



**McKesson Corporation**  
**Fiscal 2022 Financial Results**  
**Fiscal 2023 Annual Outlook**

May 5, 2022

# 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 or indemnification; 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 achieving our strategic growth objectives; 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; our use of third party data is subject to limitations that could impede the growth of our data services business; 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 inflation, 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.

## 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](http://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:

**1 Focus on  
People and  
Culture**

**2 Sustainable  
Core Growth**

**3 Streamline  
the Portfolio**

**4 Expand Oncology  
and Biopharma  
Ecosystems**



# **Fourth Quarter Fiscal 2022 Results**

# Strong fiscal 2022 performance; Significant progress advancing company priorities

## Business Summary

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Fiscal 2022 revenues of **\$264.0 billion** increased 11%

Earnings per diluted share from continuing operations of **\$7.26** increased \$35.52

Adjusted Earnings per Diluted Share of **\$23.69** increased 38%

Cash flow from operations of **\$4.4 billion** and Free Cash Flow of **\$3.9 billion**

McKesson continued its planned exit from the European market

McKesson played a leading role in the fight against COVID-19. Through March 31, 2022:

- U.S. Pharmaceutical successfully shipped over 380 million COVID-19 vaccines to administration sites across the U.S. and in support of the U.S. government's international donation mission
- Medical-Surgical Solutions assembled enough kits to support the administration of more than 1.2 billion doses of COVID-19 vaccines
- Medical-Surgical Solutions distributed more than 135 million COVID-19 tests to physicians' offices and other alternate healthcare sites

## Corporate Responsibility Updates

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- Announced the approval of the proposed opioid settlement agreement in February 2022, an agreement with Alabama in April 2022, and an agreement with Washington in May 2022, bringing the total number of states settling opioid-related claims with McKesson to 48 of 49 eligible states and the District of Columbia.
- Accomplished a significant refresh of the Board of Directors in fiscal 2022
- Received multiple awards and acknowledgements for diversity, equity, and inclusion achievements
- Submitted science-based targets to the Science Based Targets initiative (SBTi) in fourth quarter fiscal 2022 for official validation

# Consolidated financial information

## Q4 and Full Year Fiscal 2022 Results

| Results<br>(\$ and shares in millions, except per share amounts) | Q4<br>FY 22 | YoY<br>Change | Full Year<br>FY 22 | YoY<br>Change |
|--|-------------|---------------|--------------------|---------------|
| Revenues   | \$ 66,102   | 12 %          | \$ 263,966         | 11 %          |
| Adjusted Gross Profit  | \$ 3,374    | 6 %           | \$ 13,208          | 11 %          |
| Adjusted Operating Expenses                                      | \$ (2,185)  | 4 %           | \$ (8,577)         | 4 %           |
| Adjusted Operating Profit  | \$ 1,204    | 3 %           | \$ 4,849           | 25 %          |
| Interest expense   | \$ (43)     | (17) %        | \$ (178)           | (18) %        |
| Adjusted Income Tax Expense                                      | \$ (254)    | — %           | \$ (846)           | 24 %          |
| Net income attributable to noncontrolling interests              | \$ (37)     | (21) %        | \$ (173)           | (13) %        |
| Adjusted Earnings  | \$ 870      | 7 %           | \$ 3,652           | 31 %          |
| Adjusted Earnings per Diluted Share                              | \$ 5.83     | 15 %          | \$ 23.69           | 38 %          |
| Diluted weighted average common shares                           | 149.2       | (7) %         | 154.1              | (5) %         |

# U.S. Pharmaceutical

## Q4 and Full Year Fiscal 2022 Results

| Results<br>(\$ in millions)              | Q4<br>FY 22 | YoY<br>Change | Full Year<br>FY 22 | YoY<br>Change |
|--|-------------|---------------|--------------------|---------------|
| <b>U.S. Pharmaceutical</b>               |             |               |                    |               |
| Revenues                                 | \$ 53,678   | 14 %          | \$ 212,149         | 12 %          |
| Adjusted Segment Operating Profit        | \$ 780      | (4) %         | \$ 2,932           | 8 %           |
| Adjusted Segment Operating Profit Margin | 1.45 %      | (28) bp       | 1.38 %             | (6) bp        |

**Q4 revenue** increase driven by increased volume of specialty products, including higher volumes from retail national account customers, and market growth, partially offset by branded to generic conversions

**Q4 Adjusted Segment Operating Profit** decrease driven by lower demand of COVID-19 vaccine distribution, partially offset by growth in distribution of specialty products to providers and health systems. Excluding the impact of COVID-19 vaccine distribution, the U.S. Pharmaceutical segment delivered Adjusted Segment Operating Profit growth of 2%

# Prescription Technology Solutions

## Q4 and Full Year Fiscal 2022 Results

| Results<br>(\$ in millions)                     | Q4<br>FY 22 | YoY<br>Change | Full Year<br>FY 22 | YoY<br>Change |
|---|-------------|---------------|--------------------|---------------|
| <b><u>Prescription Technology Solutions</u></b> |             |               |                    |               |
| Revenues  | \$ 1,020    | 29 %          | \$ 3,864           | 34 %          |
| Adjusted Segment Operating Profit               | \$ 162      | 11 %          | \$ 590             | 26 %          |
| Adjusted Segment Operating Profit Margin        | 15.88 %     | (262) bp      | 15.27 %            | (89) bp       |

**Q4 revenue** increase driven by volume growth related to biopharma services, including third-party logistics services and increased technology service revenue, partially resulting from the growth of prescription volumes

**Q4 Adjusted Segment Operating Profit** increase driven by growth from access and adherence solutions

# Medical-Surgical Solutions

## Q4 and Full Year Fiscal 2022 Results

| Results<br>(\$ in millions)              | Q4<br>FY 22 | YoY<br>Change | Full Year<br>FY 22 | YoY<br>Change |
|--|-------------|---------------|--------------------|---------------|
| <b><u>Medical-Surgical Solutions</u></b> |             |               |                    |               |
| Revenues                                 | \$ 2,874    | 6 %           | \$ 11,608          | 15 %          |
| Adjusted Segment Operating Profit        | \$ 298      | 55 %          | \$ 1,204           | 50 %          |
| Adjusted Segment Operating Profit Margin | 10.37 %     | 329 bp        | 10.37 %            | 240 bp        |

**Q4 revenue** increase driven by growth and improvements in the primary care business

**Q4 Adjusted Segment Operating Profit** increase driven by prior year inventory charges on personal protective equipment (PPE) and related products as well as growth and improvements in the primary care business; Excluding the impacts of COVID-19 related items and prior year inventory charges on PPE, the Medical-Surgical Solutions segment delivered Adjusted Segment Operating Profit growth of 26%

# International

## Q4 and Full Year Fiscal 2022 Results

| Results<br>(\$ in millions)                    | Q4<br>FY 22 | YoY<br>Change | Full Year<br>FY 22 | YoY<br>Change |
|--|-------------|---------------|--------------------|---------------|
| <b>International</b>                           |             |               |                    |               |
| Revenues <sup>1</sup>                          | \$ 8,530    | (1) %         | \$ 36,345          | 1 %           |
| Adjusted Segment Operating Profit <sup>1</sup> | \$ 147      | 7 %           | \$ 702             | 45 %          |
| Adjusted Segment Operating Profit Margin       | 1.72 %      | 12 bp         | 1.93 %             | 58 bp         |

**Q4 FX-Adjusted revenue** of \$8.8 billion, up 3%, driven by the sales to new customers in the Canadian business and year-over-year volume recovery from COVID-19, partially offset by the divestiture of McKesson's Austrian business, which was closed during the fourth quarter of fiscal 2022

**Q4 FX-Adjusted Segment Operating Profit** of \$152 million, up 10% year-over-year, driven by the reduction of depreciation and amortization on European assets under agreements to sell and increased volumes in the pharmaceutical distribution business, including COVID-19 vaccines, tests, and PPE

<sup>1</sup> Revenue and Adjusted Segment Operating Profit is presented without adjustments for the effects of foreign currency.

# Corporate

## Q4 and Full Year Fiscal 2022 Results

| Results<br>(\$ in millions) | Q4<br>FY 22 | YoY<br>Change | Full Year<br>FY 22 | YoY<br>Change |
|-----------------------------|-------------|---------------|--------------------|---------------|
| <b>Corporate</b>            |             |               |                    |               |
| Adjusted Corporate Expenses | \$ (183)    | 46 %          | \$ (579)           | (1) %         |

**Q4 Adjusted Corporate Expenses** increased 46% year-over-year driven by net gains of approximately \$44 million associated with McKesson Ventures' equity investments recorded in the fourth quarter of fiscal 2021, partially offset by lower opioid litigation expenses

# Opioid-related costs

## Q4 and Full Year Fiscal 2022 Results

| Results<br>(\$ in millions)                    | Q4<br>FY 22   | Q4<br>FY 21  | Full Year<br>FY 22 | Full Year<br>FY 21 |
|--|---------------|--------------|--------------------|--------------------|
| <b><u>Opioid-related costs</u></b>             |               |              |                    |                    |
| Claims and litigation charges, net (GAAP-only) | \$ 81         | \$ —         | \$ 274             | \$ 7,936           |
| Opioid Stewardship Assessment (GAAP-only)      | \$ —          | \$ —         | \$ —               | \$ 50              |
| Legal fees and other                           | \$ 26         | \$ 35        | \$ 130             | \$ 153             |
| <b>Total expense</b>                           | <b>\$ 107</b> | <b>\$ 35</b> | <b>\$ 404</b>      | <b>\$ 8,139</b>    |

### **Claims and Litigation Charges<sup>1</sup>:**

Q4 opioid-related costs included a GAAP-only pre-tax charge of \$81 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

<sup>1</sup> McKesson's total estimated liability for opioid-related claims was \$8.2 billion as of March 31, 2022, which includes a current portion of \$1.1 billion

# Cash

(\$ in millions)

## Full-Year Cash Balance Walk

|  |           |              |
|--|-----------|--------------|
| <b>Balance at March 31, 2021<sup>1</sup></b>       | <b>\$</b> | <b>6,396</b> |
| Operating cash flow                                |           | 4,434        |
| Capital expenditures                               |           | (535)        |
| Free Cash Flow                                     |           | 3,899        |
| Acquisitions                                       |           | (6)          |
| Other investing cash flows                         |           | 452          |
| Share repurchases                                  |           | (3,516)      |
| Exercise of put right                              |           | (1,031)      |
| Dividends paid                                     |           | (277)        |
| Other financing cash flows and FX                  |           | (1,442)      |
| Classified as Assets held for sale                 |           | (540)        |
| Net decrease in cash                               |           | (2,461)      |
| <b>Balance at March 31, 2022<sup>1</sup></b>       | <b>\$</b> | <b>3,935</b> |
| Less: Restricted cash                              |           | (403)        |
| <b>Cash and cash equivalents at March 31, 2022</b> | <b>\$</b> | <b>3,532</b> |

<sup>1</sup> Cash comprises cash, cash equivalents, and restricted cash

## Cash Dynamics

Free Cash Flow of **\$3.9 billion**

Returned **\$3.8 billion** of cash to shareholders in fiscal 2022

- Repurchased **\$3.5 billion** of shares
- Paid **\$277 million** in dividends

Remaining share repurchase authorization of **\$3.3 billion** as of March 31, 2022

# 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

**\$22.90 to \$23.60**

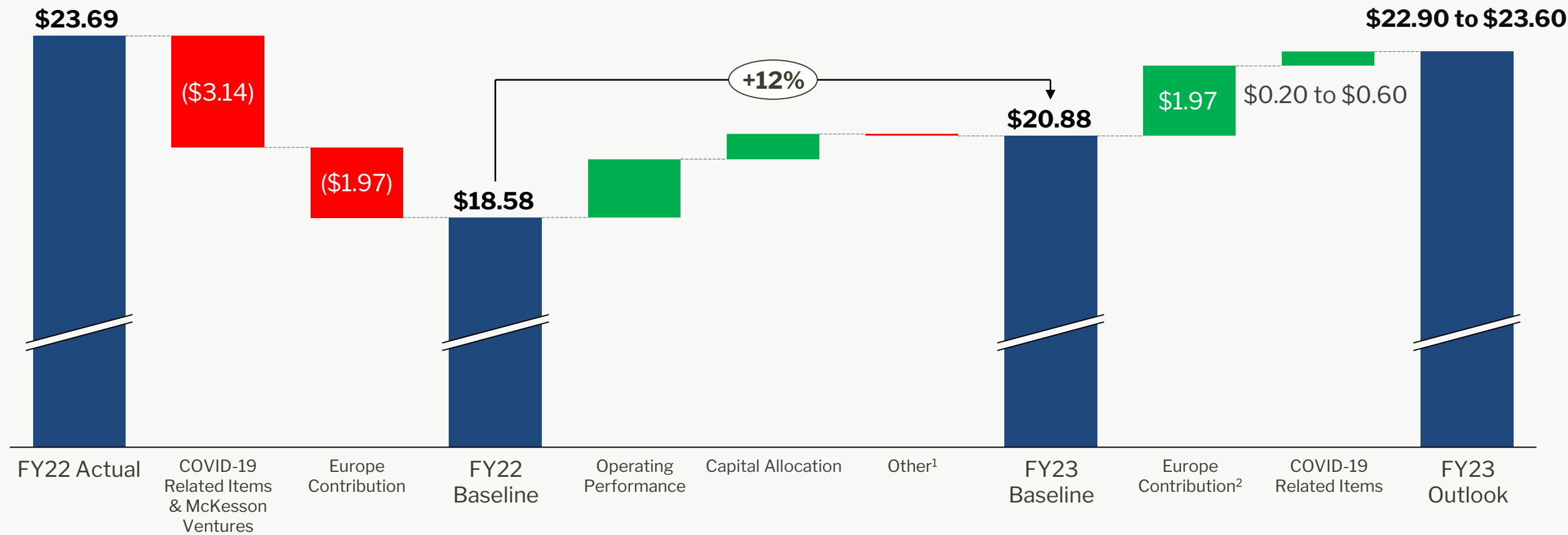
|   | <u><b>FY23 Outlook</b></u> | <u><b>FY22 Actual</b></u> | <u><b>FY21 Actual</b></u> |
|---|----------------------------|---------------------------|---------------------------|
| COVID-19 vaccine distribution for U.S. government <sup>1</sup>                            | \$0.05 to \$0.20           | \$0.89                    | \$0.35                    |
| Kitting, storage, and distribution of ancillary supplies for U.S. government <sup>1</sup> | Less than \$0.05           | \$0.90                    | \$0.35                    |
| COVID-19 tests  | \$0.15 to \$0.35           | \$0.88                    | \$0.86                    |
| Impairments for PPE and related products  | --                         | NM <sup>2</sup>           | (\$0.62)                  |
| Net gains associated with McKesson Ventures' equity investments                           | --                         | \$0.47                    | \$0.60                    |
| <b>Total impact of items</b>  | <b>\$0.20 to \$0.60</b>    | <b>\$3.14</b>             | <b>\$1.54</b>             |

**Excluding the impacts of the above items indicate 9% to 14% forecasted growth**

<sup>1</sup> Contracts with U.S. government for vaccine distribution and kitting, storage, and distribution of ancillary supplies run through July 2022.

<sup>2</sup> NM Computation not meaningful.

# 12% baseline Fiscal 2023 Adjusted EPS growth



<sup>1</sup>Includes opioid litigation, higher tax rate, and interest expense.  
<sup>2</sup>Includes anticipated contribution from remaining European operations of \$0.85 to \$1.15 in Fiscal 2023, and contribution from capital allocation to offset year-over-year loss in Europe earnings.

# Fiscal 2023 outlook at or above our long-term segment targets

## Fiscal 2023 Adjusted Segment Operating Profit:

|                                   | Fiscal 2023 Outlook <sup>1</sup> | Investor Day Long-Term Targets <sup>2</sup> |
|-----------------------------------|----------------------------------|---|
| U.S. Pharmaceutical               | 3% to 5% growth                  | 4%  |
| Prescription Technology Solutions | 14% to 20% growth                | 11%   |
| Medical-Surgical Solutions        | 8% to 14% growth                 | 10%   |

<sup>1</sup>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.

<sup>2</sup>Compound Annual Growth Rate (CAGR) provided at Investor Day in 2021. Represents Fiscal 2019 to Fiscal 2022 guidance midpoint as of December 8, 2021.

# Fiscal 2023 outlook

## Consolidated metrics

| Metric   | Fiscal 2023 Outlook         | Fiscal 2022 Actual |
|--|-----------------------------|--------------------|
| Adjusted Earnings per Diluted Share              | \$22.90 to \$23.60          | \$23.69            |
| Revenues   | Flat to 4% growth           | 11% growth         |
| Adjusted Operating Profit                        | 4% to 10% decline           | 25% growth         |
| Adjusted Corporate Expenses                      | \$520 to \$590 million      | \$579 million      |
| Interest Expense                                 | \$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 litigation expenses                       | Approximately \$40 million  | \$130 million      |

# Fiscal 2023 outlook

## Segment metrics

|   | U.S. Pharmaceutical | Prescription Technology Solutions | Medical-Surgical Solutions | International      |
|---|---------------------|-----------------------------------|----------------------------|--------------------|
| <b>FY23 Revenue</b>                             | 7% to 10% growth    | 17% to 23% growth                 | 7% to 11% decline          | 34% to 38% decline |
| <b>FY23 Adjusted Segment Operating Profit:</b>  |                     |                                   |                            |                    |
| Reported  | Flat to 4% decline  | 14% to 20% growth                 | 15% to 21% decline         | 22% to 28% decline |
| Excluding COVID-19 related impacts <sup>1</sup> | 3% to 5% growth     |                                   | 8% to 14% growth           |                    |

<sup>1</sup> 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.

# Appendix

# GAAP to Non-GAAP Reconciliation

## Q4 and Full-Year Fiscal 2022 and Fiscal 2021

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

Schedule 2

|   | Three Months Ended March 31, |                |              | Year Ended March 31, |                   |              |
|---|------------------------------|----------------|--------------|----------------------|-------------------|--------------|
|   | 2022                         | 2021           | Change       | 2022                 | 2021              | Change       |
| Income (loss) from continuing operations (GAAP)   | \$ 407                       | \$ 713         | (43)%        | \$ 1,292             | \$ (4,339)        | 130 %        |
| Net income attributable to noncontrolling interests (GAAP)  | (37)                         | (47)           | (21)         | (173)                | (199)             | (13)         |
| <b>Income (loss) from continuing operations attributable to McKesson Corporation (GAAP)</b>   | <b>370</b>                   | <b>666</b>     | <b>(44)</b>  | <b>1,119</b>         | <b>(4,538)</b>    | <b>125</b>   |
| Pre-tax adjustments:  |                              |                |              |                      |                   |              |
| Amortization of acquisition-related intangibles   | 70                           | 102            | (31)         | 333                  | 423               | (21)         |
| Transaction-related expenses and adjustments <sup>(1) (2) (3) (4)</sup>   | 234                          | 22             | 964          | 1,577                | 106               | —            |
| LIFO inventory-related adjustments  | 56                           | 77             | (27)         | (23)                 | (38)              | (39)         |
| Gains from antitrust legal settlements  | —                            | (181)          | (100)        | (46)                 | (181)             | (75)         |
| Restructuring, impairment, and related charges, net <sup>(5)</sup>  | 73                           | 63             | 16           | 281                  | 337               | (17)         |
| Claims and litigation charges, net <sup>(6) (7) (8) (9) (10)</sup>  | 81                           | —              | —            | 274                  | 7,936             | (97)         |
| Other adjustments, net <sup>(11) (12) (13) (14)</sup>   | —                            | —              | —            | 347                  | 124               | 180          |
| Income tax effect on pre-tax adjustments  | (14)                         | 61             | (123)        | (210)                | (1,377)           | (85)         |
| Net income attributable to noncontrolling interests effect on other adjustments, net <sup>(13)</sup>                                      | —                            | —              | —            | —                    | (4)               | (100)        |
| <b>Adjusted Earnings (Non-GAAP)</b>   | <b>\$ 870</b>                | <b>\$ 810</b>  | <b>7 %</b>   | <b>\$ 3,652</b>      | <b>\$ 2,788</b>   | <b>31 %</b>  |
| Diluted weighted-average common shares outstanding  | 149.2                        | 160.5          | (7)%         | 154.1                | 162.0             | (5)%         |
| <b>Earnings (loss) per diluted common share from continuing operations attributable to McKesson Corporation (GAAP) <sup>(a) (b)</sup></b> | <b>\$ 2.48</b>               | <b>\$ 4.15</b> | <b>(40)%</b> | <b>\$ 7.26</b>       | <b>\$ (28.26)</b> | <b>126 %</b> |
| After-tax adjustments:  |                              |                |              |                      |                   |              |
| Amortization of acquisition-related intangibles   | 0.36                         | 0.51           | (29)         | 1.69                 | 2.02              | (16)         |
| Transaction-related expenses and adjustments  | 1.82                         | 0.13           | —            | 10.40                | 0.62              | —            |
| LIFO inventory-related adjustments  | 0.28                         | 0.36           | (22)         | (0.11)               | (0.17)            | (35)         |
| Gains from antitrust legal settlements  | —                            | (0.84)         | (100)        | (0.22)               | (0.83)            | (73)         |
| Restructuring, impairment, and related charges, net   | 0.39                         | 0.30           | 30           | 1.46                 | 1.71              | (15)         |
| Claims and litigation charges, net  | 0.51                         | 0.45           | 13           | 1.54                 | 41.22             | (96)         |
| Other adjustments, net  | (0.01)                       | (0.01)         | —            | 1.67                 | 0.66              | 153          |
| <b>Adjusted Earnings per Diluted Share (Non-GAAP) <sup>(b) (c)</sup></b>  | <b>\$ 5.83</b>               | <b>\$ 5.05</b> | <b>15 %</b>  | <b>\$ 23.69</b>      | <b>\$ 17.21</b>   | <b>38 %</b>  |

# GAAP to Non-GAAP Reconciliation

## Q4 and Full-Year Fiscal 2022 and Fiscal 2021

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

**Schedule 2**  
**(Continued)**

|   | Three Months Ended March 31, |                   |        | Year Ended March 31, |                   |        |
|---|------------------------------|-------------------|--------|----------------------|-------------------|--------|
|   | 2022                         | 2021              | Change | 2022                 | 2021              | Change |
| <b>Gross profit (GAAP)</b>  | \$ 3,318                     | \$ 3,297          | 1 %    | \$ 13,130            | \$ 12,148         | 8 %    |
| Pre-tax adjustments:  |                              |                   |        |                      |                   |        |
| LIFO inventory-related adjustments                                      | 56                           | 77                | (27)   | (23)                 | (38)              | (39)   |
| Gains from antitrust legal settlements                                  | —                            | (181)             | (100)  | (46)                 | (181)             | (75)   |
| Restructuring, impairment, and related charges, net                     | —                            | —                 | —      | —                    | 3                 | (100)  |
| Other adjustments, net <sup>(12)</sup>                                  | —                            | —                 | —      | 147                  | —                 | —      |
| <b>Adjusted Gross Profit (Non-GAAP)</b>                                 | <u>\$ 3,374</u>              | <u>\$ 3,193</u>   | 6 %    | <u>\$ 13,208</u>     | <u>\$ 11,932</u>  | 11 %   |
| <b>Total operating expenses (GAAP)</b>                                  | \$ (2,685)                   | \$ (2,287)        | 17 %   | \$ (11,092)          | \$ (17,188)       | (35)%  |
| Pre-tax adjustments:  |                              |                   |        |                      |                   |        |
| Amortization of acquisition-related intangibles                         | 70                           | 101               | (31)   | 332                  | 422               | (21)   |
| Transaction-related expenses and adjustments <sup>(1) (2) (3) (4)</sup> | 276                          | 21                | —      | 1,619                | 105               | —      |
| Restructuring, impairment, and related charges, net <sup>(5)</sup>      | 73                           | 63                | 16     | 281                  | 334               | (16)   |
| Claims and litigation charges, net <sup>(6) (7) (8) (9) (10)</sup>      | 81                           | —                 | —      | 274                  | 7,936             | (97)   |
| Other adjustments, net <sup>(12) (13) (14)</sup>                        | —                            | 1                 | (100)  | 9                    | 124               | (93)   |
| <b>Adjusted Operating Expenses (Non-GAAP)</b>                           | <u>\$ (2,185)</u>            | <u>\$ (2,101)</u> | 4 %    | <u>\$ (8,577)</u>    | <u>\$ (8,267)</u> | 4 %    |
| <b>Other income, net (GAAP)</b>   | \$ 57                        | \$ 71             | (20)%  | \$ 259               | \$ 223            | 16 %   |
| Pre-tax adjustments:  |                              |                   |        |                      |                   |        |
| Amortization of acquisition-related intangibles                         | —                            | 1                 | (100)  | 1                    | 1                 | —      |
| Transaction-related expenses and adjustments <sup>(4)</sup>             | (42)                         | 1                 | —      | (42)                 | 1                 | —      |
| Other adjustments, net  | —                            | (1)               | (100)  | —                    | —                 | —      |
| <b>Adjusted Other Income (Non-GAAP)</b>                                 | <u>\$ 15</u>                 | <u>\$ 72</u>      | (79)%  | <u>\$ 218</u>        | <u>\$ 225</u>     | (3)%   |

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

# GAAP to Non-GAAP Reconciliation

## Q4 and Full-Year Fiscal 2022 and Fiscal 2021

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

**Schedule 2**  
**(Continued)**

|  | Three Months Ended March 31, |                 |        | Year Ended March 31, |                 |        |
|--|------------------------------|-----------------|--------|----------------------|-----------------|--------|
|  | 2022                         | 2021            | Change | 2022                 | 2021            | Change |
| <b>Loss on debt extinguishment (GAAP)</b>              | \$ —                         | \$ —            | — %    | \$ (191)             | \$ —            | — %    |
| Pre-tax adjustments:                                   |                              |                 |        |                      |                 |        |
| Other adjustments, net <sup>(11)</sup>                 | —                            | —               | —      | 191                  | —               | —      |
| <b>Adjusted Loss on Debt Extinguishment (Non-GAAP)</b> | <u>\$ —</u>                  | <u>\$ —</u>     | — %    | <u>\$ —</u>          | <u>\$ —</u>     | — %    |
| <b>Income tax benefit (expense) (GAAP)</b>             | \$ (240)                     | \$ (316)        | (24)%  | \$ (636)             | \$ 695          | (192)% |
| Tax adjustments:                                       |                              |                 |        |                      |                 |        |
| Amortization of acquisition-related intangibles        | (16)                         | (20)            | (20)   | (72)                 | (95)            | (24)   |
| Transaction-related expenses and adjustments           | 37                           | (1)             | —      | 26                   | (6)             | 533    |
| LIFO inventory-related adjustments                     | (14)                         | (20)            | (30)   | 6                    | 10              | (40)   |
| Gains from antitrust legal settlements                 | —                            | 47              | (100)  | 12                   | 47              | (74)   |
| Restructuring, impairment, and related charges, net    | (15)                         | (16)            | (6)    | (56)                 | (60)            | (7)    |
| Claims and litigation charges, net                     | (4)                          | 72              | (106)  | (37)                 | (1,259)         | (97)   |
| Other adjustments, net                                 | (2)                          | (1)             | 100    | (89)                 | (14)            | 536    |
| <b>Adjusted Income Tax Expense (Non-GAAP)</b>          | <u>\$ (254)</u>              | <u>\$ (255)</u> | — %    | <u>\$ (846)</u>      | <u>\$ (682)</u> | 24 %   |

(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 three months and 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 a 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 three months and year ended March 31, 2022 was \$5.84 and \$23.60, which excludes the foreign currency exchange effect of \$0.01 and \$0.09, respectively.

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), Adjusted Loss on Debt Extinguishment (Non-GAAP), and Adjusted Income Tax Expense (Non-GAAP) definitions, refer to the section entitled "Supplemental Non-GAAP Financial Information" of this presentation.

# GAAP to Non-GAAP Reconciliation

## Q4 Fiscal 2022 and Q4 Fiscal 2021

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

**Schedule 3**

|  | Three Months Ended March 31, |               |                           |                       |              |                           |                                |                           |                                |                           |                       |                           |  |  |
|--|------------------------------|---------------|---------------------------|-----------------------|--------------|---------------------------|--------------------------------|---------------------------|--------------------------------|---------------------------|-----------------------|---------------------------|--|--|
|  | 2022                         |               |                           | 2021                  |              |                           | As reported                    |                           | As adjusted                    |                           | Change                |                           |  |  |
|  | As reported<br>(GAAP)        | Adjustments   | As adjusted<br>(Non-GAAP) | As reported<br>(GAAP) | Adjustments  | As adjusted<br>(Non-GAAP) | Foreign<br>currency<br>effects | FX-Adjusted<br>(Non-GAAP) | Foreign<br>currency<br>effects | FX-Adjusted<br>(Non-GAAP) | As reported<br>(GAAP) | As adjusted<br>(Non-GAAP) | As reported<br>FX-Adjusted<br>(Non-GAAP) | As adjusted<br>FX-Adjusted<br>(Non-GAAP) |
| <b>REVENUES</b>  |                              |               |                           |                       |              |                           |                                |                           |                                |                           |                       |                           |  |  |
| U.S. Pharmaceutical  | \$ 53,678                    | \$ —          | \$ 53,678                 | \$ 47,042             | \$ —         | \$ 47,042                 | \$ —                           | \$ 53,678                 | \$ —                           | \$ 53,678                 | 14 %                  | 14 %                      | 14 %                                     | 14 %                                     |
| Prescription Technology Solutions  | 1,020                        | —             | 1,020                     | 789                   | —            | 789                       | —                              | 1,020                     | —                              | 1,020                     | 29                    | 29                        | 29                                       | 29                                       |
| Medical-Surgical Solutions   | 2,874                        | —             | 2,874                     | 2,711                 | —            | 2,711                     | —                              | 2,874                     | —                              | 2,874                     | 6                     | 6                         | 6  | 6  |
| International  | 8,530                        | —             | 8,530                     | 8,600                 | —            | 8,600                     | 313                            | 8,843                     | 313                            | 8,843                     | (1)                   | (1)                       | 3  | 3  |
| Revenues   | <u>\$ 66,102</u>             | <u>\$ —</u>   | <u>\$ 66,102</u>          | <u>\$ 59,142</u>      | <u>\$ —</u>  | <u>\$ 59,142</u>          | <u>\$ 313</u>                  | <u>\$ 66,415</u>          | <u>\$ 313</u>                  | <u>\$ 66,415</u>          | <u>12 %</u>           | <u>12 %</u>               | <u>12 %</u>                              | <u>12 %</u>                              |
| <b>OPERATING PROFIT (LOSS) <sup>(5)</sup></b>                              |                              |               |                           |                       |              |                           |                                |                           |                                |                           |                       |                           |  |  |
| U.S. Pharmaceutical  | \$ 693                       | \$ 87         | \$ 780                    | \$ 892                | \$ (79)      | \$ 813                    | \$ —                           | \$ 693                    | \$ —                           | \$ 780                    | (22) %                | (4) %                     | (22) %                                   | (4) %                                    |
| Prescription Technology Solutions  | 139                          | 23            | 162                       | 125                   | 21           | 146                       | —                              | 139                       | —                              | 162                       | 11                    | 11                        | 11                                       | 11                                       |
| Medical-Surgical Solutions   | 280                          | 18            | 298                       | 171                   | 21           | 192                       | —                              | 280                       | —                              | 298                       | 64                    | 55                        | 64                                       | 55                                       |
| International <sup>(1) (3) (4)</sup>                                       | (207)                        | 354           | 147                       | 76                    | 62           | 138                       | (18)                           | (225)                     | 5                              | 152                       | (372)                 | 7                         | (396)                                    | 10                                       |
| Subtotal   | 905                          | 482           | 1,387                     | 1,264                 | 25           | 1,289                     | (18)                           | 887                       | 5                              | 1,392                     | (28)                  | 8                         | (30)                                     | 8  |
| Corporate expenses, net <sup>(3) (6)</sup>                                 | (215)                        | 32            | (183)                     | (183)                 | 58           | (125)                     | —                              | (215)                     | —                              | (183)                     | 17                    | 46                        | 17                                       | 46                                       |
| Income from continuing operations before interest expense and income taxes | <u>\$ 690</u>                | <u>\$ 514</u> | <u>\$ 1,204</u>           | <u>\$ 1,081</u>       | <u>\$ 83</u> | <u>\$ 1,164</u>           | <u>\$ (18)</u>                 | <u>\$ 672</u>             | <u>\$ 5</u>                    | <u>\$ 1,209</u>           | <u>(36) %</u>         | <u>3 %</u>                | <u>(38) %</u>                            | <u>4 %</u>                               |
| <b>OPERATING PROFIT (LOSS) AS A % OF REVENUES</b>                          |                              |               |                           |                       |              |                           |                                |                           |                                |                           |                       |                           |  |  |
| U.S. Pharmaceutical  | 1.29 %                       |               | 1.45 %                    | 1.90 %                |              | 1.73 %                    |                                | 1.29 %                    |                                | 1.45 %                    | (61) bp               | (28) bp                   | (61) bp                                  | (28) bp                                  |
| Prescription Technology Solutions  | 13.63                        |               | 15.88                     | 15.84                 |              | 18.50                     |                                | 13.63                     |                                | 15.88                     | (221)                 | (262)                     | (221)                                    | (262)                                    |
| Medical-Surgical Solutions   | 9.74                         |               | 10.37                     | 6.31                  |              | 7.08                      |                                | 9.74                      |                                | 10.37                     | 343                   | 329                       | 343                                      | 329                                      |
| International  | (2.43)                       |               | 1.72                      | 0.88                  |              | 1.60                      |                                | (2.54)                    |                                | 1.72                      | (331)                 | 12                        | (342)                                    | 12                                       |

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.

# GAAP to Non-GAAP Reconciliation

## Full-Year Fiscal 2022 and Full-Year Fiscal 2021

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

**Schedule 3**  
**(Continued)**

|   | Year Ended March 31,  |                 |                           |                       |                 |                           |                                |                           |                                |                           | Change                |                               |  |  |
|---|-----------------------|-----------------|---------------------------|-----------------------|-----------------|---------------------------|--------------------------------|---------------------------|--------------------------------|---------------------------|-----------------------|-------------------------------|--|--|
|   | 2022                  |                 |                           | 2021                  |                 |                           | As reported                    |                           | As adjusted                    |                           |                       |                               |  |  |
|   | As reported<br>(GAAP) | Adjustments     | As adjusted<br>(Non-GAAP) | As reported<br>(GAAP) | Adjustments     | As adjusted<br>(Non-GAAP) | Foreign<br>currency<br>effects | FX-Adjusted<br>(Non-GAAP) | Foreign<br>currency<br>effects | FX-Adjusted<br>(Non-GAAP) | As reported<br>(GAAP) | As adjusted<br>(Non-<br>GAAP) | As reported<br>FX-Adjusted<br>(Non-GAAP) | As adjusted<br>FX-Adjusted<br>(Non-<br>GAAP) |
| REVENUES  |                       |                 |                           |                       |                 |                           |                                |                           |                                |                           |                       |                               |  |  |
| U.S. Pharmaceutical   | \$ 212,149            | \$ —            | \$ 212,149                | \$ 189,274            | \$ —            | \$ 189,274                | \$ —                           | \$ 212,149                | \$ —                           | \$ 212,149                | 12 %                  | 12 %                          | 12 %                                     | 12 %   |
| Prescription Technology Solutions   | 3,864                 | —               | 3,864                     | 2,890                 | —               | 2,890                     | —                              | 3,864                     | —                              | 3,864                     | 34                    | 34                            | 34                                       | 34   |
| Medical-Surgical Solutions  | 11,608                | —               | 11,608                    | 10,099                | —               | 10,099                    | —                              | 11,608                    | —                              | 11,608                    | 15                    | 15                            | 15                                       | 15   |
| International   | 36,345                | —               | 36,345                    | 35,965                | —               | 35,965                    | (979)                          | 35,366                    | (979)                          | 35,366                    | 1                     | 1                             | (2)                                      | (2)  |
| Revenues  | <u>\$ 263,966</u>     | <u>\$ —</u>     | <u>\$ 263,966</u>         | <u>\$ 238,228</u>     | <u>\$ —</u>     | <u>\$ 238,228</u>         | <u>\$ (979)</u>                | <u>\$ 262,987</u>         | <u>\$ (979)</u>                | <u>\$ 262,987</u>         | 11 %                  | 11 %                          | 10 %                                     | 10 %   |
| OPERATING PROFIT (LOSS) <sup>(5)</sup>  |                       |                 |                           |                       |                 |                           |                                |                           |                                |                           |                       |                               |  |  |
| U.S. Pharmaceutical <sup>(14)</sup>   | \$ 2,879              | \$ 53           | \$ 2,932                  | \$ 2,763              | \$ (46)         | \$ 2,717                  | \$ —                           | \$ 2,879                  | \$ —                           | \$ 2,932                  | 4 %                   | 8 %                           | 4 %                                      | 8 %  |
| Prescription Technology Solutions   | 500                   | 90              | 590                       | 395                   | 72              | 467                       | —                              | 500                       | —                              | 590                       | 27                    | 26                            | 27                                       | 26   |
| Medical-Surgical Solutions <sup>(12)</sup>  | 959                   | 245             | 1,204                     | 707                   | 98              | 805                       | —                              | 959                       | —                              | 1,204                     | 36                    | 50                            | 36                                       | 50   |
| International <sup>(1) (2) (3) (4) (13)</sup>                                     | (968)                 | 1,670           | 702                       | (37)                  | 522             | 485                       | (30)                           | (998)                     | (21)                           | 681                       | —                     | 45                            | —  | 40   |
| Subtotal  | 3,370                 | 2,058           | 5,428                     | 3,828                 | 646             | 4,474                     | (30)                           | 3,340                     | (21)                           | 5,407                     | (12)                  | 21                            | (13)                                     | 21   |
| Corporate expenses, net <sup>(3) (6) (7) (8) (9) (10)</sup>                       | (1,073)               | 494             | (579)                     | (8,645)               | 8,061           | (584)                     | 3                              | (1,070)                   | 3                              | (576)                     | (88)                  | (1)                           | (88)                                     | (1)  |
| Income (loss) from continuing operations before interest expense and income taxes | <u>\$ 2,297</u>       | <u>\$ 2,552</u> | <u>\$ 4,849</u>           | <u>\$ (4,817)</u>     | <u>\$ 8,707</u> | <u>\$ 3,890</u>           | <u>\$ (27)</u>                 | <u>\$ 2,270</u>           | <u>\$ (18)</u>                 | <u>\$ 4,831</u>           | 148 %                 | 25 %                          | 147 %                                    | 24 %   |
| OPERATING PROFIT (LOSS) AS A % OF REVENUES  |                       |                 |                           |                       |                 |                           |                                |                           |                                |                           |                       |                               |  |  |
| U.S. Pharmaceutical   | 1.36 %                |                 | 1.38 %                    | 1.46 %                |                 | 1.44 %                    |                                | 1.36 %                    |                                | 1.38 %                    | (10) bp               | (6) bp                        | (10) bp                                  | (6) bp                                       |
| Prescription Technology Solutions   | 12.94                 |                 | 15.27                     | 13.67                 |                 | 16.16                     |                                | 12.94                     |                                | 15.27                     | (73)                  | (89)                          | (73)                                     | (89)   |
| Medical-Surgical Solutions  | 8.26                  |                 | 10.37                     | 7.00                  |                 | 7.97                      |                                | 8.26                      |                                | 10.37                     | 126                   | 240                           | 126                                      | 240  |
| International   | (2.66)                |                 | 1.93                      | (0.10)                |                 | 1.35                      |                                | (2.82)                    |                                | 1.93                      | (256)                 | 58                            | (272)                                    | 58   |

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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.

# GAAP to Non-GAAP Reconciliation

Full-Year Fiscal 2022 and Full-Year Fiscal 2021

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

Schedule 6

|  | Year Ended March 31, |                 |        |
|--|----------------------|-----------------|--------|
|  | 2022                 | 2021            | Change |
| GAAP CASH FLOW CATEGORIES  |                      |                 |        |
| Net cash provided by operating activities  | \$ 4,434             | \$ 4,542        | (2)%   |
| Net cash used in investing activities  | (89)                 | (415)           | (79)   |
| Net cash used in financing activities  | (6,321)              | (1,693)         | 273    |
| Effect of exchange rate changes on cash, cash equivalents, and restricted cash     | 55                   | (61)            | 190    |
| Cash, cash equivalents, and restricted cash classified within Assets held for sale | (540)                | —               | —      |
| Net decrease in cash, cash equivalents, and restricted cash                        | <u>\$ (2,461)</u>    | <u>\$ 2,373</u> | (204)% |
| FREE CASH FLOW (NON-GAAP)  |                      |                 |        |
| Net cash provided by operating activities  | \$ 4,434             | \$ 4,542        | (2)%   |
| Payments for property, plant, and equipment  | (388)                | (451)           | (14)   |
| Capitalized software expenditures  | (147)                | (190)           | (23)   |
| Free Cash Flow (Non-GAAP)  | <u>\$ 3,899</u>      | <u>\$ 3,901</u> | — %    |

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.

# Financial Statement Notes

## McKESSON CORPORATION FINANCIAL STATEMENT NOTES

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- (1) Transaction-related expenses and adjustments for the three months ended March 31, 2022 includes charges of \$343 million (pre-tax and after-tax) primarily due to an amendment to the agreement at a lower purchase price to sell our retail and distribution businesses in the United Kingdom to AURELIUS within International. Transaction-related expenses and adjustments for the year ended March 31, 2022 includes charges of \$1.2 billion (pre-tax and after-tax) to remeasure assets and liabilities held for sale to fair value less costs to sell related to an agreement to sell our retail and distribution businesses in the United Kingdom to AURELIUS primarily 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) Transaction-related expenses and adjustments for the year ended March 31, 2022 includes a gain of \$59 million (pre-tax and after-tax) related to the sale of our Canadian health benefit claims management and plan administrative services business within International. This gain is 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) Transaction-related expenses and adjustments for the three months and year ended March 31, 2022 includes pre-tax credits of \$79 million (\$72 million after-tax) and pre-tax net charges \$438 million (\$431 million after-tax), respectively, to remeasure assets and liabilities held for sale to fair value less costs to sell related to an agreement to sell certain of our European businesses to the PHOENIX Group and to impair certain internal-use software that will not be utilized in the future. Pre-tax credits of \$62 million (\$54 million after-tax) and pre-tax net charges of \$55 million (\$53 million after-tax) for the three months and year ended March 31, 2022, respectively, primarily related to the effect of accumulated other comprehensive income balances associated with the disposal group are included within Corporate expenses, net. Credits of \$17 million (pre-tax and after-tax) and pre-tax net charges of \$383 million (\$379 million after-tax) for the three months and year ended March 31, 2022, respectively, primarily to remeasure assets and liabilities held for sale to fair value less costs to sell, to impair certain internal-use software that will not be utilized in the future, and the effect of accumulated other comprehensive income balances associated with the disposal group are included within International. These credits and net 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.
- (4) Transaction-related expenses and adjustments for the three months and year ended March 31, 2022 includes a pre-tax gain of \$42 million (\$33 million after-tax) related to the sale of our non-controlling interest in a joint venture within International. McKesson no longer holds an interest in the joint venture following the transaction. Transaction-related expenses and adjustments for the year ended March 31, 2021 includes charges of \$58 million (pre-tax and after-tax), to remeasure assets and liabilities held for sale to fair value less costs to sell related to the contribution of the majority of our German pharmaceutical wholesale business to create a joint venture in which McKesson has a non-controlling interest within International. On November 2, 2020, McKesson announced the completion of the creation of the joint venture. This gain is included under "other income, net" and 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.
- (5) Restructuring, impairment, and related charges, net for the three months ended March 31, 2022 includes pre-tax charges of \$73 million (\$58 million after-tax) primarily for our Europe and Canada businesses as well as Corporate expenses, net. The year ended March 31, 2022 includes pre-tax charges of \$281 million (\$225 million after-tax) primarily for Corporate expenses, net as well as our Canada and Europe businesses. The three months and year ended March 31, 2021 includes pre-tax charges of \$63 million (\$47 million after-tax) and \$334 million (\$275 million after-tax), respectively, primarily for our Europe and Canada businesses as well as Corporate expenses, net. 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. Additionally, restructuring, impairment, and related charges, net for the year ended March 31, 2021 includes immaterial amounts under "gross profit" in the reconciliation of McKesson's GAAP operating results to adjusted results (Non-GAAP) provided in Schedule 2 of the accompanying financial statement tables.

# Financial Statement Notes

## FINANCIAL STATEMENT NOTES (continued)

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- (6) Claims and litigation charges, net for the three months and year ended March 31, 2022 includes pre-tax charges of \$81 million (\$77 million after-tax) related to our estimated liability for opioid-related claims of various 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.
- (7) Claims and litigation charges, net for the year ended March 31, 2022 includes pre-tax charges of \$112 million (\$93 million after-tax) related to our estimated liability for opioid-related claims of government entities, including Native American tribes, 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.
- (8) Claims and litigation charges, net for the year ended March 31, 2022 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.
- (9) Claims and litigation charges, net for the year ended March 31, 2021 includes a pre-tax charge of \$8.1 billion (\$6.8 billion after-tax) related to our estimated liability for opioid-related claims of states, their political subdivisions, and other government entities, within Corporate expenses, net. This charge is 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.
- (10) Claims and litigation charges, net for the year ended March 31, 2021 includes a pre-tax net gain of \$131 million (\$97 million after-tax) related to insurance proceeds received, net of attorneys' fees and expenses awarded to plaintiffs' counsel, in connection with the \$175 million settlement of the shareholder derivative action related to our controlled substances monitoring program within Corporate expenses, net. This gain is 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.
- (11) Other adjustments, net for the year ended March 31, 2022 includes a pre-tax loss of \$191 million (\$141 million after-tax) on debt extinguishment related to our July 2021 tender offer to redeem a portion of our existing debt. This charge is included under "loss on debt extinguishment" in the reconciliation of McKesson's GAAP operating results to adjusted results (Non-GAAP) provided in Schedule 2 of the accompanying financial statement tables.
- (12) Other adjustments, net for the year ended March 31, 2022 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 during our first quarter of fiscal 2022, which was delivered during the fiscal year. Due to the nature of this expected in-kind donation of inventory 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 instead plan to donate or otherwise dispose, and a pre-tax charge of \$8 million (\$6 million after-tax) is included under "total operating expenses" related to the already committed 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.

# Financial Statement Notes

## FINANCIAL STATEMENT NOTES (continued)

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- (13) Other adjustments, net for the year ended March 31, 2021 includes a non-cash goodwill impairment charge of \$69 million (pre-tax and after-tax) within International related to our European retail business, partially offset by the related indirect effect of \$4 million benefit in net income attributable to noncontrolling interests. This impairment charge is 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.
- (14) Other adjustments, net for the year ended March 31, 2021 includes a pre-tax charge of \$50 million (\$37 million after-tax) related to our estimated liability under the New York ("NY") state Opioid Stewardship Act ("OSA") within U.S. Pharmaceutical for calendar years 2017 and 2018. In December 2018, a federal district court struck down the law as unconstitutional and NY replaced the OSA with an excise tax on opioid sales in the state of NY covering calendar year 2019 sales and beyond. In September 2020, an appellate court reversed on procedural grounds the district court's decision. An amendment to the Act made clear that the OSA applies only to NY opioid sales or distributions for calendar years 2017 and 2018. On October 4, 2021, the U.S. Supreme Court denied further review, and, as a result, we anticipate facing liability under the OSA for calendar years 2017 and 2018. We believe the estimated OSA liability is one-time in nature because the liability is retroactively imposed on sales or distributions in 2017 and 2018, and is not indicative of future results. Inclusion of this accrual in our adjusted results would distort current period performance. This charge is 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.

# Supplemental Non-GAAP Financial Information

## McKESSON CORPORATION SUPPLEMENTAL NON-GAAP FINANCIAL INFORMATION

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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 Loss on Debt Extinguishment (Non-GAAP):** We define Adjusted Loss on Debt Extinguishment as GAAP loss on debt extinguishment, excluding 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)

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- **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.

# Supplemental Non-GAAP Financial Information

## SUPPLEMENTAL NON-GAAP FINANCIAL INFORMATION (continued)

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- **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.