McKesson Corporation
Q1 Fiscal 2023 Results

August 3, 2022

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Cautionary Statements

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 and Russo-Ukrainian War 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 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 monetary inflation or 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 (such as the Russo-Ukrainian War) 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 distribution and related ancillary supply kit programs.

GAAP / Non-GAAP Reconciliation

In an effort to provide additional and useful information regarding the Company’s financial results and other financial information as determined by generally accepted accounting principles (GAAP), certain materials in this presentation include non-GAAP information. The Company believes the presentation of non-GAAP measures provides useful supplemental information to investors with regard to its operating performance as well as comparability of financial results period-over-period. A reconciliation of the non-GAAP information to GAAP, and other related information is available in the appendix to this presentation, tables accompanying each period’s earnings press release, materials furnished to the SEC, and posted to www.mckesson.com under the “Investors” tab.

Delivering sustainable growth and long-term shareholder value

Our Vision:

To improve care in every setting –
one product, one partner, one patient at a time

Our Priorities:

Focus on People and Culture

Sustainable Core Growth

Streamline the Portfolio

Expand Oncology and Biopharma Ecosystems

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First Quarter
Fiscal 2023 Results

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Delivering against strategic priorities
Solid first-quarter performance

Business Summary

- Q1 revenues of **$67.2 billion** increased 7%
- Q1 Adjusted Earnings per Diluted Share of **$5.83** increased 5%
- Raised Fiscal 2023 Adjusted Earnings per Diluted Share outlook to **$23.95 to $24.65** from **$22.90 to $23.60**
- Announced agreement to form joint venture combining McKesson's U.S. Oncology Research and HCA Healthcare's Sarah Cannon Research Institute
- Advanced exit of business operations within the European region; Completed or entered into divestiture agreements in 11 of the 12 countries
- Renewed partnership with U.S. government to support COVID-19 response efforts:
    - Vaccine distribution contract extended through July 2023
    - Kitting, storage, and distribution of ancillary supplies contract extended through January 2023

Corporate Responsibility Updates

- Received multiple awards and acknowledgements for diversity, equity, and inclusion achievements
    - Recognized by Forbes as one of the "**Best Employers for Women**," achieving an industry-leading ranking
    - Named a "**Best Place to Work for Disability Inclusion**" for 7th consecutive year

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Consolidated financial information

Q1 Fiscal 2023 Results

Results **($ and shares in millions, expect per share amounts)**	**Q1 FY 23**	**YoY Change**
Revenues	$ 67,154	7 %
Adjusted Gross Profit	$ 3,010	(4) %
Adjusted Operating Expenses	$ (1,888)	(10) %
Adjusted Operating Profit	$ 1,137	4 %
Interest expense	$ (45)	(8) %
Adjusted Income Tax Expense	$ (200)	69 %
Net income attributable to noncontrolling interests	$ (41)	(13) %
Adjusted Earnings	$ 851	(3) %
Adjusted Earnings per Diluted Share	$ 5.83	5 %
Diluted weighted average common shares	145.9	(8) %

U.S. Pharmaceutical

Q1 Fiscal 2023 Results

Results ($ in millions)	**Q1 FY 23**	**YoY Change**
U.S. Pharmaceutical		
Revenues	$ 56,947	14 %
Adjusted Segment Operating Profit	$ 711	4 %
Adjusted Segment Operating Profit Margin	1.25 %	(11) bp

Q1 revenue growth driven by specialty product volumes, including increased retail national account customers volumes, and market growth, partially offset by branded to generic conversions

Q1 Adjusted Segment Operating Profit increase driven by growth in distribution of specialty products to providers and health systems, partially offset by lower demand of COVID-19 vaccine distribution. Excluding the impact of COVID-19 vaccine distribution, the U.S. Pharmaceutical segment delivered Adjusted Segment Operating Profit growth of 9%

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Prescription Technology Solutions

Q1 Fiscal 2023 Results

Results ($ in millions)		**Q1 FY 23**	**YoY Change**
Prescription Technology Solutions			
Revenues	$	1,066	21 %
Adjusted Segment Operating Profit	$	165	19 %
Adjusted Segment Operating Profit Margin		15.48 %	(30) bp

Q1 revenue increase driven by biopharma services programs, due to prescription volume growth, and third-party logistics and technology service revenues

Q1 Adjusted Segment Operating Profit increase driven by growth from access, affordability, and adherence solutions

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Medical-Surgical Solutions

Q1 Fiscal 2023 Results

Results ($ in millions)	Q1 FY 23	YoY Change
Medical-Surgical Solutions		
Revenues	$ 2,592	3 %
Adjusted Segment Operating Profit	$ 268	4 %
Adjusted Segment Operating Profit Margin	10.34 %	17 bp

Q1 revenue increase driven by growth in the primary care business, partially offset by lower contribution from COVID-19 tests and lower contribution from kitting, storage, and distribution of ancillary supplies for the U.S. government's COVID-19 vaccine program

Q1 Adjusted Segment Operating Profit increase driven by organic business performance as well as growth in the primary care business

International

Q1 Fiscal 2023 Results

Results ($ in millions)	**Q1 FY 23**	**YoY Change**
International		
Revenues	$ 6,549	(29) %
Adjusted Segment Operating Profit[1]	$ 138	(19) %
Adjusted Segment Operating Profit Margin	2.11 %	27 bp

Q1 FX-Adjusted revenue of $7.1 billion, down 23% year-over-year, driven by the divestitures of McKesson's UK and Austrian businesses

Q1 FX-Adjusted Segment Operating Profit of $152 million, down 11% year-over-year, driven by the divestitures of McKesson's Austrian and UK businesses, partially offset by the reduction of depreciation and amortization on European assets under agreements to sell

[1] Revenue and Adjusted Segment Operating Profit is presented without adjustments for the effects of foreign currency

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Corporate
Q1 Fiscal 2023 Results

Results ($ in millions)	Q1 FY 23	YoY Change
Corporate		
Adjusted Corporate Expenses	$ (145)	(6) %

Q1 Adjusted Corporate Expenses decreased 6% year-over-year driven by receipt of a tax receivable agreement and lower opioid-related litigation expenses, partially offset by net losses of approximately $22 million associated with McKesson Ventures' equity investments, compared to net gains of approximately $7 million in the first-quarter of fiscal 2022

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Opioid-Related Costs

Q1 Fiscal 2023 Results

Results ($ in millions)	**Q1 FY 23**	**Q1 FY 22**
Opioid-related costs		
Claims and litigation charges, net (GAAP-only)	$ 5	$ 74
Legal fees and other	$ 19	$ 35
Total expense	**$ 24**	**$ 109**

McKesson has settled, or reached agreements to settle, opioid-related claims of all 50 states, as well as the District of Columbia and all eligible territories

Claims and Litigation Charges[1]:
Q1 opioid-related costs included a GAAP-only pre-tax charge of $5 million related to our estimated liability for opioid-related claims of government entities

Legal Fees and Other:
Opioid-related costs, primarily litigation expenses, included in Adjusted Operating Expenses and reflected in Corporate

[1] McKesson's total estimated liability for opioid-related claims was $7.9 billion as of June 30, 2022, which includes a current portion of $0.8 billion

Cash
($ in millions)

Full-Year Cash Balance Walk

Balance at March 31, 2022[1]	**$**	**3,935**
Operating cash flow		(941)
Capital expenditures		(100)
Free Cash Flow		(1,041)
Acquisitions		(1)
Other investing cash flows		140
Share repurchases		(1,000)
Dividends paid		(71)
Other financing cash flows and FX		(92)
Change in cash classified as Assets held for sale		470
Net decrease in cash		(1,595)
Balance at June 30, 2022[1]	**$**	**2,340**
Less: Restricted cash		(107)
Cash and cash equivalents at June 30, 2022	**$**	**2,233**

[1] Cash comprises cash, cash equivalents, and restricted cash

Cash Dynamics

Free Cash Flow of **$(1.0) billion**

Returned **$1.1 billion** of cash to shareholders in the quarter

- Repurchased **$1.0 billion** of shares
- Paid **$71 million** in dividends

In July 2022, the Board of Directors declared a **15% increase** to its **quarterly dividend** from $0.47 per share to $0.54 per share

In July 2022, the Board of Directors authorized an additional **$4.0 billion share repurchase program**, in a manner deemed in the best interest of the company and its stockholders, considering other growth opportunities and prevailing business and market conditions

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Fiscal 2023 Outlook

On the following slides, McKesson presents an overview of its fiscal 2023 Outlook assumptions. 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.

Fiscal 2023 outlook

FY23 Adjusted EPS Guidance $23.95 to $24.65

	FY23 Outlook	FY22 Actual
COVID-19 vaccine distribution for U.S. government	**$0.35 to $0.45** *Previously $0.05 to $0.20*	$0.89
Kitting, storage, and distribution of ancillary supplies for U.S. government and COVID-19 tests	**$0.75 to $0.95** *Previously $0.15 to $0.40*	$1.78
Net gains and losses associated with McKesson Ventures' equity investments[1]	**($0.11)**	$0.47
Total impact of items	**$0.99 to $1.29** *Previously $0.20 to $0.60*	**$3.14**

Excluding the impacts of the above items indicates 10% to 15% forecasted growth

[1] Related to year-to-date gains and losses associated with McKesson Ventures' equity investments

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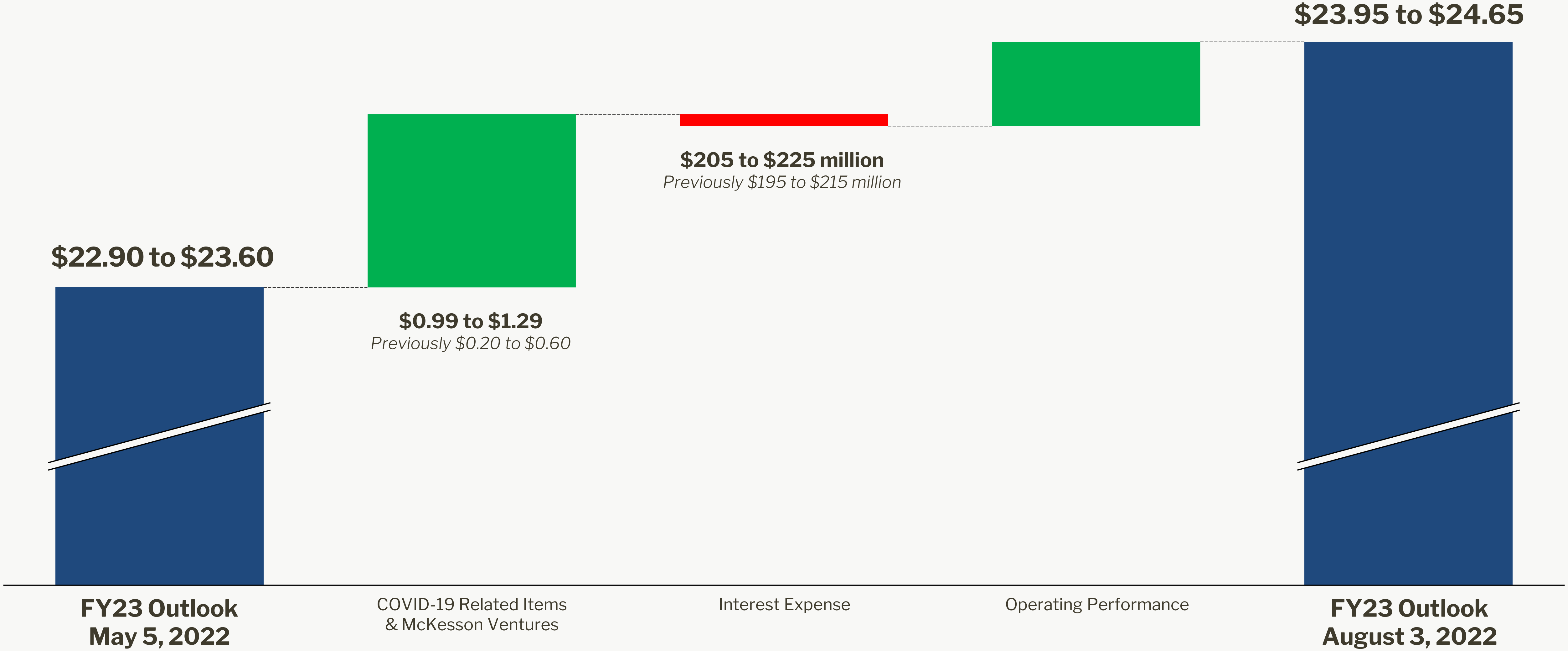
Full Year FY23 Adjusted EPS guidance increased



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

- **15% increase** to quarterly dividend

Share repurchase aligned to guiding principles

- **$4B** increase to current share repurchase authorization

Maintain a strong balance sheet

Investment-grade balance sheet

Ample liquidity

Financial flexibility

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Fiscal 2023 outlook
Consolidated metrics

Metric	Fiscal 2023 Outlook	Fiscal 2022 Actual
Adjusted Earnings per Diluted Share	**\$23.95 to \$24.65** *Previously \$22.90 to \$23.60*	\$23.69
Revenues	**3% to 7% growth** *Previously Flat to 4% growth*	11% growth
Adjusted Operating Profit	**Flat to 6% decline** *Previously 4% to 10% decline*	25% growth
Adjusted Corporate Expenses	**\$550 to \$620 million** *Previously \$520 to \$590 million*	\$579 million
Interest Expense	**\$205 to \$225 million** *Previously \$195 to \$215 million*	\$178 million
Income Attributable to Non-Controlling Interests	\$160 to \$180 million	\$173 million
Adjusted Effective Tax Rate	18% to 20%	18%
Free Cash Flow	\$3.2 to \$3.6 billion	\$3.9 billion
Share repurchases	Approximately \$3.5 billion	\$3.5 billion
Diluted weighted average common shares	142 to 144 million	154.1 million
Opioid-related litigation expenses	**Approximately \$45 million** *Previously approximately \$40 million*	\$130 million

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Fiscal 2023 outlook

Segment metrics

	U.S. Pharmaceutical	Prescription Technology Solutions	Medical-Surgical Solutions	International
FY23 Revenue	**11% to 14% growth** *Previously 7% to 10% growth*	**15% to 21% growth** *Previously 17% to 23% growth*	**3% to 7% decline** *Previously 7% to 11% decline*	34% to 38% decline
FY23 Adjusted Segment Operating Profit:				
Reported	**1% decline to 3% growth** *Previously flat to 4% decline*	**16% to 22% growth** *Previously 14% to 20% growth*	**5% to 10% decline** *Previously 15% to 21% decline*	22% to 28% decline
Excluding COVID-19 impacts in the U.S.[1]	**4% to 6% growth** *Previously 3% to 5% growth*		**11% to 17% growth** *Previously 8% to 14% growth*	

[1] Excluding the impacts attributable to the U.S. government's COVID-19 vaccine distribution in U.S. Pharmaceutical and the impacts attributable to kitting, storage, and distribution of ancillary supplies and COVID-19 tests in Medical-Surgical Solutions. See slide 15 for fiscal 2022 actuals and fiscal 2023 outlook

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Appendix

GAAP to Non-GAAP Reconciliation

Q1 Fiscal 2023 and Q1 Fiscal 2022

Schedule 2

McKESSON CORPORATION
RECONCILIATION OF GAAP OPERATING RESULTS TO ADJUSTED RESULTS (NON-GAAP)
(unaudited)
(in millions, except per share amounts)

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Change
Income from continuing operations (GAAP)	$ 807	$ 536	51 %
Net income attributable to noncontrolling interests (GAAP)	(41)	(47)	(13)
Income from continuing operations attributable to McKesson Corporation (GAAP)	766	489	57
Pre-tax adjustments:			
Amortization of acquisition-related intangibles	56	98	(43)
Transaction-related expenses and adjustments	10	31	(68)
LIFO inventory-related adjustments	(13)	(23)	(43)
Gains from antitrust legal settlements	—	(12)	(100)
Restructuring, impairment, and related charges, net [1]	23	158	(85)
Claims and litigation charges, net [2]	5	74	(93)
Other adjustments, net [3]	5	157	(97)
Income tax effect on pre-tax adjustments	(1)	(92)	(99)
Adjusted Earnings (Non-GAAP)	$ 851	$ 880	(3)%
Diluted weighted-average common shares outstanding	145.9	158.1	(8)%
Earnings per diluted common share from continuing operations attributable to McKesson Corporation (GAAP) [a]	$ 5.25	$ 3.09	70 %
After-tax adjustments:			
Amortization of acquisition-related intangibles	0.30	0.48	(38)
Transaction-related expenses and adjustments	0.18	0.19	(5)
LIFO inventory-related adjustments	(0.07)	(0.11)	(36)
Gains from antitrust legal settlements	—	(0.06)	(100)
Restructuring, impairment, and related charges, net	0.12	0.82	(85)
Claims and litigation charges, net	0.03	0.39	(92)
Other adjustments, net	0.02	0.76	(97)
Adjusted Earnings per Diluted Share (Non-GAAP) [b]	$ 5.83	$ 5.56	5 %

Refer to Slide 23 of this presentation for all footnote references.
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GAAP to Non-GAAP Reconciliation

Q1 Fiscal 2023 and Q1 Fiscal 2022

McKESSON CORPORATION
RECONCILIATION OF GAAP OPERATING RESULTS TO ADJUSTED RESULTS (NON-GAAP)
(unaudited)
(in millions)

Schedule 2
(Continued)

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Change
Gross profit (GAAP)	$ 3,023	$ 3,032	— %
Pre-tax adjustments:			
LIFO inventory-related adjustments	(13)	(23)	(43)
Gains from antitrust legal settlements	—	(12)	(100)
Other adjustments, net [3]	—	147	(100)
Adjusted Gross Profit (Non-GAAP)	$ 3,010	$ 3,144	(4)%
Total operating expenses (GAAP)	$ (1,987)	$ (2,464)	(19)%
Pre-tax adjustments:			
Amortization of acquisition-related intangibles	56	97	(42)
Transaction-related expenses and adjustments	10	31	(68)
Restructuring, impairment, and related charges, net [1]	23	158	(85)
Claims and litigation charges, net [2]	5	74	(93)
Other adjustments, net [3]	5	10	(50)
Adjusted Operating Expenses (Non-GAAP)	$ (1,888)	$ (2,094)	(10)%
Other income, net (GAAP)	$ 15	$ 43	(65)%
Pre-tax adjustments:			
Amortization of acquisition-related intangibles	—	1	(100)
Adjusted Other Income (Non-GAAP)	$ 15	$ 44	(66)%

Refer to Slide 23 of this presentation for all footnote references.

GAAP to Non-GAAP Reconciliation

Q1 Fiscal 2023 and Q1 Fiscal 2022

McKESSON CORPORATION
RECONCILIATION OF GAAP OPERATING RESULTS TO ADJUSTED RESULTS (NON-GAAP)
(unaudited)
(in millions)

Schedule 2
(Continued)

	Three Months Ended June 30,		
	2022	2021	Change
Income tax expense (GAAP)	$ (199)	$ (26)	665 %
Tax adjustments:			
Amortization of acquisition-related intangibles	(12)	(22)	(45)
Transaction-related expenses and adjustments	16	—	—
LIFO inventory-related adjustments	3	6	(50)
Gains from antitrust legal settlements	—	3	(100)
Restructuring, impairment, and related charges, net	(6)	(29)	(79)
Claims and litigation charges, net	(1)	(13)	(92)
Other adjustments, net	(1)	(37)	(97)
Adjusted Income Tax Expense (Non-GAAP)	$ (200)	$ (118)	69 %

(a) Certain computations may reflect rounding adjustments.

(b) Adjusted earnings per diluted share on an FX-adjusted basis for the three months ended June 30, 2022 was $5.90, which excludes the foreign currency exchange effect of $0.07.

All percentage changes displayed above which are not meaningful are displayed as zero percent.

Refer to the section entitled "Financial Statement Notes" of this presentation.

For more information relating to the Adjusted Earnings (Non-GAAP), Adjusted Earnings per Diluted Share (Non-GAAP), Adjusted Gross Profit (Non-GAAP), Adjusted Operating Expenses (Non-GAAP), Adjusted Other Income (Non-GAAP), and Adjusted Income Tax Expense (Non-GAAP) definitions, refer to the section entitled “Supplemental Non-GAAP Financial Information” of this presentation.

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GAAP to Non-GAAP Reconciliation

Q1 Fiscal 2023 and Q1 Fiscal 2022

Schedule 3

McKESSON CORPORATION
RECONCILIATION OF GAAP SEGMENT FINANCIAL RESULTS TO ADJUSTED RESULTS (NON-GAAP)
(unaudited)
(in millions)

	Three Months Ended June 30,													
	2022			2021			As reported		As adjusted		Change			
	As reported (GAAP)	Adjustments	As adjusted (Non-GAAP)	As reported (GAAP)	Adjustments	As adjusted (Non-GAAP)	Foreign currency effects	FX-Adjusted (Non-GAAP)	Foreign currency effects	FX-Adjusted (Non-GAAP)	As reported (GAAP)	As adjusted (Non-GAAP)	As reported FX-Adjusted (Non-GAAP)	As adjusted FX-Adjusted (Non-GAAP)
REVENUES														
U.S. Pharmaceutical	$ 56,947	$ —	$ 56,947	$ 50,019	$ —	$ 50,019	$ —	$ 56,947	$ —	$ 56,947	14 %	14 %	14 %	14 %
Prescription Technology Solutions	1,066	—	1,066	881	—	881	—	1,066	—	1,066	21	21	21	21
Medical-Surgical Solutions	2,592	—	2,592	2,528	—	2,528	—	2,592	—	2,592	3	3	3	3
International	6,549	—	6,549	9,246	—	9,246	574	7,123	574	7,123	(29)	(29)	(23)	(23)
Revenues	$ 67,154	$ —	$ 67,154	$ 62,674	$ —	$ 62,674	$ 574	$ 67,728	$ 574	$ 67,728	7 %	7 %	8 %	8 %
OPERATING PROFIT (LOSS) (1)														
U.S. Pharmaceutical	$ 696	$ 15	$ 711	$ 682	$ —	$ 682	$ —	$ 696	$ —	$ 711	2 %	4 %	2 %	4 %
Prescription Technology Solutions	144	21	165	104	35	139	—	144	—	165	38	19	38	19
Medical-Surgical Solutions (3)	256	12	268	75	182	257	—	256	—	268	241	4	241	4
International	(6)	144	138	53	117	170	10	4	14	152	(111)	(19)	(92)	(11)
Subtotal	1,090	192	1,282	914	334	1,248	10	1,100	14	1,296	19	3	20	4
Corporate expenses, net (2)	(39)	(106)	(145)	(303)	149	(154)	(2)	(41)	(1)	(146)	(87)	(6)	(86)	(5)
Income from continuing operations before interest expense and income taxes	$ 1,051	$ 86	$ 1,137	$ 611	$ 483	$ 1,094	$ 8	$ 1,059	$ 13	$ 1,150	72 %	4 %	73 %	5 %
OPERATING PROFIT (LOSS) AS A % OF REVENUES														
U.S. Pharmaceutical	1.22 %		1.25 %	1.36 %		1.36 %		1.22 %		1.25 %	(14) bp	(11) bp	(14) bp	(11) bp
Prescription Technology Solutions	13.51		15.48	11.80		15.78		13.51		15.48	171	(30)	171	(30)
Medical-Surgical Solutions	9.88		10.34	2.97		10.17		9.88		10.34	691	17	691	17
International	(0.09)		2.11	0.57		1.84		0.06		2.13	(66)	27	(51)	29

All percentage changes displayed above which are not meaningful are displayed as zero percent.

Refer to the section entitled "Financial Statement Notes" of this presentation.

For more information relating to the Adjusted Segment Operating Profit (Non-GAAP), Adjusted Operating Profit (Non-GAAP), Adjusted Corporate Expenses (Non-GAAP), FX-Adjusted (Non-GAAP), and Adjusted Segment Operating Profit Margin (Non-GAAP) definitions, refer to the section entitled “Supplemental Non-GAAP Financial Information” of this presentation.

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GAAP to Non-GAAP Reconciliation

Full-Year Fiscal 2023 and Full-Year Fiscal 2022

McKESSON CORPORATION
RECONCILIATION OF GAAP CASH FLOWS TO FREE CASH FLOW (NON-GAAP)
(unaudited)
(in millions)

Schedule 6

	Three Months Ended June 30,		
	2022	**2021**	**Change**
GAAP CASH FLOW CATEGORIES			
Net cash used in operating activities	$ (941)	$ (1,622)	(42)%
Net cash provided by (used in) investing activities	39	(99)	139
Net cash used in financing activities	(1,181)	(2,151)	(45)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	18	11	64
Change in cash, cash equivalents, and restricted cash classified within Assets held for sale	470	—	—
Net decrease in cash, cash equivalents, and restricted cash	$ (1,595)	$ (3,861)	(59)%
FREE CASH FLOW (NON-GAAP)			
Net cash used in operating activities	$ (941)	$ (1,622)	(42)%
Payments for property, plant, and equipment	(71)	(93)	(24)
Capitalized software expenditures	(29)	(66)	(56)
Free Cash Flow (Non-GAAP)	$ (1,041)	$ (1,781)	(42)%

All percentage changes displayed above which are not meaningful are displayed as zero percent.

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

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Financial Statement Notes

McKESSON CORPORATION
FINANCIAL STATEMENT NOTES

(1) Restructuring, impairment, and related charges, net for the three months ended June 30, 2022 includes pre-tax charges of $23 million ($17 million after-tax) primarily for Corporate expenses, net as well as Prescription Technology Solutions. The three months ended June 30, 2021 includes pre-tax charges of $158 million ($129 million after-tax) primarily for Corporate expenses, net as well as our Canada and Europe businesses. Our Europe and Canada businesses are included within International. These charges are included under "total operating expenses" in the reconciliation of McKesson's GAAP operating results to adjusted results (Non-GAAP) provided in Schedule 2 of the accompanying financial statement tables.

(2) Claims and litigation charges, net for the three month ended June 30, 2021 includes a pre-tax charge of $27 million ($22 million after-tax) related to an agreement to settle opioid-related claims with the State of New York and its participating subdivisions, including Nassau and Suffolk Counties, and a pre-tax charge of $47 million ($39 million after-tax) related to our estimated liability for a comprehensive proposed agreement to settle opioid-related claims of participating states, their political subdivisions, and other government entities, within Corporate expenses, net. These charges are included under "total operating expenses" in the reconciliation of McKesson's GAAP operating results to adjusted results (Non-GAAP) provided in Schedule 2 of the accompanying financial statement tables.

(3) Other adjustments, net for the three months ended June 30, 2021 includes pre-tax charges of $155 million ($118 million after-tax) related to inventory write downs on certain excess personal protective equipment within Medical-Surgical Solutions. These charges are driven by the intent of management to not sell this excess inventory which required inventory write downs to zero net realizable value, and instead direct it to charitable organizations or otherwise dispose. A portion of this inventory was committed for donation to charitable organizations during our first quarter of fiscal 2022, which was delivered during fiscal 2022. Due to the nature of this inventory which is no longer intended for sale in a quantitatively significant amount, management believes this charge is not part of normal business operations and is therefore excluded from our determination of adjusted results. A pre-tax charge of $147 million ($112 million after-tax) is included under "gross profit" primarily related to the excess inventory, which we no longer plan to sell, and a pre-tax charge of $8 million ($6 million after-tax) is included under "total operating expenses" related to the completed donation in the reconciliation of McKesson's GAAP operating results to adjusted results (Non-GAAP) provided in Schedule 2 of the accompanying financial statement tables.

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.

Supplemental Non-GAAP Financial Information

SUPPLEMENTAL NON-GAAP FINANCIAL INFORMATION (continued)

- **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.

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. This also may include charges or credits for general non-operational claims not directly related to our ongoing business.

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 Schedules 2 and 3 of the financial statement tables included with this presentation.

MCKESSON

Supplemental Non-GAAP Financial Information

SUPPLEMENTAL NON-GAAP FINANCIAL INFORMATION (continued)

- **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. The supplemental FX-Adjusted information of the Company's GAAP financial results and adjusted results (Non-GAAP) is provided in Schedule 3 of the financial statement tables included with this presentation.

- **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 Schedule 6 of the financial statement tables included with this presentation.

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.