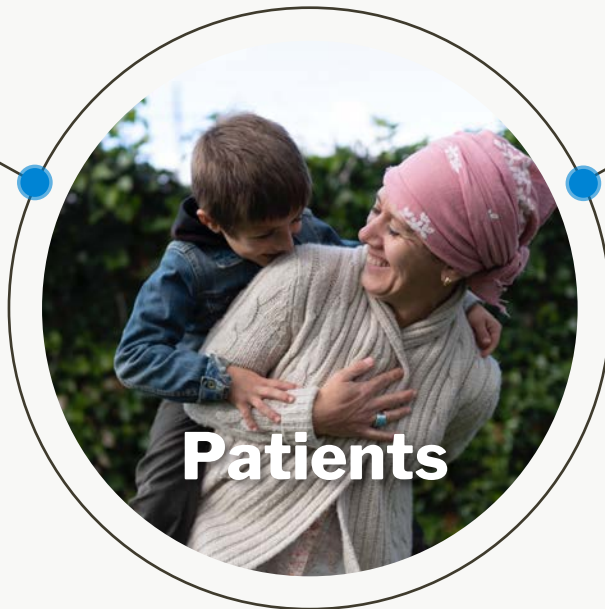


# Our unmatched ecosystem allows us to conduct complex studies

ontada

Evidence, Research,  
and Data

Proprietary Technology  
Platform Supporting  
Clinical Workflows



The US Oncology  
Network

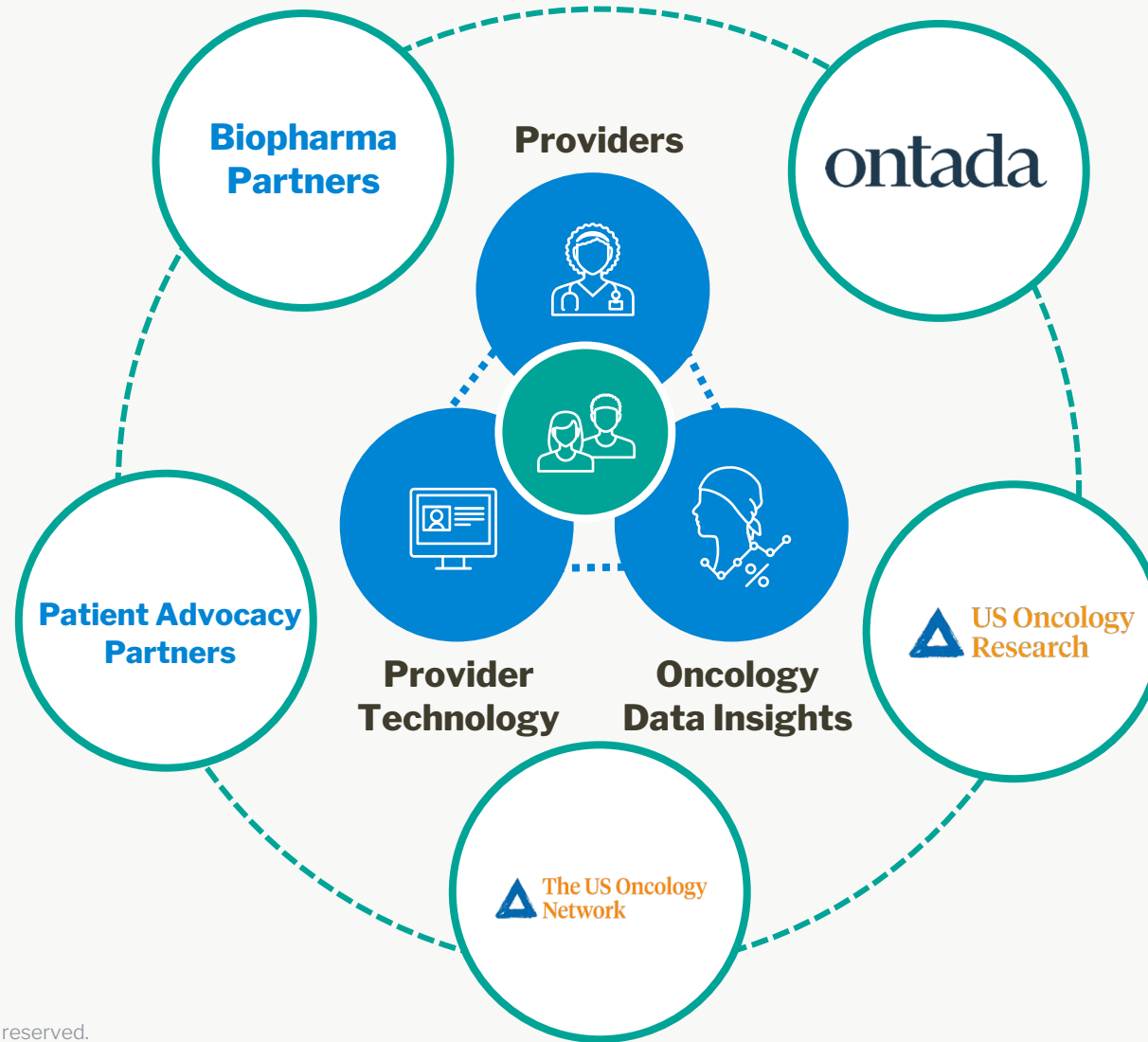
Key Opinion Leaders  
on the Front Lines of  
Cancer Care

## Answering today's most complex real-world questions

- Long-term safety of an approved targeted cancer drug in the community setting
- Long-term adherence and compliance with therapy
- Comparative effectiveness for approved targeted cancer drugs
- Effect of social determinants of health on care and outcomes in the community setting
- Use of historical and synthetic control arms

# MYLUNG Consortium™: Competitive differentiation

Unique, collaborative real-world research consortium to improve lung cancer care



# We improve the lives of cancer patients



ontada

# Biosimilar Adoption: Competitive Differentiation

Driving value in crowded therapeutic spaces

## Providers

Enhanced value proposition

## Biopharma

Improved adoption for partnering biosimilars

## Patients

Lowered out-of-pocket expenses

## Payers

Average ~30% greater savings on ASP<sup>1</sup>





# Value-based Care: Competitive Differentiation

Leaders in the Oncology Care Model (OCM)

## Providers

Care management  
and shared savings  
payments

## Biopharma

Demonstrated potential  
to run outcome studies  
and create impact

## Patients

Enhanced patient  
outcomes

## Payers

~\$400M in  
savings against  
the baseline for  
Medicare





# Oncology is a Key Growth Driver

- Long track record of value creation in Oncology space

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- Large and growing market with significant unmet needs

---
- Strong portfolio of assets providing differentiated value proposition across key stakeholder groups

---
- Community provider footprint and proprietary technology assets position us for success

---
- Focus on growing ecosystem and exploring reinforcing adjacencies

# Developing our Biopharma Services Ecosystem

Nathan Mott

President | Prescription Technology Solutions





# Reduced complexity drives better outcomes

# \$15B

Biopharma  
services market  
opportunity



Access

**\$6B**

**27%** of Rx abandonment due to access challenges<sup>1</sup>

Affordability

**\$1B**

**\$5B** of out-of-pocket savings for patients each year

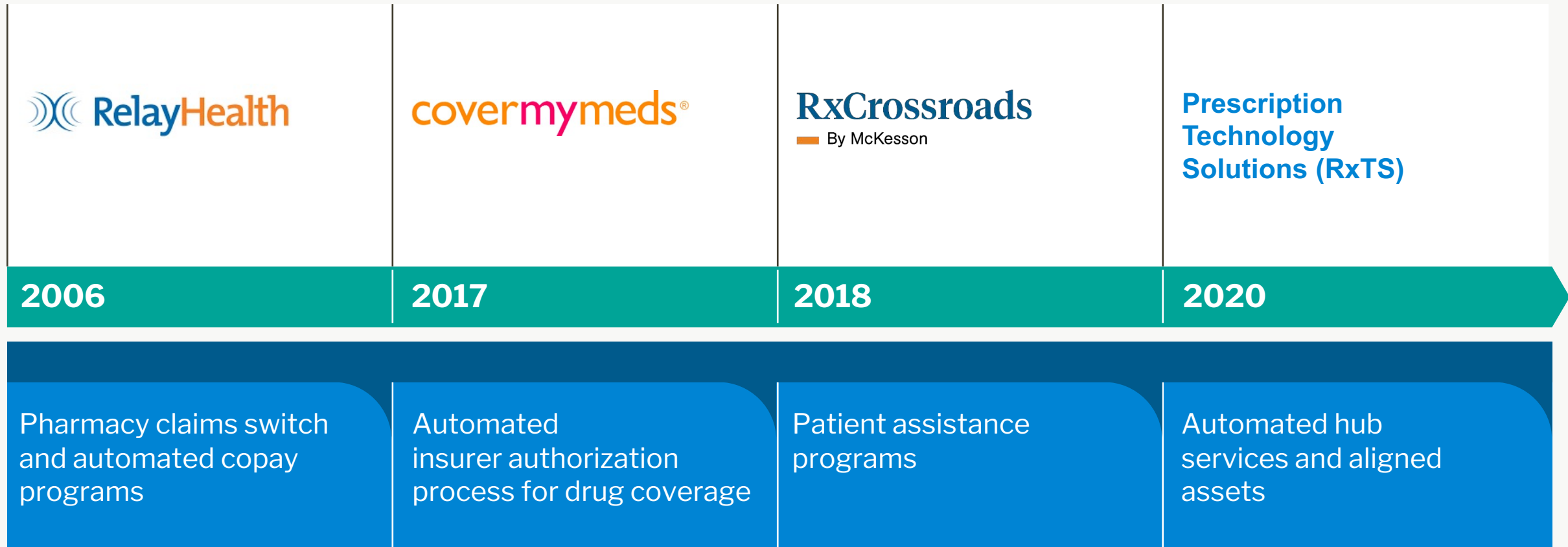
Adherence

**\$8B**

**19%** of patients are more adherent via Rx decision support



# Unmatched Biopharma Services assets



# Scaled connectivity advantage

## Providers

~**750K** providers  
integrated with  
**75%** of EHRs

## Payers

Connect to  
~**80%** of national  
and regional payers

## Pharmacies

~**50K** pharmacies  
**19B+** transactions  
annually

## Biopharma

**650+** brands served across  
**94%+** therapeutic areas



Patients

# Access Improvement

A one-stop electronic prior authorization solution

## Providers

**35%** faster coverage determinations

## Payers

Up to **30%** improvement operational efficiency

## Pharmacies

**14%** increase in paid claims from in-workflow connection

## Biopharma

Access to **80%** of prescribers in brand therapy class

**~20%** increase in access to medically necessary brand and specialty drugs



RxTS

# Affordability Improvement

Benefit check, copay discounts, cash alternatives, and patient assistance programs

## Providers

Benefit data enriched with copay and cash discount information

## Payers

**18M** benefit checks per month

## Pharmacies

Optimized patient savings and pharmacy economics

## Biopharma

Captured **39M** scripts in FY21 that would have been abandoned

**RxTS**



# Data drives innovation

Connectivity and automation drive value

**Access**

**Affordability**

**Adherence**



**Advance  
outcomes**





# Biopharma Services is a key growth driver

- Large and growing market with significant unmet needs
- Unmatched portfolio of assets providing differentiated value proposition across key stakeholder groups
- Connectivity into pharmacies, providers, and our automated hub services position us to win in high-growth adherence and outcomes segments
- Near-term focus on extending core capabilities and exploring reinforcing adjacencies
- Long track record of value creation in Biopharma Services space



# Driving Sustainable Growth and Superior Shareholder Value

Britt Vitalone

EVP & Chief Financial Officer



# Shareholder value creation framework

Organic  
growth  
+  
Operating  
leverage  
+  
Capital  
allocation  
=  
**Sustainable  
Adjusted EPS  
growth**

- Revenue growth **at or above** market in all segments
- Disciplined tactics driving **margin efficiency**
- Increasingly **innovative and efficient investments** in areas that drive better care and higher growth and margins
- Focused cost management delivering **operating leverage**
- **Disciplined capital allocation** leveraging our stable cash flow to create value for shareholders
- Investing in **high growth, high margin** strategies to deliver **sustainable, double-digit adjusted EPS growth**

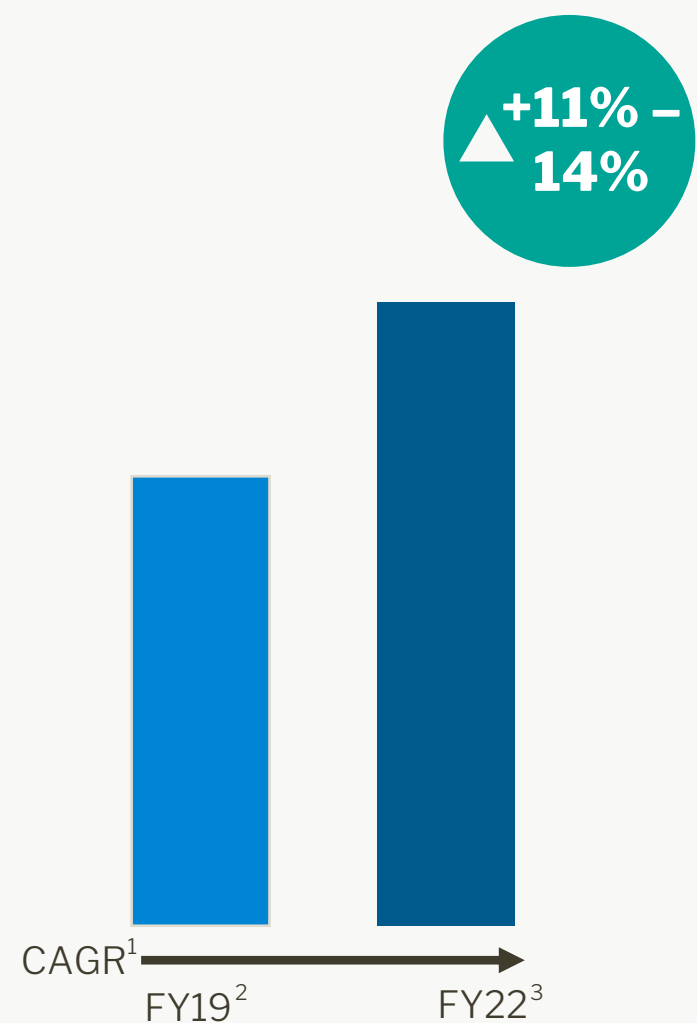


# Successful execution of our framework

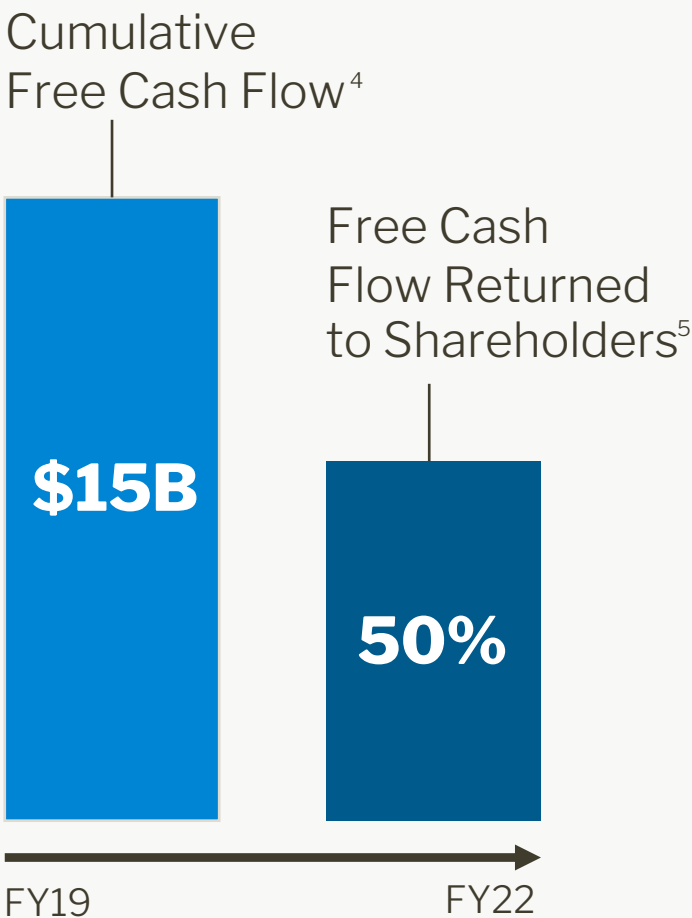
## Adjusted Operating Profit



## Adjusted EPS



## Capital Management



# Strong baseline operating performance

Baseline Adjusted Operating Profit (in \$M)

	FY19 <sup>1</sup>	FY22F <sup>2</sup>	FY19 to FY22F CAGR <sup>3</sup>
U.S. Pharmaceutical	\$2,477	\$2,700 to \$2,800	4%
Prescription Technology Solutions	\$429	\$570 to \$600	11%
Medical-Surgical Solutions	\$605	\$770 to \$810	10%
Canada <sup>4</sup>	\$222	\$285 to \$300	10%

## Durable core

- Efficient distribution platforms at scale

## Transformative ecosystems

- Oncology & Biopharma
- Higher growth/margin

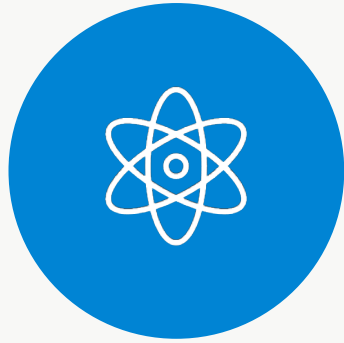
## Sustainable growth and cash generation

# Multiple new growth vectors



Sizeable  
untapped  
oncology &  
biopharma  
opportunities

+



Significant  
opportunity  
across new  
transaction flows  
and use cases

+



Differentiated  
assets and  
capabilities

+



Building  
new  
businesses

=



Substantial  
long-term  
growth  
potential

# Sizable oncology opportunity

~\$55B TAM<sup>1</sup>

Community  
Oncology  
therapies

~\$30B

Practice  
Management and  
Biopharma Services

~\$25B

Oncology therapies  
long-term growth CAGR

14%

- **Scaled** connectivity advantage
- Delivering real-world **evidence & insights**
- **Accelerating biopharma research**
- Lowering the **cost** of care
- Enabling patient **access** to clinical trials
- Improving patient **outcomes**



# Vast and broad Biopharma Services opportunity

~\$15B TAM<sup>1</sup>

Adherence  
~\$8B

Access &  
Affordability  
~\$7B

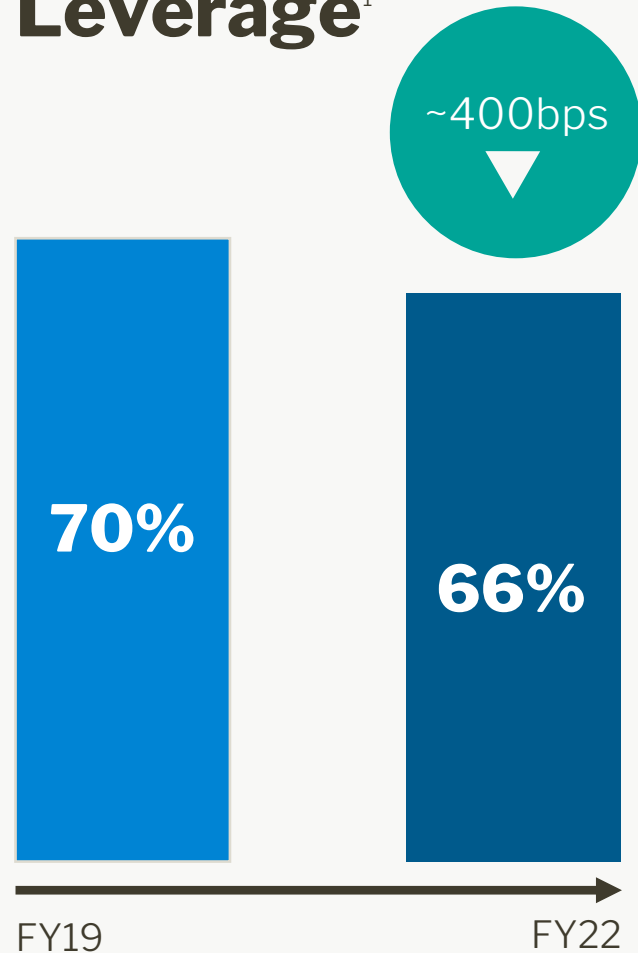
Biopharma Services  
long-term growth CAGR

15%

- Unparalleled **scale across diverse networks**
- Delivering patient affordability and increased **adherence**
- Enhancing **connectivity** across digital channels
- Leading to improved **patient outcomes**
- **Expanding access**
- Innovative solutions **and price transparency**

# Driving expense leverage across the enterprise

## Operating Expense Leverage<sup>1</sup>



## Operating Leverage Tactics

- Spend Smart/Buy Smart
- Strategic sourcing and supply initiatives
- Centers of excellence
- Digital capabilities
- Strategic investments in growth

# Disciplined capital allocation framework



## Growth investments

### Strategy-led investment

### Strategic acquisitions

accelerate growth imperatives

Bolt-on acquisitions to add scale, speed, and capability



## Return capital to shareholders

**Grow dividend** as earnings and free cash expand

**Share repurchase** aligned to guiding principles

**\$4B New** increase to current share repurchase authorization



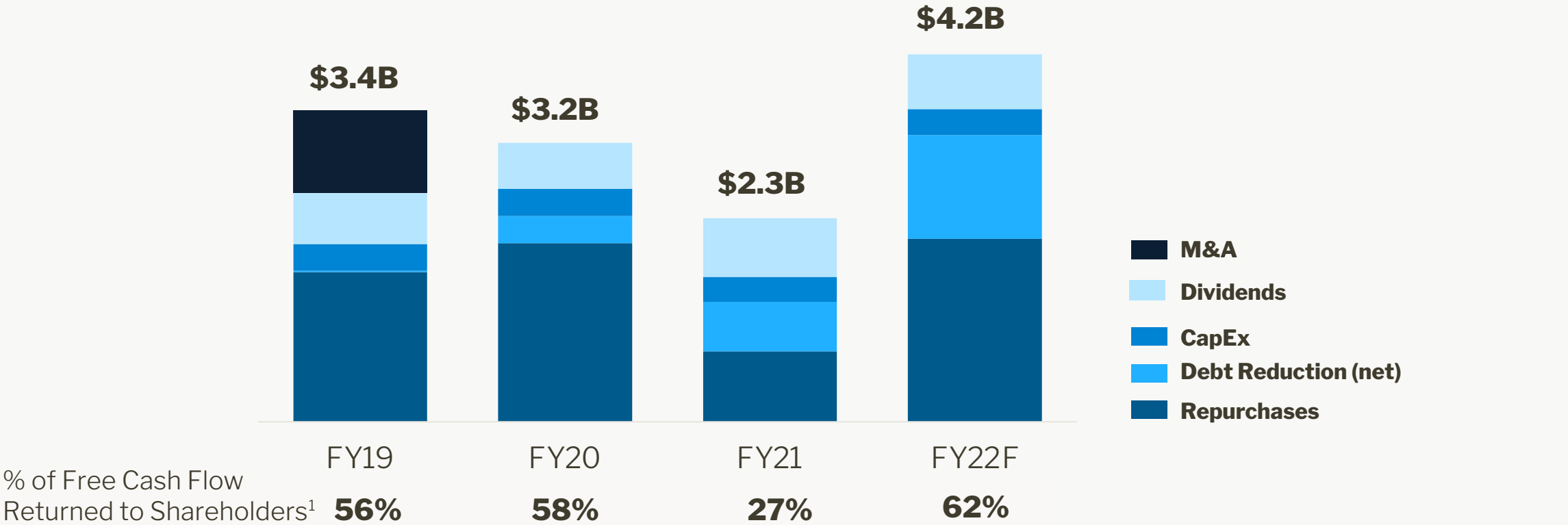
## Maintain a strong balance sheet

**Investment-grade** balance sheet

Ample liquidity

**Financial flexibility**

# Focused capital allocation approach



## Healthy mix of capital allocation

Investing in **organic growth drivers**

Increased cash dividend **12%** in FY22

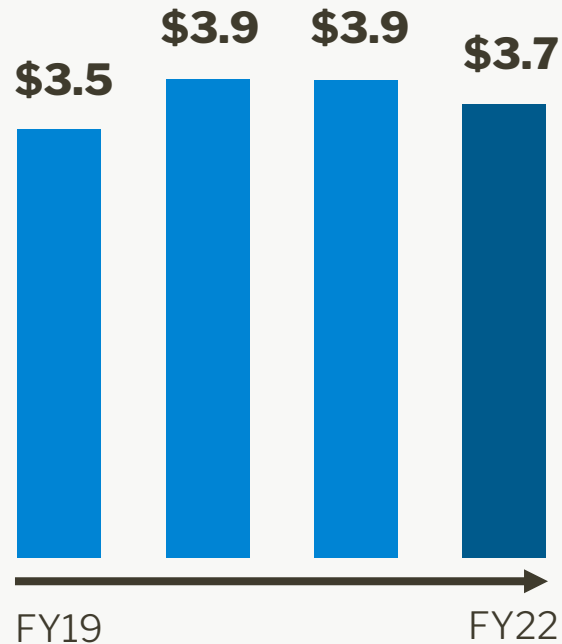
**50%** of FCF returned to shareholders from FY19 to FY22<sup>1</sup>

Share base reduction of **24%** since FY19



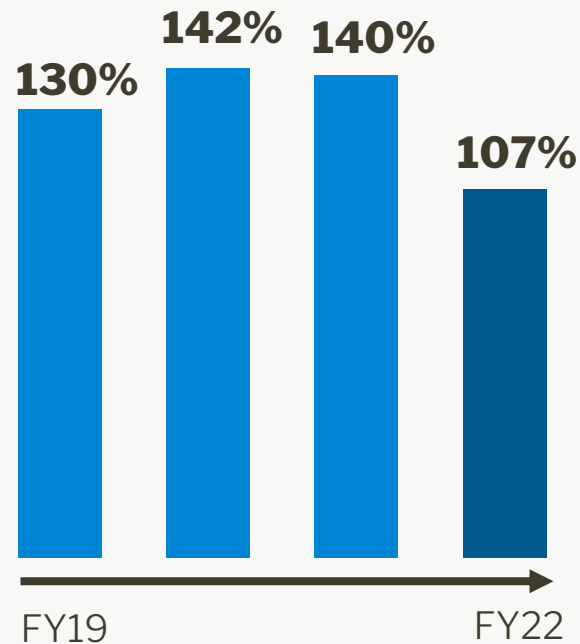
# Strong Free Cash Flow provides financial flexibility

## Free Cash Flow<sup>1</sup>



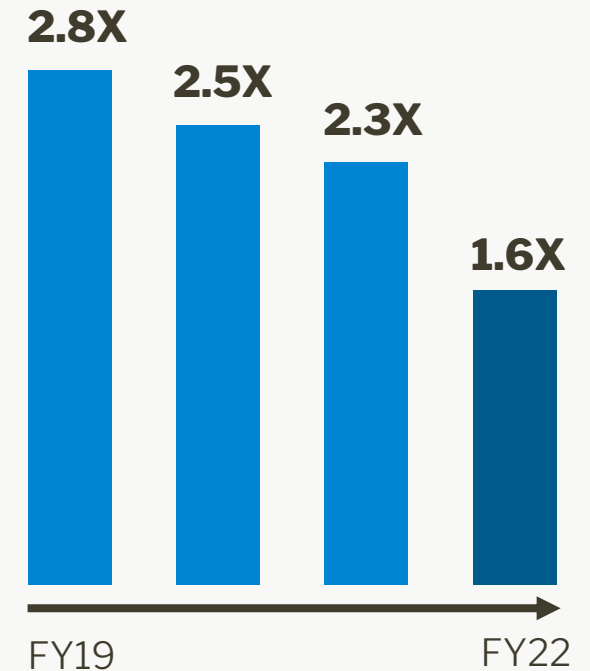
- Solid operating performance
- Working capital efficiency
- Disciplined capital investment

## Free Cash Flow Conversion<sup>1</sup>



- Cash flow discipline drives competitive FCF conversion

## Leverage<sup>2</sup>



- Strong balance sheet
- Ample liquidity

# Transforming and focusing the portfolio

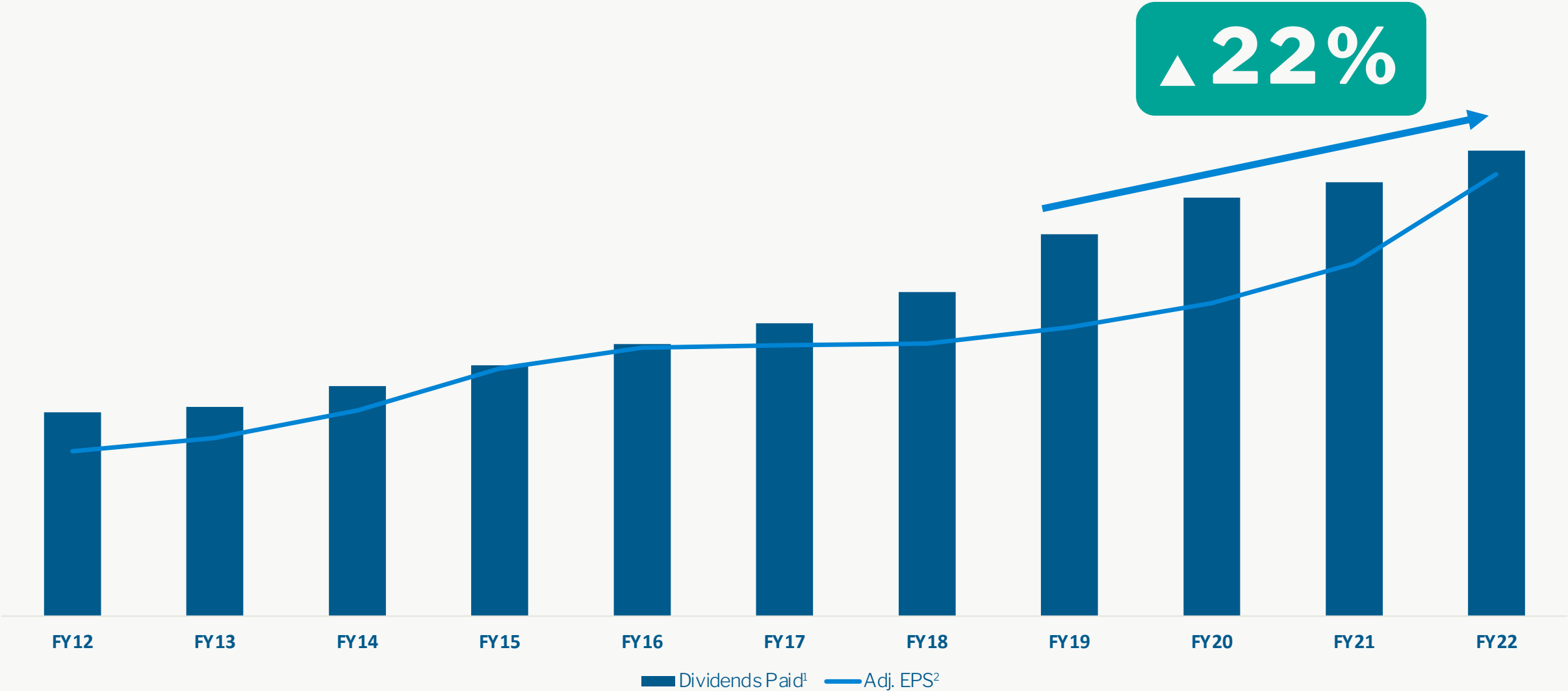


## Select portfolio actions

- Acquisition of Medical Specialties (FY19)
- Tax free exit of Change Healthcare (FY20)
- Sell certain European businesses to the PHOENIX Group (July 2021)
- Sell retail and distribution businesses in the U.K. to Aurelius (November 2021)
- Sell remaining stake in German wholesale business to WBA (November 2021)

**Connecting strategy with capital allocation**

# Stable and growing dividend



# Share repurchase guiding principles

- Share repurchases are used to return cash to our shareholders in the absence of acceptable strategy-led growth investment opportunities
- Our intent is to be in the market each quarter, guided by the following principles:
  - 1 At maximum, we expect to limit share repurchase amounts to:**
    - Cash in excess of liquidity needs
    - Price levels measured by intrinsic value to exceed the cost of capital on average
  - 2 At minimum, we expect share repurchases to offset dilution from stock-based compensation**



# Consistent share repurchase program

**202M**

shares  
4/1/18

▼ **24%** in shares  
outstanding

**152.7M**

shares  
9/30/21

**REPURCHASED**

**~\$6B**

**WEIGHTED AVERAGE  
REPURCHASE PRICE**

**\$148.24**

**COMPOUND ANNUAL  
RETURN<sup>1</sup>**

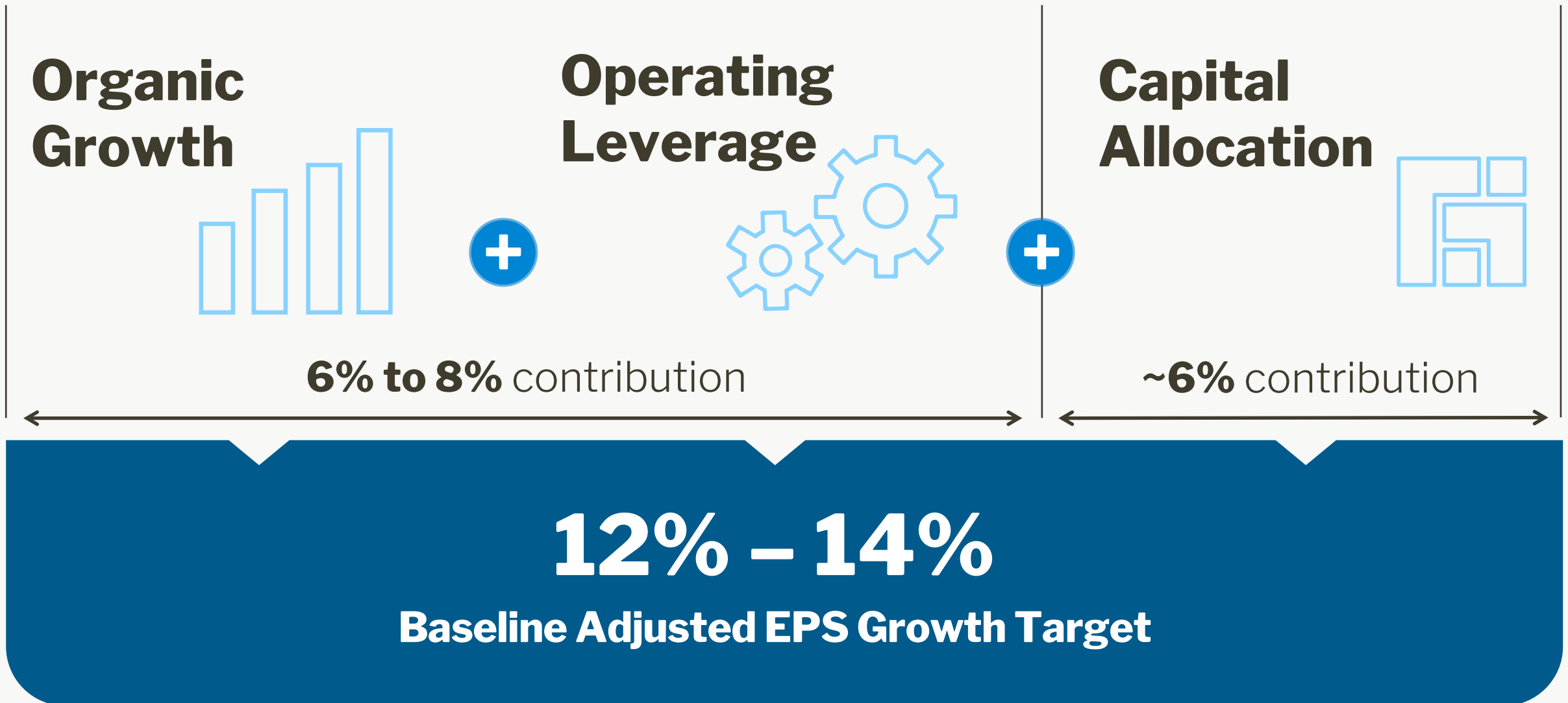
**~11%**

# Shareholder value creation framework

Organic  
growth  
+  
Operating  
leverage  
+  
Capital  
allocation  
=  
**Sustainable  
Adjusted EPS  
growth**

- Revenue growth **at or above** market in all segments
- Disciplined tactics driving **margin efficiency**
- Increasingly **innovative and efficient investments** in areas that drive better care and higher growth and margins
- Focused cost management delivering **operating leverage**
- **Disciplined capital allocation** leveraging our stable cash flow to create value for shareholders
- Investing in **high growth, high margin** strategies to deliver **sustainable, double-digit adjusted EPS growth**

# Long-term financial framework





## Key takeaways from today

- Transforming to a diversified healthcare services company
- Executing on our strategy to deliver sustainable profit growth and cash flows
- Positioned to win in Oncology and Biopharma Services
- Focusing on shareholder value creation
- Investment thesis for McKesson is compelling





# **Supplemental Information**

# Glossary

Acronym	Defined Term
ASP	Average selling price
B	Billion
BPS	Basis points
CAGR	Compound annual growth rate
CapEx	Capital expenditures
DEI	Diversity, equity, and inclusion
EHR	Electronic health record
EMR	Electronic medical record
EPS	Earnings per share
ESG	Environmental, social, governance
FCF	Free Cash Flow
FDA	Food and Drug Administration
FY	Fiscal year

Acronym	Defined Term
GPO	Group purchasing organization
M	Million
M&A	Mergers and acquisitions
MW	Megawatt
OCM	Oncology Care Model
PPE	Personal protective equipment
REC	Renewable energy credits
RxTS	Prescription Technology Solutions
SBT	Science based targets
SKU	Stock keeping unit
TAM	Total addressable market

# Fiscal 2022 Outlook

Metric	Fiscal 2022 Outlook	Fiscal 2021 Actual
Adjusted Earnings per Diluted Share	<b>\$22.35 to \$22.95</b> <i>Previously \$21.95 to \$22.55</i>	\$17.21
Revenues	8% to 11% growth	3% growth
Adjusted Operating Profit	<b>20% to 23% growth</b> <i>Previously 18% to 22% growth</i>	1% growth
Adjusted Corporate Expenses	\$610 to \$660 million	\$584 million
Interest Expense	\$180 to \$200 million	\$217 million
Income Attributable to Non-Controlling Interests	\$175 to \$195 million	\$199 million
Adjusted Effective Tax Rate	18% to 19%	18.6%
Free Cash Flow	\$3.5 to \$3.9 billion	\$3.9 billion
Property Acquisitions and Capitalized Software	\$540 to \$640 million	\$641 million
Share repurchases	Approximately \$2 billion	\$770 million
Diluted weighted average common shares	154 to 156 million	162 million

# Fiscal 2022 Outlook

	U.S. Pharmaceutical	Prescription Technology Solutions	Medical-Surgical Solutions	International
FY22 Revenue:	8% to 11% growth	31% to 37% growth	8% to 14% growth	1% decline to 4% growth
FY22 Adjusted Segment Operating Profit:				
Reported	<b>8% to 10% growth</b> Previously 4.5% to 7.5% growth	23% to 29% growth	35% to 45% growth	39% to 43% growth
Excluding certain items <sup>1</sup>	3% to 6% growth	-	13% to 19% growth	24% to 30% growth



# Footnotes

These notes refer to the financial metrics and/or defined terms presented on:

Slide 20 – Leveraging strengths to address healthcare challenges and drive growth

1. Cancer patient statistics from American Cancer Society and National Cancer Institute.
2. Statistic from HealthDay.

Slide 24 – Raising FY22 Adjusted EPS outlook

1. Adjusted EPS is defined as Adjusted Earnings per Diluted Share (Non-GAAP). See Supplemental Non-GAAP Financial Information for details.
2. Assumes \$0.90 to \$1.10 in U.S. Pharmaceutical related to the U.S. government's COVID-19 vaccine distribution.

Slide 25 – McKesson's FY22 Baseline

1. Excludes the contribution related to the following items: the U.S. government's COVID-19 vaccine distribution; the kitting, storage, and distribution of ancillary supplies; COVID-19 tests and impairments for personal protective equipment and related products. Also excludes Adjusted Operating Profit related to European assets and gains or losses associated with McKesson Ventures' portfolio investments.

Slide 27 – Oncology market is large and growing

1. Statistic from American Cancer Society.
2. Statistic from National Cancer Institute.

Slide 40 – Biosimilar Adoption: Competitive Differentiation

1. Savings for payer reflects the difference in average sales price between the biosimilars and the brand.

Slide 44 – Reduced complexity drives better outcomes

1. IQVIA Medicine Use and Spending in the US: A Review of 2016 and Outlook to 2021.

Slide 53 – Successful execution of our framework

1. CAGRs are from Fiscal 2019 to Fiscal 2022 guidance midpoint.
2. Fiscal 2019 baseline metrics exclude the impacts related to the following items: impact from the separation of Change Healthcare, which was completed in the fourth quarter of Fiscal 2020, and gains or losses associated with McKesson Ventures' portfolio investments.
3. Fiscal 2022F baseline metrics exclude the impacts related to the following items: the U.S. government's COVID-19 vaccine distribution; the kitting, storage, and distribution of ancillary supplies; COVID-19 tests and impairments for personal protective equipment and related products. Also excludes Adjusted Operating Profit related to European assets and gains or losses associated with McKesson Ventures' portfolio investments.
4. Represents a Non-GAAP financial measure. See Supplemental Non-GAAP Financial Information for details.
5. Represents percentage of Free Cash Flow returned to shareholders via dividends and share repurchases.

# Footnotes

## Slide 54 – Strong baseline operating performance

1. Fiscal 2019 baseline metrics exclude the impacts related to the following items: impact from the separation of Change Healthcare, which was completed in the fourth quarter of Fiscal 2020, and gains or losses associated with McKesson Ventures' portfolio investments.
2. Fiscal 2022F baseline metrics exclude the impacts related to the following items: the U.S. government's COVID-19 vaccine distribution; the kitting, storage, and distribution of ancillary supplies; COVID-19 tests and impairments for personal protective equipment and related products. Also excludes Adjusted Operating Profit related to European assets and gains or losses associated with McKesson Ventures' portfolio investments.
3. CAGR is from Fiscal 2019 to Fiscal 2022 guidance midpoint.
4. Canada represents International Adjusted Segment Operating Profit (Non-GAAP) minus contribution from European assets.

## Slide 56 – Sizable oncology opportunity

1. TAM: Total Addressable Market.

## Slide 57 – Vast and broad Biopharma Services opportunity

1. TAM: Total Addressable Market.

## Slide 58– Driving expense leverage across the enterprise

1. Represents Adjusted Operating Expenses (Non-GAAP) divided by Adjusted Gross Profit (Non-GAAP). See Supplemental Non-GAAP Financial Information for details.

## Slide 60 – Focused capital allocation approach

1. Represents percentage of Free Cash Flow returned to shareholders via dividends and share repurchases.
2. FCF: Free Cash Flow. Represents a Non-GAAP financial measure. See Supplemental Non-GAAP Financial Information for details.

## Slide 61 – Strong Free Cash Flow provides financial flexibility

1. Represents a Non-GAAP financial measure. See Supplemental Non-GAAP Financial Information for details.
2. Represents Adjusted Leverage Ratio (Non-GAAP). See Supplemental Non-GAAP Financial Information for details.

## Slide 63 – Stable and growing dividend

1. Dividends paid to shareholders within fiscal year.
2. Represents a Non-GAAP financial measure. See Supplemental Non-GAAP Financial Information for details.

## Slide 65 – Consistent share repurchase program

1. Compound annual return represents share price return from April 1, 2018 to September 30, 2021.

## Slide 74 – Fiscal 2022 Outlook

1. Excludes the impacts related to the following items: the U.S. government's COVID-19 vaccine distribution; the kitting, storage, and distribution of ancillary supplies; COVID-19 tests and impairments for personal protective equipment and related products. Also excludes Adjusted Operating Profit related to European assets and gains or losses associated with McKesson Ventures' portfolio investments.

See Supplemental Information for footnotes, definitions, and further non-GAAP information. © 2021 McKesson Corporation. All rights reserved.

# GAAP to Non-GAAP Reconciliation

## Full Year Fiscal 2021, 2020, and 2019

\$ in millions	FY 2021	FY 2020	FY 2019
<b>GAAP CASH FLOW CATEGORIES</b>			
Net cash provided by operating activities	\$ 4,542	\$ 4,374	\$ 4,036
Net cash used in investing activities	(415)	(579)	(1,381)
Net cash used in financing activities	(1,693)	(2,734)	(2,227)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(61)	(19)	(119)
Net increase in cash, cash equivalents, and restricted cash	\$ 2,373	\$ 1,042	\$ 309
<b>FREE CASH FLOW (NON-GAAP)</b>			
Net cash provided by operating activities	\$ 4,542	\$ 4,374	\$ 4,036
Payments for property, plant, and equipment	(451)	(362)	(426)
Capitalized software expenditures	(190)	(144)	(131)
Free Cash Flow (Non-GAAP)	\$ 3,901	\$ 3,868	\$ 3,479
<b>FREE CASH FLOW CONVERSION (NON-GAAP)</b>			
Adjusted Earnings (Non-GAAP)	\$ 2,788	\$ 2,716	\$ 2,674
Free Cash Flow (Non-GAAP)	3,901	3,868	3,479
Free Cash Flow Conversion (Non-GAAP)	140 %	142 %	130 %

For more information relating to the Free Cash Flow (Non-GAAP), Free Cash Flow Conversion (Non-GAAP), and Adjusted Earnings (Non-GAAP) definitions, refer to the section entitled “Supplemental Non-GAAP Financial Information” of this presentation.

# GAAP to Non-GAAP Reconciliation

Full Year Fiscal 2021, 2020, and 2019

\$ in millions	2021	2020	2019
<b>Net income (loss) (GAAP)</b>	\$ (4,340)	\$ 1,120	\$ 255
Depreciation (GAAP)	321	321	317
Amortization (GAAP)	566	601	632
Interest expense (GAAP)	217	249	264
Income tax expense (benefit) (GAAP)	(695)	18	356
<b>EBITDA (Non-GAAP)</b>	<b>\$ (3,931)</b>	<b>\$ 2,309</b>	<b>\$ 1,824</b>
<b>Non-GAAP Adjustments <sup>(a)</sup>:</b>			
Transaction-related expenses and adjustments	106	303	245
LIFO inventory-related adjustments	(38)	(252)	(210)
Restructuring, impairment, and related charges, net	337	264	601
Gains from anti-trust legal settlements	(181)	(22)	(202)
Claims and litigation charges, net	7,936	82	37
Other adjustments, net	124	1,351	1,649
<b>Total Non-GAAP Adjustments</b>	<b>\$ 8,284</b>	<b>\$ 1,726</b>	<b>\$ 2,120</b>
Net income attributable to noncontrolling interests (GAAP)	(199)	(220)	(221)
<b>Adjusted EBITDA (Non-GAAP)</b>	<b>\$ 4,154</b>	<b>\$ 3,815</b>	<b>\$ 3,723</b>
<b>Debt and Lease Liabilities</b>			
Current portion of long-term debt	\$ 742	\$ 1,052	\$ 330
Long-term debt	6,406	6,335	7,265
Current portion of operating lease liabilities	390	354	454
Long-term operating lease liabilities	1,867	1,660	2,202
<b>Total Debt and Lease Liabilities</b>	<b>\$ 9,405</b>	<b>\$ 9,401</b>	<b>\$ 10,251</b>
<b>Adjusted Leverage Ratio (Non-GAAP)</b>	<b>2.3</b>	<b>2.5</b>	<b>2.8</b>

For more information relating to the EBITDA (Non-GAAP), Adjusted EBITDA (Non-GAAP), and Adjusted Leverage Ratio (Non-GAAP) definitions, refer to the section entitled "Supplemental Non-GAAP Financial Information" of this presentation.

a) Refer to our applicable filings with the SEC for footnote disclosures included in our Earnings Release on Form 8-K filed on May 6th, 2021, May 20th, 2020, and May 8th, 2019.

# GAAP to Non-GAAP Reconciliation

## Full Year Fiscal 2021, 2020, and 2019

\$ in millions	2021	2020	2019
Income from continuing operations (GAAP)	\$ (4,339)	\$ 1,126	\$ 254
Net income attributable to noncontrolling interests (GAAP)	(199)	(220)	(221)
<b>Income from continuing operations attributable to McKesson Corporation (GAAP)</b>	<b>(4,538)</b>	<b>906</b>	<b>33</b>
Pre-tax adjustments <sup>(d)</sup> :			
Amortization of acquisition-related intangibles	423	730	790
Transaction-related expenses and adjustments	106	303	245
LIFO inventory-related adjustments	(38)	(252)	(210)
Gains from antitrust legal settlements	(181)	(22)	(202)
Restructuring, impairment, and related charges, net	337	264	601
Claims and litigation charges, net	7,936	82	37
Other adjustments, net	124	1,351	1,649
Income tax effect on pre-tax adjustments	(1,377)	(646)	(269)
Net income attributable to noncontrolling interests effect on other adjustments, net	(4)	—	—
<b>Adjusted Earnings (Non-GAAP)</b>	<b>\$ 2,788</b>	<b>\$ 2,716</b>	<b>\$ 2,674</b>
Diluted weighted-average common shares outstanding	162.0	181.6	197.1
<b>Earnings per diluted common share from continuing operations attributable to McKesson Corporation (GAAP) <sup>(a) (c)</sup></b>	<b>\$ (28.26)</b>	<b>\$ 4.99</b>	<b>\$ 0.17</b>
After-tax adjustments <sup>(d)</sup> :			
Amortization of acquisition-related intangibles	2.02	3.06	3.02
Transaction-related expenses and adjustments	0.62	0.98	0.93
LIFO inventory-related adjustments	(0.17)	(1.03)	(0.79)
Gains from antitrust legal settlements	(0.83)	(0.09)	(0.76)
Restructuring, impairment, and related charges, net	1.71	1.16	2.53
Claims and litigation charges, net	41.22	0.33	0.19
Other adjustments, net	0.66	5.55	8.28
<b>Adjusted Earnings per Diluted Share (Non-GAAP) <sup>(b)</sup></b>	<b>\$ 17.21</b>	<b>\$ 14.95</b>	<b>\$ 13.57</b>



# GAAP to Non-GAAP Reconciliation

## Full Year Fiscal 2021, 2020, and 2019

\$ in millions	2021	2020	2019
<b>Gross profit (GAAP)</b>	\$ 12,148	\$ 12,023	\$ 11,754
Pre-tax adjustments <sup>(d)</sup> :			
Transaction-related expenses and adjustments	—	1	1
LIFO inventory-related adjustments	(38)	(252)	(210)
Gains from antitrust legal settlements	(181)	(22)	(202)
Restructuring, impairment, and related charges, net	—	—	4
Claims and litigation charges, net	3	(4)	—
<b>Adjusted Gross Profit (Non-GAAP)</b>	<u>\$ 11,932</u>	<u>\$ 11,746</u>	<u>\$ 11,347</u>
<b>Total operating expenses (GAAP)</b>	\$ (17,188)	\$ (9,534)	\$ (10,868)
Pre-tax adjustments <sup>(d)</sup> :			
Amortization of acquisition-related intangibles	422	462	485
Transaction-related expenses and adjustments	105	372	118
Restructuring, impairment, and related charges, net	334	268	597
Claims and litigation charges, net	7,936	82	37
Other adjustments, net	124	55	1,699
<b>Adjusted Operating Expenses (Non-GAAP)</b>	<u>\$ (8,267)</u>	<u>\$ (8,295)</u>	<u>\$ (7,932)</u>
<b>Other income, net (GAAP)</b>	\$ 223	\$ 12	\$ 182
Pre-tax adjustments <sup>(d)</sup> :			
Amortization of acquisition-related intangibles	1	1	1
Transaction-related expenses and adjustments	1	5	—
Other adjustments, net	—	127	(56)
<b>Adjusted Other Income (Non-GAAP)</b>	<u>\$ 225</u>	<u>\$ 145</u>	<u>\$ 127</u>

# GAAP to Non-GAAP Reconciliation

## Full Year Fiscal 2021, 2020, and 2019

\$ in millions	2021	2020	2019
<b>Equity earnings and charges from investment in Change Healthcare Joint Venture (GAAP)</b>	\$ —	\$ (1,108)	\$ (194)
Pre-tax adjustments <sup>(d)</sup> :			
Amortization of acquisition-related intangibles	—	267	304
Transaction-related expenses and adjustments	—	(75)	126
Other adjustments, net	—	1,169	6
<b>Adjusted Equity Income from Change Healthcare (Non-GAAP)</b>	<u>\$ —</u>	<u>\$ 253</u>	<u>\$ 242</u>
 <b>Income tax expense (GAAP)</b>	 \$ 695	 \$ (18)	 \$ (356)
Tax adjustments <sup>(d)</sup> :			
Amortization of acquisition-related intangibles	(95)	(175)	(195)
Transaction-related expenses and adjustments	(6)	(125)	(61)
LIFO inventory-related adjustments	10	66	54
Gains from antitrust legal settlements	47	6	52
Restructuring, impairment, and related charges, net	(60)	(52)	(102)
Claims and litigation charges, net	(1,259)	(21)	—
Other adjustments, net	(14)	(345)	(17)
<b>Adjusted Income Tax Expense (Non-GAAP)</b>	<u>\$ (682)</u>	<u>\$ (664)</u>	<u>\$ (625)</u>

a) Certain computations may reflect rounding adjustments.

b) We calculate loss per diluted common share from continuing operations attributable to McKesson Corporation (GAAP) for the year ended March 31, 2021 using a weighted average of 160.6 million common shares, which excludes dilutive securities from the denominator due to their antidilutive effect when calculating a net loss per diluted share. We calculate adjusted earnings per diluted share (Non-GAAP) for the year ended March 31, 2021 on a fully diluted basis, using a weighted average of 162.0 million common shares. Because we show the GAAP to Non-GAAP per share reconciling items on a fully diluted basis, any footing differences in those items are due to different weighted average share counts. This methodology results in per share difference of \$0.24 for the year ended March 31, 2021.

c) Adjusted earnings per diluted share on an FX-adjusted basis for the years ended March 31, 2021, 2020, and 2019 were \$17.15, \$15.00, and \$13.59, respectively, which excludes the foreign currency exchange effect of \$0.06, \$0.05, and \$0.02, respectively.

d) Refer to our applicable filings with the SEC for footnote disclosures included in our Earnings Release on Form 8-K filed on May 6th, 2021, May 20th, 2020, and May 8th, 2019.

# GAAP to Non-GAAP Reconciliation

## Full Year Fiscal 2021 and 2019

\$ in millions	Year Ended March 31, 2021			Year Ended March 31, 2019		
	As reported (GAAP)	Adjustments <sup>(a)</sup>	As adjusted (Non-GAAP)	As reported (GAAP)	Adjustments <sup>(a)</sup>	As adjusted (Non-GAAP)
<b>OPERATING PROFIT (LOSS)</b>						
U.S. Pharmaceutical	\$ 2,763	\$ (46)	\$ 2,717	\$ 2,710	\$ (233)	\$ 2,477
Prescription Technology Solutions	395	72	467	355	74	429
Medical-Surgical Solutions	707	98	805	455	150	605
International	(37)	522	485	(1,903)	2,345	442
Other <sup>(b)</sup>	—	—	—	(104)	436	332
Subtotal	3,828	646	4,474	1,513	2,772	4,285
Corporate expenses, net	(8,645)	8,061	(584)	(639)	138	(501)
Income from continuing operations before interest expense and income taxes	\$ (4,817)	\$ 8,707	\$ 3,890	\$ 874	\$ 2,910	\$ 3,784
<b>INTERNATIONAL SEGMENT</b>						
McKesson Canada	\$ 78	\$ 153	\$ 231	\$ 76	\$ 146	\$ 222
McKesson Europe	(115)	369	254	(1,979)	2,199	220
International	(37)	522	485	(1,903)	2,345	442

a) Refer to our applicable filings with the SEC for footnote disclosures included in our Earnings Release on Form 8-K filed on May 6th, 2021 and May 8th, 2019.

b) Operating profit (loss) for Other includes equity earnings and charges from our investment in Change Healthcare JV. Additional items included within operating profit (loss) for Other include a credit of \$90 million in fiscal 2019 resulting from the derecognition of a tax receivable agreement liability payable to the shareholders of Change Healthcare, Inc. We completed the separation from our investment in Change Healthcare JV in the fourth quarter of fiscal 2020.

# Supplemental Non-GAAP Financial Information

## McKESSON CORPORATION SUPPLEMENTAL NON-GAAP FINANCIAL INFORMATION

In an effort to provide investors with additional information regarding the Company's financial results as determined by generally accepted accounting principles ("GAAP"), McKesson Corporation (the "Company" or "we") also presents the following Non-GAAP measures in this presentation.

- **Adjusted Gross Profit (Non-GAAP):** We define Adjusted Gross Profit as GAAP gross profit, excluding transaction-related expenses and adjustments, last-in, first-out ("LIFO") inventory-related adjustments, gains from antitrust legal settlements, restructuring, impairment, and related charges, and other adjustments.
- **Adjusted Operating Expenses (Non-GAAP):** We define Adjusted Operating Expenses as GAAP total operating expenses, excluding amortization of acquisition-related intangibles, transaction-related expenses and adjustments, restructuring, impairment, and related charges, claims and litigation charges, and other adjustments.
- **Adjusted Other Income (Non-GAAP):** We define Adjusted Other Income as GAAP other income (expense), net, excluding amortization of acquisition-related intangibles, transaction-related expenses and adjustments, and other adjustments.
- **Adjusted Income Tax Expense (Non-GAAP):** We define Adjusted Income Tax Expense as GAAP income tax benefit (expense), excluding the income tax effects of amortization of acquisition-related intangibles, transaction-related expenses and adjustments, LIFO inventory-related adjustments, gains from antitrust legal settlements, restructuring, impairment, and related charges, claims and litigation charges, and other adjustments. Income tax effects are calculated in accordance with Accounting Standards Codification ("ASC") 740, "Income Taxes," which is the same accounting principle used by the Company when presenting its GAAP financial results.
- **Adjusted Earnings (Non-GAAP):** We define Adjusted Earnings as GAAP income (loss) from continuing operations attributable to McKesson, excluding amortization of acquisition-related intangibles, transaction-related expenses and adjustments, LIFO inventory-related adjustments, gains from antitrust legal settlements, restructuring, impairment, and related charges, claims and litigation charges, other adjustments as well as the related income tax effects for each of these items, as applicable.
- **Adjusted Earnings per Diluted Share (Non-GAAP):** We define Adjusted Earnings per Diluted Share as GAAP earnings (loss) per diluted common share from continuing operations attributable to McKesson, excluding per share impacts of amortization of acquisition-related intangibles, transaction-related expenses and adjustments, LIFO inventory-related adjustments, gains from antitrust legal settlements, restructuring, impairment, and related charges, claims and litigation charges, other adjustments as well as the related income tax effects for each of these items, as applicable, divided by diluted weighted-average shares outstanding.
- **Adjusted Segment Operating Profit (Non-GAAP) and Adjusted Segment Operating Profit Margin (Non-GAAP):** We define Adjusted Segment Operating Profit as GAAP segment operating profit (loss), excluding amortization of acquisition-related intangibles, transaction-related expenses and adjustments, LIFO inventory-related adjustments, gains from antitrust legal settlements, restructuring, impairment, and related charges, and other adjustments. We define Adjusted Segment Operating Profit Margin as Adjusted Segment Operating Profit (Non-GAAP) divided by GAAP segment revenues.
- **Adjusted Corporate Expenses (Non-GAAP):** We define Adjusted Corporate Expenses as GAAP corporate expenses, net, excluding transaction-related expenses and adjustments, restructuring, impairment, and related charges, claims and litigation charges, and other adjustments.
- **Adjusted Operating Profit (Non-GAAP):** We define Adjusted Operating Profit as GAAP income (loss) from continuing operations before interest expense and income taxes, excluding amortization of acquisition-related intangibles, transaction-related expenses and adjustments, LIFO inventory-related adjustments, gains from antitrust legal settlements, restructuring, impairment, and related charges, claims and litigation charges, and other adjustments.

# Supplemental Non-GAAP Financial Information

## SUPPLEMENTAL NON-GAAP FINANCIAL INFORMATION (continued)

- **EBITDA (Non-GAAP):** We define EBITDA (Non-GAAP) as GAAP net income (loss) before interest expense, income taxes, depreciation, and amortization.
- **Adjusted EBITDA (Non-GAAP):** We define Adjusted EBITDA (Non-GAAP) as GAAP net income (loss) before interest expense, income taxes, depreciation, and amortization, transaction-related expenses and adjustments, LIFO inventory-related adjustments, gains from antitrust legal settlements, restructuring, impairment, and related charges, claims and litigation charges, other adjustments, and net income attributable to noncontrolling interests.
- **Adjusted Operating Expense Leverage (Non-GAAP):** We define Adjusted Operating Expense Leverage (Non-GAAP) as Adjusted Operating Expense (Non-GAAP) divided by Adjusted Gross Profit (Non-GAAP).
- **Adjusted Leverage Ratio (Non-GAAP):** We define Adjusted Leverage Ratio (Non-GAAP) as GAAP current portion of long-term debt, long-term debt, current portion of operating lease liabilities and long-term operating lease liabilities divided by Adjusted EBITDA (Non-GAAP).

The following provides further details regarding the adjustments made to our GAAP financial results to arrive at our Non-GAAP measures as defined above:

Amortization of acquisition-related intangibles - Amortization expenses of intangible assets directly related to business combinations and the formation of joint ventures.

Transaction-related expenses and adjustments - Transaction, integration, and other expenses that are directly related to business combinations, the formation of joint ventures, divestitures, and other transaction-related costs including initial public offering costs. Examples include transaction closing costs, professional service fees, legal fees, severance charges, retention payments and employee relocation expenses, facility or other exit-related expenses, certain fair value adjustments including deferred revenues, contingent consideration and inventory, recoveries of acquisition-related expenses or post-closing expenses, bridge loan fees and gains or losses on business combinations, and divestitures of businesses that do not qualify as discontinued operations.

LIFO inventory-related adjustments - LIFO inventory-related non-cash expense or credit adjustments.

Gains from antitrust legal settlements - Net cash proceeds representing the Company's share of antitrust lawsuit settlements.

Restructuring, impairment, and related charges - Restructuring charges that are incurred for programs in which we change our operations, the scope of a business undertaken by our business units, or the manner in which that business is conducted as well as long-lived asset impairments. Such charges may include employee severance, retention bonuses, facility closure or consolidation costs, lease or contract termination costs, asset impairments, accelerated depreciation and amortization, and other related expenses. The restructuring programs may be implemented due to the sale or discontinuation of a product line, reorganization or management structure changes, headcount rationalization, realignment of operations or products, integration of acquired businesses, and/or company-wide cost saving initiatives. The amount and/or frequency of these restructuring charges are not part of our underlying business, which include normal levels of reinvestment in the business. Any credit adjustments due to subsequent changes in estimates are also excluded from adjusted results.

Claims and litigation charges - Adjustments to certain of the Company's reserves, including those related to estimated probable settlements for its controlled substance monitoring and reporting, and opioid-related claims, as well as any applicable income items or credit adjustments due to subsequent changes in estimates. This does not include our legal fees to defend claims, which are expensed as incurred.



# Supplemental Non-GAAP Financial Information

## SUPPLEMENTAL NON-GAAP FINANCIAL INFORMATION (continued)

Other adjustments - The Company evaluates the nature and significance of transactions qualitatively and quantitatively on an individual basis and may include them in the determination of our adjusted results from time to time. While not all-inclusive, other adjustments may include: other asset impairments; gains or losses from debt extinguishment; and other similar substantive and/or infrequent items as deemed appropriate.

The Company evaluates the aforementioned Non-GAAP measures on a periodic basis and updates the definitions from time to time. The evaluation considers both the quantitative and qualitative aspects of the Company's presentation of Non-GAAP adjusted results. A reconciliation of McKesson's GAAP financial results to Non-GAAP financial results is provided in the financial statement tables included with this presentation.

- **FX-Adjusted (Non-GAAP):** McKesson also presents its GAAP financial results and adjusted results (Non-GAAP) on an FX-Adjusted basis. To present our financial results on an FX-Adjusted basis, we convert current year period results of our operations in foreign countries, which are recorded in local currencies, into U.S. dollars by applying the average foreign currency exchange rates of the comparable prior year period. To present Adjusted Earnings per Diluted Share on an FX-Adjusted basis, we estimate the impact of foreign currency rate fluctuations on the Company's noncontrolling interests and adjusted income tax expense, which may vary from quarter to quarter.
- **Free Cash Flow (Non-GAAP):** We define free cash flow as net cash provided by (used in) operating activities less payments for property, plant and equipment and capitalized software expenditures, as disclosed in our condensed consolidated statements of cash flows. A reconciliation of McKesson's GAAP financial results to Free Cash Flow (Non-GAAP) is provided in the financial statement tables included with this presentation.
- **Free Cash Flow Conversion (Non-GAAP):** We define Free Cash Flow Conversion (Non-GAAP) as Free Cash Flow (Non-GAAP) divided by Adjusted Earnings (Non-GAAP).

The Company believes the presentation of Non-GAAP measures provides useful supplemental information to investors with regard to its operating performance, as well as assists with the comparison of its past financial performance to the Company's future financial results. Moreover, the Company believes that the presentation of Non-GAAP measures assists investors' ability to compare its financial results to those of other companies in the same industry. However, the Company's Non-GAAP measures used in the press tables may be defined and calculated differently by other companies in the same industry.

The Company internally uses both GAAP and Non-GAAP financial measures in connection with its own financial planning and reporting processes. Management utilizes Non-GAAP financial measures when allocating resources, deploying capital, as well as assessing business performance, and determining employee incentive compensation. The Company conducts its businesses internationally in local currencies, including Euro, British pound sterling, and Canadian dollars. As a result, the comparability of our results reported in U.S. dollars can be affected by changes in foreign currency exchange rates. We present FX-Adjusted information to provide a framework for assessing how our business performed excluding the estimated effect of foreign currency exchange rate fluctuations. We believe free cash flow is important to management and useful to investors as a supplemental measure as it indicates the cash flow available for working capital needs, re-investment opportunities, strategic acquisitions, dividend payments, or other strategic uses of cash. Nonetheless, Non-GAAP adjusted results and related Non-GAAP measures disclosed by the Company should not be considered a substitute for, nor superior to, financial results and measures as determined or calculated in accordance with GAAP.

The Company does not provide forward-looking guidance on a GAAP basis as McKesson is unable to provide a quantitative reconciliation of this forward-looking Non-GAAP measure to the most directly comparable forward-looking GAAP measure, without unreasonable effort, because McKesson cannot reliably forecast LIFO inventory-related adjustments, certain litigation loss and gain contingencies, restructuring, impairment and related charges, and other adjustments, which are difficult to predict and estimate. These items are inherently uncertain and depend on various factors, many of which are beyond the company's control, and as such, any associated estimate and its impact on GAAP performance could vary materially.