McKesson Corporation FY20 Investor Update

December 18, 2019

Brian Tyler
Chief Executive Officer

Britt Vitalone
Chief Financial Officer

Cautionary Statements

Except for historical information contained in this press release, matters discussed may constitute “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, that involve risks and uncertainties that could cause actual results to differ materially from those in those statements. It is not possible to identify all such risks and uncertainties. The reader should not place undue reliance on forward-looking statements, which speak only as of the date they are first made. Except to the extent required by law, the company undertakes no obligation to publicly update forward-looking statements. Forward-looking statements may be identified by their use of terminology such as “believes”, “expects”, “anticipates”, “may”, “will”, “should”, “seeks”, “approximately”, “intends”, “plans”, “estimates” or the negative of these words or other comparable terminology. The discussion of financial trends, strategy, plans, assumptions or intentions may also include forward-looking statements. We encourage investors to read the important risk factors described in the company’s Form 10-K, Form 10-Q and Form 8-K reports filed with the Securities and Exchange Commission. These risk factors include, but are not limited to: changes in the healthcare industry and regulatory environment; fluctuations in foreign currency exchange rates; the impact of the Change Healthcare joint venture on the company’s results of operations; the company’s ability to manage and complete divestitures and distributions; material adverse resolution of pending legal proceedings, including those related to the distribution of controlled substances; cyberattack, natural disaster, or malfunction of sophisticated internal computer systems to perform as designed; and the potential inadequacy of insurance to cover property loss or liability claims.

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.

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Today's agenda

Business update	**Brian Tyler** Chief Executive Officer
Strategic overview	**Brian Tyler** Chief Executive Officer
Financial update	**Britt Vitalone** EVP & Chief Financial Officer
Q&A	

Our Vision:

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

Executing against priorities to drive growth

Optimize performance in our U.S. Pharmaceutical and Specialty Solutions segment

Simplify the business and operate with increased focus and speed

Accelerate our strategic growth initiatives

Priorities:

Optimize performance in our U.S. Pharmaceutical & Specialty Solutions segment

Strong execution

- Renewed distribution agreement with CVS Health
- Selected by Department of Veterans Affairs as prime pharmaceutical supplier

Investments to drive growth

- Targeted investments in:
  - Specialty / Oncology
  - Manufacturer Services
  - Data and Analytics

Leveraging our differentiated specialty portfolio

- 101 new physicians joined The US Oncology Network in FY19
- Launched AMP – enable patients to access specialty medications 27% faster

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Leveraging our differentiated specialty portfolio

Wholesale Distribution

- Retail
- Health systems
- McKesson Plasma & Biologics

Provider Solutions

- Distribution & GPO services
- Technology & analytics
- Value-added products & services

Practice Management

- Practice operations The US Oncology Network
- Research & clinical trials
- Revenue cycle management
- Managed care & quality

McKesson Life Sciences

- Reimbursement & hub services
- Patient & drug support services
- Marketing services & clinical access
- Data analytics

RxCrossroads By McKesson

Biologics By McKesson

AMP: Access for More Patients™

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Priorities:

Simplify the business and operate with increased focus and speed

Driving transformation in the operating model

- Transforming the operating model:
  - ✓ Centralized functional services
- Executing on Spend Smart program
- Delivered $45M gross cost savings in 1H FY20

Realigning the organizational structure

- Established global headquarters in Irving, Texas
- Executed smooth leadership transitions
- Reshaped Board with new, diverse members

Divesting non-core assets

- Initiated Change Healthcare exit
- Strategy and portfolio reviews in process
- Creating JV in Germany with Walgreens Boots Alliance
- Divesting McKesson Patient Care Solutions

Priorities:

Accelerate our strategic growth initiatives

Manufacturer value proposition

Specialty

Future retail models

Supported by data and analytics capabilities and fueled by enterprise cost savings

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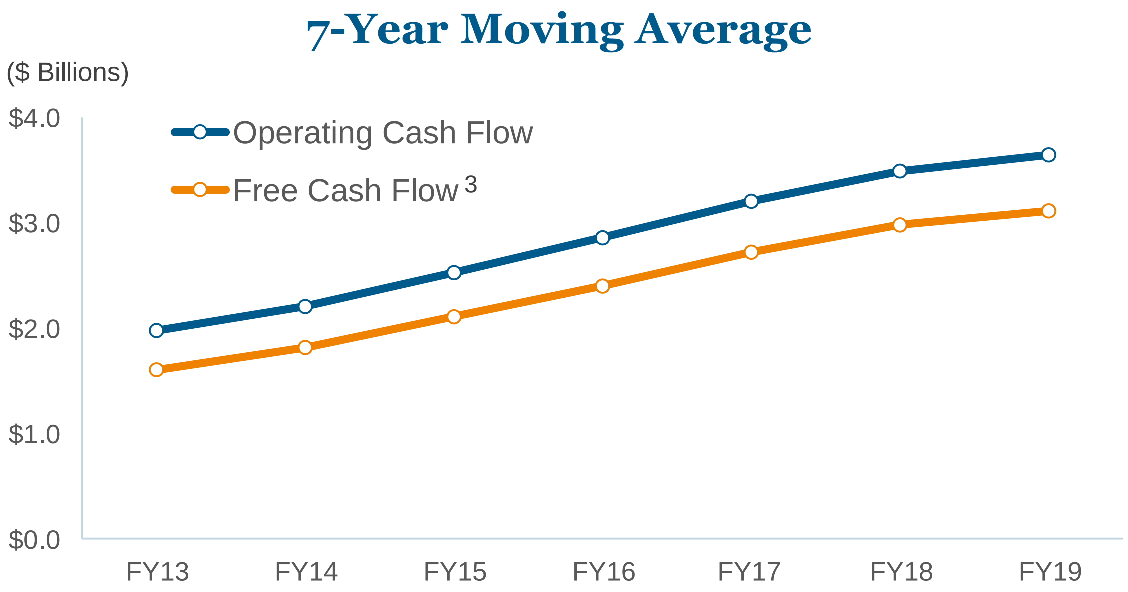
Track record of meeting our guidance expectations

Earnings growth

Fiscal Year	Original Adjusted EPS[1] Guidance	Actual Adjusted EPS[1]	YoY Growth[2]
2019	$13.00 – $13.80	$13.57	8%
2018	$11.75 – $12.45	$12.62	1%

Steady cash flow



[1]Reflects non-GAAP information calculated on an Adjusted Earnings basis. A reconciliation to GAAP is available in the appendix to this presentation and on the Company's website under the "Investors" tab.
[2]FY18 YoY growth from FY17 Adjusted EPS of $12.54.
[3]Free Cash Flow is a non-GAAP measure defined as net cash provided by (used in) operating activities less capital expenditures for property, plant and equipment and capitalized software. A reconciliation to GAAP is available in the appendix to this presentation and on the Company's website under the "Investors" tab.

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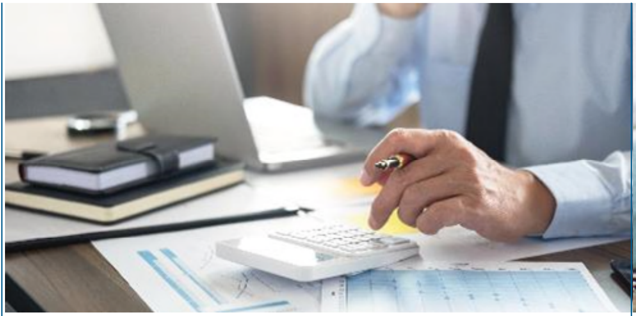
We remain confident in our FY20 outlook



Full-year outlook

Reaffirming FY20 adjusted EPS of **$14.00 – $14.60**

Guiding to adjusted operating **profit growth** across every segment

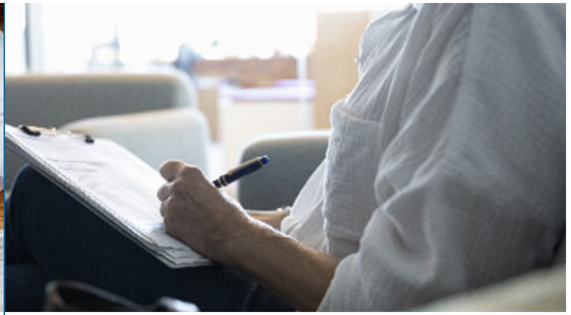
Focused investments

Utilizing a portion of savings from cost initiatives to **reinvest and extend** our leading positions

Healthy free cash flow

Strong balance sheet and **cash flow generation**

Reaffirming FY20 free cash flow guidance of **$2.8 – $3.0 billion**



Change Healthcare

Progressing towards tax-efficient exit of investment to **unlock value** for shareholders

FY20 segment outlook:

We expect to deliver adjusted operating profit growth in each segment

	U.S. Pharmaceutical and Specialty Solutions	European Pharmaceutical Solutions	Medical-Surgical Solutions	Other
FY20 Revenue	High-single digit growth	Flat to low-single digit decline	High-single digit growth	Low-single digit growth
FY20 Adjusted Operating Profit	Low to mid-single digit growth	Low-single digit growth	High-single to low-double digit growth	Low to mid-single digit decline

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U.S. Pharmaceutical & Specialty Solutions FY20 outlook:

Delivering profit growth in line with original guidance

	FY20 Guidance		Updated Outlook
FY20 Revenue	High-single digit growth	→	7% - 9%
FY20 Adjusted Operating Profit	Low to mid-single digit growth	→	3% - 5%

Disciplined and balanced capital allocation approach

Operating Cash Flow
FY17 – FY19: $13.1B

Disciplined Capital Allocation

1) Strategic Growth

M&A	**$8.0B**
Internal Investments	**$1.7B**

2) Return Capital to Shareholders

Dividends	**$0.8B**
Share Repurchases	**$5.7B**

Underpinned by Maintenance of Investment-Grade Credit Rating

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Takeaways

Executing against priorities with increased focus

Confidence in reaffirmed FY20 outlook

Disciplined capital allocation

Demonstrated commitment to shareholder return

Q&A

Fiscal 2020 Outlook

On the following slides, McKesson presents an overview of its fiscal 2020 Outlook assumptions. These assumptions consist of certain non-GAAP measures. As outlined in the company's October 30, 2019 press release, McKesson does not provide forward-looking guidance on a GAAP basis as the company 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, as items are inherently uncertain and depend on various factors, many of which are beyond the company's control.

Fiscal 2020 adjusted earnings outlook

	Fiscal 2020 Outlook	Fiscal 2019 Actual
Revenues	Mid to high-single digit percent growth	$214.3 billion
Income from continuing operations before interest expense and income taxes	Flat to low-single digit percent decline	$3.8 billion
Earnings per diluted share	$14.00 – $14.60	$13.57
Free cash flow	$2.8 – $3.0 billion	$3.5 billion

Fiscal 2020 adjusted earnings outlook

Year-over-Year Percent Change

	U.S. Pharmaceutical and Specialty Solutions	European Pharmaceutical Solutions	Medical-Surgical Solutions	Other
FY20 Revenue	**7% - 9%** (High-single digit growth)	Flat to low-single digit decline	High-single digit growth	Low-single digit growth
FY20 Adjusted Operating Profit	**3% - 5%** (Low to mid-single digit growth)	Low-single digit growth	High-single to low-double digit growth	Low to mid-single digit decline

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Fiscal 2020 adjusted earnings assumptions

($ and shares in millions)

	FY20 Outlook
Corporate Expenses	$695 – $745
Adjusted Equity Earnings from Investment In Change Healthcare	$250 – $270
Interest Expense	$245 – $265
Effective Tax Rate	18 – 19%
Net Income Attributable to Noncontrolling Interest	Down mid-single digit percent
Diluted Weighted Average Shares Outstanding	Approximately 184
Property Acquisitions and Capitalized Software	$500 – $700
FX Impact	Net unfavorable up to 5 cents

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GAAP to Non-GAAP Reconciliation

Actual Adjusted EPS Full Year Fiscal 2019

(unaudited)
(in millions, except per share amounts)

<u>**Schedule 2**</u>

	Year Ended March 31, 2019								*Change Vs. Prior Year*	
	As Reported (GAAP)	Amortization of Acquisition-Related Intangibles	Transaction-Related Expenses and Adjustments	LIFO Inventory-Related Adjustments	Gains from Antitrust Legal Settlements	Restructuring, Impairment and Related Charges, Net	Other Adjustments, Net	Adjusted Earnings (Non-GAAP)	As Reported (GAAP)	Adjusted Earnings (Non-GAAP)
Gross profit [1]	$ 11,754	$ -	$ 1	$ (210)	$ (202)	$ 4	$ -	$ 11,347	*5%*	*2%*
Operating expenses [3] [5] [6]	$ (10,868)	$ 485	$ 118	$ -	$ -	$ 597	$ 1,736	$ (7,932)	*4%*	*4%*
Other income, net [8]	$ 182	$ 1	$ -	$ -	$ -	$ -	$ (56)	$ 127	*40%*	*41%*
Equity earnings and charges from investment in Change Healthcare Joint Venture [9]	$ (194)	$ 304	$ 126	$ -	$ -	$ -	$ 6	$ 242	*(22)%*	*(11)%*
Income (loss) from continuing operations before income taxes	$ 610	$ 790	$ 245	$ (210)	$ (202)	$ 601	$ 1,686	$ 3,520	*155%*	*(2)%*
Income tax expense	$ (356)	$ (195)	$ (61)	$ 54	$ 52	$ (102)	$ (17)	$ (625)	*(772)%*	*(11)%*
Income from continuing operations, net of tax, attributable to McKesson Corporation	$ 33	$ 595	$ 184	$ (156)	$ (150)	$ 499	$ 1,669	$ 2,674	*(47)%*	*1%*
Diluted earnings per common share from continuing operations, net of tax, attributable to McKesson Corporation [a]	$ 0.17	$ 3.02	$ 0.93	$ (0.79)	$ (0.76)	$ 2.53	$ 8.47	$ 13.57 [b]	*(43)%*	*8%*
Diluted weighted average common shares	197	197	197	197	197	197	197	197	*(6)%*	*(6)%*

For footnote information, refer to the following slides.

GAAP to Non-GAAP Reconciliation

Actual Adjusted EPS Full Year Fiscal 2018

(unaudited)
(in millions, except per share amounts)

Schedule 2
(Continued)

	Year Ended March 31, 2018							
	As Reported (GAAP)	Amortization of Acquisition-Related Intangibles	Transaction-Related Expenses and Adjustments	LIFO Inventory-Related Adjustments	Gains from Antitrust Legal Settlements	Restructuring, Impairment and Related Charges, Net	Other Adjustments, Net	Adjusted Earnings (Non-GAAP)
Gross profit [1]	$ 11,184	$ -	$ 14	$ (99)	$ -	$ (1)	$ -	$ 11,098
Operating expenses [2] [4] [5] [6] [7]	$ (10,422)	$ 503	$ 68	$ -	$ -	$ 680	$ 1,571	$ (7,600)
Other income, net [8]	$ 130	$ 1	$ 2	$ -	$ -	$ -	$ (43)	$ 90
Equity earnings and charges from investment in Change Healthcare Joint Venture [9]	$ (248)	$ 288	$ 293	$ -	$ -	$ -	$ (61)	$ 272
Loss on debt extinguishment [10]	$ (122)	$ -	$ -	$ -	$ -	$ -	$ 122	$ -
Income from continuing operations before income taxes	$ 239	$ 792	$ 377	$ (99)	$ -	$ 679	$ 1,589	$ 3,577
Income tax benefit (expense) [11]	$ 53	$ (247)	$ (124)	$ 35	$ -	$ (89)	$ (331)	$ (703)
Income from continuing operations, net of tax, attributable to McKesson Corporation	$ 62	$ 545	$ 253	$ (64)	$ -	$ 590	$ 1,258	$ 2,644
Diluted earnings per common share from continuing operations, net of tax, attributable to McKesson Corporation [a]	$ 0.30	$ 2.60	$ 1.20	$ (0.31)	$ -	$ 2.82	$ 6.01	$ 12.62
Diluted weighted average common shares	209	209	209	209	209	209	209	209

[a] Certain computations may reflect rounding adjustments.

[b] Adjusted Earnings per share on an FX-adjusted basis for fiscal 2019 was $13.59 per diluted share, which excludes the foreign currency exchange effect of $0.02 per diluted share.

For footnote information, refer to the following slides.

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

GAAP to Non-GAAP Reconciliation

Actual Adjusted EPS Full Year Fiscal 2019 and 2018 Footnotes

(1) The fourth quarters of fiscal 2019 and 2018 include pre-tax credits of $146 million and $94 million, and fiscal 2019 and 2018 include pre-tax credits of $210 million and $99 million related to our last-in, first-out (“LIFO”) method of accounting for inventories. The fourth quarter of fiscal 2019 and fiscal 2019 include $63 million and $202 million of net cash proceeds representing our share of antitrust legal settlements. These credits are included within our U.S. Pharmaceutical and Specialty Solutions segment.

(2) Operating expenses for fiscal 2018 include a pre-tax gain of $37 million ($22 million after-tax) for Other, related to the final net working capital settlement and other adjustments from the contribution of the majority of our technology business to form a joint venture, Change Healthcare, in the fourth quarter of fiscal 2017. This credit is included under “Transaction-Related Expenses and Adjustments" in the reconciliation of McKesson's GAAP financial results to Adjusted Earnings (Non-GAAP) provided in the Schedule 2 of the accompanying financial statement tables.

(3) Operating expenses for fiscal 2019 include a gain from an escrow settlement of $97 million (pre-tax and after-tax) representing certain indemnity and other claims related to our third quarter 2017 acquisition of Rexall Health, within Other. This gain is included under "Other Adjustments, Net" in the reconciliation of McKesson's GAAP financial results to Adjusted Earnings (Non-GAAP) provided in the Schedule 2 of the accompanying financial statement tables.

(4) Operating expenses for fiscal 2018 include a pre-tax credit of $46 million ($30 million after-tax) for Other, representing a reduction in our tax receivable agreement liability payable to the shareholders of Change Healthcare Holdings, Inc., as a result of the 2017 Tax Cuts and Jobs Act ("2017 Tax Act"). This credit is included under "Other Adjustments, Net" in the reconciliation of McKesson's GAAP financial results to Adjusted Earnings (Non-GAAP) provided in the Schedule 2 of the accompanying financial statement tables.

(5) Operating expenses for the fourth quarter of fiscal 2019 and fiscal 2019 include pre-tax non-cash goodwill impairment charges of $1,206 million ($1,186 million after-tax) and $1,776 million ($1,756 million after-tax) for our European Pharmaceutical Solutions segment. The fourth quarter of fiscal 2018 and fiscal 2018 include non-cash goodwill impairment charges (pre-tax and after-tax) of $933 million and $1,283 million for our European Pharmaceutical Solutions segment. The fourth quarter of fiscal 2018 and fiscal 2018 also include non-cash goodwill impairment charges (pre-tax and after-tax) of $455 million for Rexall Health, within Other. These charges are included under "Other Adjustments, Net" in the reconciliation of McKesson's GAAP financial results to Adjusted Earnings (Non-GAAP) provided in the Schedule 2 of the accompanying financial statement tables.

(6) Operating expenses for the fourth quarter of fiscal 2019 and fiscal 2019 include pre-tax restructuring, impairment and related charges of $309 million ($251 million after-tax) and $597 million ($495 million after-tax), primarily for our retail businesses in Canada and the United Kingdom and Corporate. Operating expenses for the fourth quarter of fiscal 2018 and fiscal 2018 include pre-tax restructuring, impairment and related charges of $387 million ($354 million after-tax) and $680 million ($591 million after-tax), primarily for our Europe business.

(7) Fiscal 2018 includes a pre-tax gain of $109 million ($30 million after-tax) recognized from the fiscal 2018 third quarter sale of our Enterprise Information Solutions ("EIS") business within Other. This gain is included under "Other Adjustments, Net" in the reconciliation of McKesson's GAAP financial results to Adjusted Earnings (Non-GAAP) provided in the Schedule 2 of the accompanying financial statement tables.

(8) Fiscal 2019 includes a pre-tax gain of $56 million ($41 million after-tax) recognized from the sale of an equity investment within Other. Fiscal 2018 includes a pre-tax gain of $43 million ($26 million after-tax) recognized from the fiscal 2018 second quarter sale of an equity investment within our U.S. Pharmaceutical and Specialty Solutions segment. These gains are included under "Other Adjustments, Net" in the reconciliation of McKesson's GAAP financial results to Adjusted Earnings (Non-GAAP) provided in the Schedule 2 of the accompanying financial statement tables.

(9) Equity earnings and charges from investment in Change Healthcare Joint Venture includes the amortization of equity investment intangibles and other acquired intangibles of $75 million and $74 million for the fourth quarters of fiscal 2019 and 2018, and $304 million and $288 million for fiscal 2019 and 2018. The fourth quarter of fiscal 2018 and fiscal 2018 include our proportionate share of tax benefits recognized by Change Healthcare Joint Venture related to the 2017 Tax Act of $76 million. The amortization expenses and 2017 Tax Act benefits are included in our proportionate share of the loss from our equity method investment in Change Healthcare Joint Venture within Other.

(10) The fourth quarter of fiscal 2018 and fiscal 2018 include a pre-tax loss of $122 million ($78 million after-tax) on debt extinguishment related to our February 2018 tender offers to redeem a portion of our existing debt. These charges are included under "Other Adjustments, Net" in the reconciliation of McKesson's GAAP financial results to Adjusted Earnings (Non-GAAP) provided in the Schedule 2 of the accompanying financial statement tables.

(11) The fourth quarter of fiscal 2018 and fiscal 2018 include net discrete tax benefits of $54 million and $424 million recognized in connection with the 2017 Tax Act. These discrete tax benefits are included under "Other Adjustments, Net" in the reconciliation of McKesson's GAAP financial results to Adjusted Earnings (Non-GAAP) provided in the Schedule 2 of the accompanying financial statement tables.

Notes as included in our Q4 and Full-Year FY19 results press release on May 8, 2019.

GAAP to Non-GAAP Reconciliation

Free Cash Flow

($ in billions)	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008	FY 2007
Free cash flow (non-GAAP measure):													
Operating cash flow	$ 4.04	$ 4.35	$ 4.74	$ 3.67	$ 3.11	$ 3.14	$ 2.48	$ 2.95	$ 2.34	$ 2.32	$ 1.35	$ 0.87	$ 1.54
Capital expenditures for property, plant and equipment and capitalized software	$ (0.56)	$ (0.58)	$ (0.56)	$ (0.68)	$ (0.55)	$ (0.42)	$ (0.39)	$ (0.40)	$ (0.39)	$ (0.38)	$ (0.39)	$ (0.36)	$ (0.31)
Free cash flow	$ 3.48	$ 3.77	$ 4.18	$ 2.99	$ 2.56	$ 2.72	$ 2.09	$ 2.55	$ 1.95	$ 1.94	$ 0.96	$ 0.51	$ 1.23
Moving average trailing 7-year operating cash flow and free cash flow (non-GAAP measure):													
Operating cash flow	$ 3.65	$ 3.49	$ 3.20	$ 2.86	$ 2.53	$ 2.21	$ 1.98						
Free cash flow	$ 3.11	$ 2.98	$ 2.72	$ 2.40	$ 2.11	$ 1.82	$ 1.60						

Free cash flow is not defined under U.S. generally accepted accounting principles (GAAP). Therefore, it should not be considered a substitute for income or cash flow data prepared in accordance with U.S. GAAP and may not be comparable to similarly titled measures used by other companies. The Company defines free cash flow as net cash provided by (used in) operating activities less capital expenditures for property, plant and equipment and capitalized software. It should not be inferred that the entire free cash flow is available for discretionary expenditures. The Company believes free cash flow is meaningful to investors and the Company uses this measure as an indication of the strength of the Company and its ability to generate cash.

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GAAP to Non-GAAP Reconciliation

1H Fiscal 2020 and 1H Fiscal 2019

(unaudited)
(in millions, except per share amounts)

Schedule 3

	Six Months Ended September 30, 2019			Six Months Ended September 30, 2018			GAAP		Non-GAAP		*Change*			
	As Reported (GAAP)	Adjustments	Adjusted Earnings (Non-GAAP)	As Reported (GAAP)	Adjustments	Adjusted Earnings (Non-GAAP)	Foreign Currency Effects	FX-Adjusted	Foreign Currency Effects	FX-Adjusted	As Reported (GAAP)	Adjusted Earnings (Non-GAAP)	FX-Adjusted (GAAP)	FX-Adjusted (Non-GAAP)
REVENUES														
U.S. Pharmaceutical and Specialty Solutions	$ 90,144	$ -	$ 90,144	$ 82,587	$ -	$ 82,587	$ -	$ 90,144	$ -	$ 90,144	*9 %*	*9 %*	*9 %*	*9 %*
European Pharmaceutical Solutions	13,308	-	13,308	13,574	-	13,574	748	14,056	748	14,056	*(2)*	*(2)*	*4*	*4*
Medical-Surgical Solutions	3,959	-	3,959	3,651	-	3,651	-	3,959	-	3,959	*8*	*8*	*8*	*8*
Other [(a)]	5,933	-	5,933	5,870	-	5,870	128	6,061	128	6,061	*1*	*1*	*3*	*3*
Revenues	$ 113,344	$ -	$ 113,344	$ 105,682	$ -	$ 105,682	$ 876	$ 114,220	$ 876	$ 114,220	*7 %*	*7 %*	*8 %*	*8 %*
OPERATING PROFIT [(4)]														
U.S. Pharmaceutical and Specialty Solutions	$ 1,218	$ 23	$ 1,241	$ 1,153	$ 22	$ 1,175	$ -	$ 1,218	$ -	$ 1,241	*6 %*	*6 %*	*6 %*	*6 %*
European Pharmaceutical Solutions [(3)]	6	70	76	(550)	677	127	-	6	4	80	*101*	*(40)*	*101*	*(37)*
Medical-Surgical Solutions	254	71	325	198	65	263	-	254	-	325	*28*	*24*	*28*	*24*
Other [(a) (1) (6) (7) (8)]	(1,170)	1,667	497	209	304	513	1	(1,169)	3	500	*(660)*	*(3)*	*(659)*	*(3)*
Operating profit	308	1,831	2,139	1,010	1,068	2,078	1	309	7	2,146	*(70)*	*3*	*(69)*	*3*
Corporate [(2) (5)]	(539)	256	(283)	(290)	52	(238)	-	(539)	(1)	(284)	*86*	*19*	*86*	*19*
Income (loss) from continuing operations before interest expense and income taxes	$ (231)	$ 2,087	$ 1,856	$ 720	$ 1,120	$ 1,840	$ 1	$ (230)	$ 6	$ 1,862	*(132) %*	*1 %*	*(132) %*	*1 %*
OPERATING PROFIT (LOSS) AS A % OF REVENUES														
U.S. Pharmaceutical and Specialty Solutions	1.35 %		1.38 %	1.40 %		1.42 %		1.35 %		1.38 %	*(5) bp*	*(4) bp*	*(5) bp*	*(4) bp*
European Pharmaceutical Solutions	0.05		0.57	(4.05)		0.94		0.04		0.57	*410*	*(37)*	*409*	*(37)*
Medical-Surgical Solutions	6.42		8.21	5.42		7.20		6.42		8.21	*100*	*101*	*100*	*101*

(a) Other primarily includes the results of our McKesson Canada and McKesson Prescription Technology Solutions businesses. Operating profit (loss) for Other includes equity earnings and charges from investment in Change Healthcare Joint Venture.

For footnote information, refer to the following slides.

For more information relating to the Adjusted Earnings (Non-GAAP) and FX-Adjusted (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

1H Fiscal 2020 and 1H Fiscal 2019 Footnotes

(1) Operating expenses for the first half of fiscal 2019 include a gain from an escrow settlement of $97 million (pre-tax and after-tax) representing certain indemnity and other claims related to our third quarter 2017 acquisition of Rexall Health, within Other. This gain is included under "Other Adjustments, Net" in the reconciliation of McKesson's GAAP financial results to Adjusted Earnings (Non-GAAP) provided in the Schedule 2 of the accompanying financial statement tables.

(2) Operating expenses for the second quarter and first half of fiscal 2020 include a charge of $82 million (pre-tax and after-tax) recorded in connection with an agreement reached in principle to settle all opioids related claims filed by two Ohio counties, within Corporate. These charges are included under "Other Adjustments, Net" in the reconciliation of McKesson's GAAP financial results to Adjusted Earnings (Non-GAAP) provided in the Schedule 2 of the accompanying financial statement tables.

(3) Operating expenses for the first half of fiscal 2019 include non-cash goodwill impairment charges of $570 million (pre-tax and after-tax) for our European Pharmaceutical Solutions segment. This charge is included under "Other Adjustments, Net" in the reconciliation of McKesson's GAAP financial results to Adjusted Earnings (Non-GAAP) provided in the Schedule 2 of the accompanying financial statement tables.

(4) Operating expenses for the second quarter and first half of fiscal 2020 include pre-tax restructuring, impairment and related charges of $45 million ($35 million after-tax) and $68 million ($52 million after-tax), primarily for our Europe business and Corporate. The second quarter and first half of fiscal 2019 include pre-tax restructuring, impairment and related charges of $82 million ($67 million after-tax) and $178 million ($152 million after-tax), primarily for our Canada and Europe businesses and Corporate.

(5) Other income (expense) for the second quarter and first half of fiscal 2020 includes a pre-tax charge of $105 million ($78 million after-tax) and $122 million ($90 million after-tax) representing settlement charges related to our frozen U.S. defined benefit pension plan, within Corporate. These charges are included under "Other Adjustments, Net" in the reconciliation of McKesson's GAAP financial results to Adjusted Earnings (Non-GAAP) provided in the Schedule 2 of the accompanying financial statement tables.

(6) Equity earnings and charges from investment in Change Healthcare Joint Venture for the second quarter and first half of fiscal 2020 includes a pre-tax charge of $1,157 million ($864 million after-tax) representing an other-than-temporary impairment of McKesson’s investment in Change Healthcare Joint Venture. This charge is included under “Other Adjustments, Net” in the reconciliation of McKesson’s GAAP financial results to Adjusted Earnings (Non-GAAP) provided in the Schedule 2 of the accompanying financial statement tables within Other.

(7) Equity earnings and charges from investment in Change Healthcare Joint Venture for the second quarter and first half of fiscal 2020 includes a pre-tax charge of $246 million ($184 million after-tax) representing the difference between our proportionate share of the IPO proceeds and the dilution effect on our investment's carrying value. Upon the completion of the IPO by Change Healthcare Inc. in July 2019, McKesson's equity ownership interest in the joint venture diluted from approximately 70% to 58.5%. This charge is included under "Transaction-Related Expenses and Adjustments" in the reconciliation of McKesson's GAAP financial results to Adjusted Earnings (Non-GAAP) provided in the Schedule 2 of the accompanying financial statement tables within Other.

(8) Equity earnings and charges from investment in Change Healthcare Joint Venture includes our proportionate share of loss from investment in Change Healthcare Joint Venture within Other. Such amount includes the amortization of equity investment intangibles and other acquired intangibles of $63 million and $77 million for the second quarters of fiscal 2020 and 2019 and $140 million and $154 million for the first half of fiscals 2020 and 2019.

Notes as included in our Q2 FY20 results press release on October 30, 2019.

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 press release. 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.

Adjusted Earnings (Non-GAAP): We define Adjusted Earnings as GAAP income from continuing operations attributable to McKesson, excluding amortization of acquisition-related intangibles, transaction-related expenses and adjustments, last-in, first-out (“LIFO”) inventory-related adjustments, gains from antitrust legal settlements, restructuring, impairment and related charges, other adjustments as well as the related income tax effects for each of these items, as applicable. The Company evaluates its definition of Adjusted Earnings on a periodic basis and updates the definition from time to time. The evaluation considers both the quantitative and qualitative aspects of the Company’s presentation of Adjusted Earnings. A reconciliation of McKesson’s GAAP financial results to Adjusted Earnings (Non-GAAP) is provided in Schedules 2 and 3 of the financial statement tables included with this release.

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.

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 Earnings.

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 Earnings from time to time. While not all-inclusive, other adjustments may include: adjustments to claim and litigation reserves for estimated probable losses and settlements; other asset impairments; certain discrete benefits and subsequent true-up adjustments related to the December 2017 enactment of the 2017 Tax Cuts and Jobs Act; gains or losses from debt extinguishment; and other similar substantive and/or infrequent items as deemed appropriate. Prior to fiscal 2020, this category also included certain gains or losses from divestitures of businesses that did not qualify as discontinued operations.

Income taxes on Adjusted Earnings 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.

Additionally, the Company's equity method investment in Change Healthcare Joint Venture's financial results are adjusted for the above noted items, except for the effect of potentially dilutive securities issued by the joint venture on our adjusted earnings per diluted share.

Supplemental Non-GAAP Financial Information

SUPPLEMENTAL NON-GAAP FINANCIAL INFORMATION (continued)

FX-Adjusted (Non-GAAP): McKesson also presents its financial results 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 Earnings (Non-GAAP) is provided in Schedule 3 of the financial statement tables included with this release.

The Company internally uses both GAAP and Non-GAAP financial measures in connection with its own financial planning and reporting processes. Specifically, Adjusted Earnings serves as one of the measures management utilizes when allocating resources, deploying capital and assessing business performance and 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. Nonetheless, Non-GAAP financial results and related 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.