
McKesson Corporation

Fiscal 2021 Financial Results

Fiscal 2022 Annual Outlook

May 6, 2021



Cautionary Statements

Except for historical information contained in this presentation, 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, such as financial performance forecasts, 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: we experience costly and disruptive legal disputes and settlements, including regarding our role in distributing controlled substances such as opioids; we might experience losses not covered by insurance; we might be adversely impacted by changes in tax legislation or challenges to our tax positions; we from time to time record significant charges from impairment to goodwill, intangibles and other assets or investments; we experience cybersecurity incidents and might experience significant computer system compromises or data breaches; we might experience significant problems with information systems or networks; we may be unsuccessful in retail pharmacy profitability; we might be harmed by large customer purchase reductions, payment defaults or contract non-renewal; our contracts with government entities involve future funding and compliance risks; we might be harmed by changes in our relationships or contracts with suppliers; we might be adversely impacted by healthcare reform such as changes in pricing and reimbursement models; we might be adversely impacted by changes or disruptions in product supply and we have experienced and may experience difficulties in sourcing products and changes in pricing due to the effects of the COVID-19 pandemic on supply chains; we might be adversely impacted as a result of our distribution of generic pharmaceuticals; we might be adversely impacted by an economic slowdown (including the effects we have experienced from the COVID-19 pandemic) or recession and by disruption in capital and credit markets that might impede our access 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 vaccination distribution and related ancillary supply kit programs.

GAAP / Non-GAAP Reconciliation

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

Company Updates

Strong Performance in Fiscal 2021; Positioned for Long-Term Growth

Company Updates

- Successful completion of three-year operating model transformation, resulting in annual pre-tax cost savings in excess of \$400 million, achieving the company's three-year target of \$400 million to \$500 million by the end of fiscal 2021
- Susan Shiff joined McKesson as president of Ontada, the company's oncology technology and insights business within the U.S. Pharmaceutical segment
- As part of the company's strategy and actions towards better health for people and the planet, McKesson committed to set science-based targets to reduce the company's greenhouse gas emissions

Business Summary

- Q4 revenue of \$59.1 billion, an increase of 1% year-over-year and full-year fiscal 2021 revenue of \$238.2 billion, an increase of 3%
- Adjusted Earnings per diluted share of \$5.05 for Q4 and \$17.21 for full-year fiscal 2021
- Full-year fiscal 2021 Free Cash Flow of \$3.9 billion
- Returned \$1.0 billion of cash to shareholders during fiscal 2021
- Fiscal 2022 Adjusted Earnings per diluted share guidance range of \$18.85 to \$19.45 representing 9.5% to 13% growth
 - Assumes \$0.50 to \$0.70 related to the U.S. government's COVID-19 vaccine distribution and kitting programs

Consolidated Financial Information

Q4 and Full Year Fiscal 2021 Results

Results (\$ and shares in millions, except per share amounts)	Q4 FY 21	YoY Change	Full Year FY 21	YoY Change
Revenues	\$ 59,142	1 %	\$ 238,228	3 %
Adjusted Gross Profit	\$ 3,193	— %	\$ 11,932	2 %
Adjusted Operating Expenses	\$ (2,101)	(6) %	\$ (8,267)	— %
Adjusted Operating Profit	\$ 1,164	12 %	\$ 3,890	1 %
Interest expense	\$ (52)	(20) %	\$ (217)	(13) %
Adjusted Income Tax Expense	\$ (255)	52 %	\$ (682)	3 %
Net income attributable to noncontrolling interests	\$ (47)	(18) %	\$ (199)	(10) %
Adjusted Earnings	\$ 810	9 %	\$ 2,788	3 %
Adjusted Earnings per Diluted Share	\$ 5.05	18 %	\$ 17.21	15 %
Diluted weighted average common shares	160.5	(8) %	162.0	(11) %

U.S. Pharmaceutical

Q4 and Full Year Fiscal 2021 Results

Results (\$ in millions)	Q4 FY 21	YoY Change	Full Year FY 21	YoY Change
U.S. Pharmaceutical				
Revenues	\$ 47,042	3 %	\$ 189,274	4 %
Adjusted Segment Operating Profit	\$ 813	7 %	\$ 2,717	3 %
Adjusted Segment Operating Profit Margin	1.73 %	8 bp	1.44 %	(1)bp

- Q4 revenue increased due to market growth and higher volumes from retail national account customers
- Q4 Adjusted Segment Operating Profit growth driven by the contribution from COVID-19 vaccine distribution

Prescription Technology Solutions

Q4 and Full Year Fiscal 2021 Results

Results (\$ in millions)	Q4 FY 21	YoY Change	Full Year FY 21	YoY Change
<u>Prescription Technology Solutions</u>				
Revenues	\$ 789	7 %	\$ 2,890	7 %
Adjusted Segment Operating Profit	\$ 146	11 %	\$ 467	— %
Adjusted Segment Operating Profit Margin	18.50 %	57 bp	16.16 %	(114)bp

- Q4 revenue growth driven by higher volumes of technology and service offerings to support biopharma customers
- Q4 Adjusted Segment Operating Profit increased due to organic growth from access and adherence solutions including the contribution from Access for More Patients (AMP)

Medical-Surgical Solutions

Q4 and Full Year Fiscal 2021 Results

Results (\$ in millions)	Q4 FY 21	YoY Change	Full Year FY 21	YoY Change
<u>Medical-Surgical Solutions</u>				
Revenues	\$ 2,711	23 %	\$ 10,099	22 %
Adjusted Segment Operating Profit	\$ 192	13 %	\$ 805	19 %
Adjusted Segment Operating Profit Margin	7.08 %	(63)bp	7.97 %	(21)bp

- Q4 revenue growth driven by demand for COVID-19 tests
- Q4 Adjusted Segment Operating Profit growth driven by demand for COVID-19 tests and the contribution from kitting and distribution of ancillary supplies for the U.S. government's COVID-19 vaccine program

International

Q4 and Full Year Fiscal 2021 Results

Results (\$ in millions)	Q4 FY 21	YoY Change	Full Year FY 21	YoY Change
International				
Revenues	\$ 8,600	(12)%	\$ 35,965	(6)%
Adjusted Segment Operating Profit	\$ 138	1 %	\$ 485	5 %
Adjusted Segment Operating Profit Margin	1.60 %	19 bp	1.35 %	15 bp

- Q4 FX-Adjusted revenue of \$7.9 billion, down 18% year-over-year, driven by the contribution of McKesson's German wholesale business to a joint venture with Walgreens Boots Alliance
- Q4 FX-Adjusted Segment Operating Profit of \$126 million, down 8% year-over-year

Other & Corporate

Q4 and Full Year Fiscal 2021 Results

Results (\$ in millions)	Q4 FY 21	YoY Change	Full Year FY 21	YoY Change
Corporate				
Adjusted Corporate Expenses	\$ (125)	(42)%	\$ (584)	(9)%

- Q4 Adjusted Corporate Expenses year-over-year decrease driven by pre-tax net gains of approximately \$44 million associated with McKesson Ventures' equity investments
- Q4 Adjusted Segment Operating Profit year-over-year decline for Other¹ driven by the prior year contribution of \$55 million from the company's now separated investment in Change Healthcare

Opioid-Related Costs

Results (\$ in millions)	Q4 FY 21	Q4 FY 20	Full Year FY 21	Full Year FY 20
<u>Opioid-related costs</u>				
Opioid Stewardship Assessment (GAAP-only)	\$ —	\$ —	\$ 50	\$ —
Claims and litigation charges, net (GAAP-only)	\$ —	\$ —	\$ 7,936	\$ 82
Legal fees and other	\$ 35	\$ 42	\$ 153	\$ 150
Total expense	\$ 35	\$ 42	\$ 8,139	\$ 232

Claims and Litigation Charges:

- In the third-quarter of fiscal 2021, McKesson recorded a GAAP-only pre-tax charge of \$8.1 billion related to the estimated liability for opioid-related claims of governmental entities

Legal Fees and Other:

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

Full-Year Cash Balance Walk

Balance at March 31, 2020¹	\$	4,023
Operating cash flow		4,542
Capital expenditures		(641)
Free Cash Flow		3,901
Acquisitions		(35)
Other investing cash flows		261
Share repurchases ²		(770)
Dividends paid		(276)
Other financing cash flows and FX		(708)
Net increase in cash		2,373
Balance at March 31, 2021¹	\$	6,396
Less: Restricted cash		(118)
Cash and cash equivalents at March 31, 2021	\$	6,278

Cash Dynamics

- Free Cash Flow of \$3.9 billion
- Returned \$1.0 billion of cash to shareholders in fiscal 2021
 - Repurchased \$770 million of shares²
 - Paid \$276 million in dividends
- Remaining share repurchase authorization of \$2.8 billion as of March 31, 2021

11 ¹Cash comprises cash, cash equivalents, and restricted cash

²Includes shares surrendered for tax withholding



Fiscal 2022 Outlook

On the following slides, McKesson presents an overview of its fiscal 2022 Outlook assumptions. These assumptions consist of certain non-GAAP measures. As outlined in the company's May 6, 2021 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 2022 Outlook

Key Assumptions

- We do not assume a return wave of COVID-19, leading to additional shelter-in-place scenarios or increased social distancing
- We expect pharmaceutical prescription volumes will continue to demonstrate steady improvement from the end of our fiscal 2021 through the first half of our fiscal year 2022, in line with the rate of increasing vaccinations and decreasing COVID-19 cases
- We expect a return to pre-COVID-19 levels of pharmaceutical prescription and patient engagement levels, in the second half of fiscal 2022
- We expect Adjusted Earnings per diluted share to be more heavily weighted towards the second half of fiscal 2022
- We expect our role as the central distributor for the U.S. government to deliver Adjusted Earnings per diluted share in fiscal 2022 as follows:
 - Vaccine distribution: \$0.40 to \$0.50 [\$0.35 in fiscal 2021]
 - Kitting distribution: \$0.10 to \$0.20 [\$0.35 in fiscal 2021]
- We estimate taxes based on current tax laws in effect as of May 6, 2021

Fiscal 2022 Outlook

Consolidated Earnings



	Fiscal 2022 Outlook	Fiscal 2021 Actual
Revenues	3% to 6% growth	3% growth
Adjusted Operating Profit	3% to 6% growth	1% growth
Interest Expense	\$190 to \$210 million	\$217 million
Adjusted Effective Tax Rate	18% to 19%	18.6%
Adjusted Earnings per Diluted Share	\$18.85 to \$19.45	\$17.21

Fiscal 2022 Outlook

Cash Generation and Deployment



	Fiscal 2022 Outlook	Fiscal 2021 Actual
Free Cash Flow	\$3.5 to \$3.9 billion	\$3.9 billion
Property Acquisitions and Capitalized Software	\$540 to \$640 million	\$641 million
Share Repurchases	Approximately \$2 billion	\$770 million ¹
Diluted weighted average common shares	153.5 to 155.5 million	162 million

Fiscal 2022 Outlook

Operating Segments



U.S. Pharmaceutical

Prescription Technology Solutions

Medical-Surgical Solutions

International

FY22 Revenue

4% to 7% growth

12% to 17% growth

5% decline to 1% growth 2% decline to 3% growth

FY22 Adjusted Segment Operating Profit:

Reported

4% to 7% growth

12% to 17% growth

Flat to 6% growth

4% to 8% growth

Core¹

5% to 8% growth

10% to 16% growth



Appendix

GAAP to Non-GAAP Reconciliation

Q4 and Full Year Fiscal 2021 and Fiscal 2020

Schedule 2

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

	Three Months Ended March 31,			Years Ended March 31,		
	2021	2020	Change	2021	2020	Change
Income (loss) from continuing operations (GAAP)	\$ 713	\$ 1,072	(33)%	\$ (4,339)	\$ 1,126	(485)%
Net income attributable to noncontrolling interests (GAAP)	(47)	(57)	(18)	(199)	(220)	(10)
Income (loss) from continuing operations attributable to McKesson Corporation (GAAP)	666	1,015	(34)%	(4,538)	906	(601)%
Pre-tax adjustments:						
Amortization of acquisition-related intangibles ⁽¹⁾	102	183	(44)	423	730	(42)
Transaction-related expenses and adjustments ^{(2) (3) (4)}	22	(364)	106	106	303	(65)
LIFO inventory-related adjustments	77	(138)	156	(38)	(252)	(85)
Gains from antitrust legal settlements	(181)	—	NM	(181)	(22)	723
Restructuring, impairment, and related charges, net ⁽⁵⁾	63	65	(3)	337	264	28
Claims and litigation charges, net ^{(6) (7) (8)}	—	—	NM	7,936	82	NM
Other adjustments, net ^{(9) (10) (11) (12)}	—	23	(100)	124	1,351	(91)
Income tax effect on pre-tax adjustments	61	(39)	256	(1,377)	(646)	113
Net income attributable to noncontrolling interests effect on other adjustments, net ⁽¹¹⁾	—	—	NM	(4)	—	NM
Adjusted Earnings (Non-GAAP)	\$ 810	\$ 745	9%	\$ 2,788	\$ 2,716	3%
Diluted weighted-average common shares outstanding	160.5	174.5	(8)%	162.0	181.6	(11)%
Earnings (loss) per diluted common share from continuing operations attributable to McKesson Corporation (GAAP) ^{(a) (b)}	\$ 4.15	\$ 5.82	(29)%	\$ (28.26)	\$ 4.99	(666)%
After-tax adjustments:						
Amortization of acquisition-related intangibles	0.51	0.79	(35)	2.02	3.06	(34)
Transaction-related expenses and adjustments	0.13	(2.14)	106	0.62	0.98	(37)
LIFO inventory-related adjustments	0.36	(0.58)	162	(0.17)	(1.03)	(83)
Gains from antitrust legal settlements	(0.84)	—	NM	(0.83)	(0.09)	822
Restructuring, impairment, and related charges, net	0.30	0.28	7	1.71	1.16	47
Claims and litigation charges, net	0.45	—	NM	41.22	0.33	NM
Other adjustments, net	(0.01)	0.10	(110)	0.66	5.55	(88)
Adjusted Earnings per Diluted Share (Non-GAAP) ^{(b) (c)}	\$ 5.05	\$ 4.27	18%	\$ 17.21	\$ 14.95	15%

Refer to Slide 20 of this presentation for all footnote references.

GAAP to Non-GAAP Reconciliation

Q4 and Full Year Fiscal 2021 and Fiscal 2020

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

Schedule 2
(Continued)

	Three Months Ended March 31,			Years Ended March 31,		
	2021	2020	Change	2021	2020	Change
Gross profit (GAAP)	\$ 3,297	\$ 3,336	(1)%	\$ 12,148	\$ 12,023	1%
Pre-tax adjustments:						
Transaction-related expenses and adjustments	—	1	(100)	—	1	(100)
LIFO inventory-related adjustments	77	(138)	156	(38)	(252)	(85)
Gains from antitrust legal settlements	(181)	—	NM	(181)	(22)	723
Restructuring, impairment, and related charges, net	—	1	(100)	3	(4)	175
Adjusted Gross Profit (Non-GAAP)	<u>\$ 3,193</u>	<u>\$ 3,200</u>	—%	<u>\$ 11,932</u>	<u>\$ 11,746</u>	2%
Total operating expenses (GAAP)	\$ (2,287)	\$ (2,467)	(7)%	\$ (17,188)	\$ (9,534)	80%
Pre-tax adjustments:						
Amortization of acquisition-related intangibles	101	119	(15)	422	462	(9)
Transaction-related expenses and adjustments ⁽⁴⁾	21	15	40	105	372	(72)
Restructuring, impairment, and related charges, net ⁽⁵⁾	63	64	(2)	334	268	25
Claims and litigation charges, net ^{(6) (7) (8)}	—	—	NM	7,936	82	NM
Other adjustments, net ^{(11) (12)}	1	28	(96)	124	55	125
Adjusted Operating Expenses (Non-GAAP)	<u>\$ (2,101)</u>	<u>\$ (2,241)</u>	(6)%	<u>\$ (8,267)</u>	<u>\$ (8,295)</u>	—%
Other income, net (GAAP)	\$ 71	\$ 27	163%	\$ 223	\$ 12	NM
Pre-tax adjustments:						
Amortization of acquisition-related intangibles	1	—	NM	1	1	—
Transaction-related expenses and adjustments	1	—	NM	1	5	(80)
Other adjustments, net ⁽⁹⁾	(1)	(6)	(83)	—	127	(100)
Adjusted Other Income (Non-GAAP)	<u>\$ 72</u>	<u>\$ 21</u>	243%	<u>\$ 225</u>	<u>\$ 145</u>	55%

Refer to Slide 20 of this presentation for all footnote references.

GAAP to Non-GAAP Reconciliation

Q4 and Full Year Fiscal 2021 and Fiscal 2020

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

Schedule 2
(Continued)

	Three Months Ended March 31,			Years Ended March 31,		
	2021	2020	Change	2021	2020	Change
Equity earnings and charges from investment in Change Healthcare Joint Venture (GAAP)	\$ —	\$ 370	(100)%	\$ —	\$ (1,108)	(100)%
Pre-tax adjustments:						
Amortization of acquisition-related intangibles ⁽¹⁾	—	64	(100)	—	267	(100)
Transaction-related expenses and adjustments ⁽²⁾⁽³⁾	—	(380)	(100)	—	(75)	(100)
Other adjustments, net ⁽¹⁰⁾	—	1	(100)	—	1,169	(100)
Adjusted Equity Income from Change Healthcare (Non-GAAP)	<u>\$ —</u>	<u>\$ 55</u>	<u>(100)%</u>	<u>\$ —</u>	<u>\$ 253</u>	<u>(100)%</u>
Income tax benefit (expense) (GAAP)	\$ (316)	\$ (129)	145%	\$ 695	\$ (18)	NM
Tax adjustments:						
Amortization of acquisition-related intangibles	(20)	(45)	(56)	(95)	(175)	(46)
Transaction-related expenses and adjustments	(1)	(8)	(88)	(6)	(125)	(95)
LIFO inventory-related adjustments	(20)	37	(154)	10	66	(85)
Gains from antitrust legal settlements	47	—	NM	47	6	683
Restructuring, impairment, and related charges, net	(16)	(16)	—	(60)	(52)	15
Claims and litigation charges, net	72	—	NM	(1,259)	(21)	NM
Other adjustments, net	(1)	(7)	(86)	(14)	(345)	(96)
Adjusted Income Tax Expense (Non-GAAP)	<u>\$ (255)</u>	<u>\$ (168)</u>	<u>52%</u>	<u>\$ (682)</u>	<u>\$ (664)</u>	<u>3%</u>

- (a) Certain computations may reflect rounding adjustments.
- (b) We calculate loss per diluted common share from continuing operations attributable to McKesson Corporation (GAAP) for the year ended March 31, 2021 using a weighted average of 160.6 million common shares, which excludes dilutive securities from the denominator due to their antidilutive effect when calculating a net loss per diluted share. We calculate adjusted earnings per diluted share (Non-GAAP) for the year ended March 31, 2021 on a fully diluted basis, using a weighted average of 162.0 million common shares. Because we show the GAAP to Non-GAAP per share reconciling items on a fully diluted basis, any footing differences in those items are due to different weighted average share counts. This methodology results in per share difference of \$0.24 for the year ended March 31, 2021.
- (c) Adjusted earnings per diluted share on an FX-adjusted basis for the three months and year ended March 31, 2021 was \$5.01 and \$17.15, respectively, which excludes the foreign currency exchange effect of \$0.04 and \$0.06, respectively.

NM Computation not meaningful

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 Equity Income from Change Healthcare (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 2021 and Q4 Fiscal 2020

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

Schedule 3

	Three Months Ended March 31,						(in millions)							
	2021			2020							Change			
	As reported (GAAP)	Adjustments	As adjusted (Non-GAAP)	As reported (GAAP)	Adjustments	As adjusted (Non-GAAP)	Foreign currency effects	FX-Adjusted (Non-GAAP)	Foreign currency effects	FX-Adjusted (Non-GAAP)	As reported (GAAP)	As adjusted (Non-GAAP)	As reported FX-Adjusted (Non-GAAP)	As adjusted FX-Adjusted (Non-GAAP)
REVENUES														
U.S. Pharmaceutical	\$ 47,042	\$ —	\$ 47,042	\$ 45,845	\$ —	\$ 45,845	\$ —	\$ 47,042	\$ —	\$ 47,042	3 %	3 %	3 %	3 %
International	8,600	—	8,600	9,749	—	9,749	(651)	7,949	(651)	7,949	(12)	(12)	(18)	(18)
Medical-Surgical Solutions	2,711	—	2,711	2,205	—	2,205	—	2,711	—	2,711	23	23	23	23
Prescription Technology Solutions	789	—	789	736	—	736	—	789	—	789	7	7	7	7
Revenues	\$ 59,142	\$ —	\$ 59,142	\$ 58,535	\$ —	\$ 58,535	\$ (651)	\$ 58,491	\$ (651)	\$ 58,491	1 %	1 %	— %	— %
OPERATING PROFIT ⁽⁵⁾														
U.S. Pharmaceutical	\$ 892	\$ (79)	\$ 813	\$ 851	\$ (94)	\$ 757	\$ —	\$ 892	\$ —	\$ 813	5 %	7 %	5 %	7 %
International	76	62	138	68	69	137	(9)	67	(12)	126	12	1	(1)	(8)
Medical-Surgical Solutions	171	21	192	121	49	170	—	171	—	192	41	13	41	13
Prescription Technology Solutions	125	21	146	116	16	132	—	125	—	146	8	11	8	11
Other ^{(a) (1) (3)}	—	—	—	370	(315)	55	—	—	—	—	(100)	(100)	(100)	(100)
Subtotal	1,264	25	1,289	1,526	(275)	1,251	(9)	1,255	(12)	1,277	(17)	3	(18)	2
Corporate expenses, net ⁽⁶⁾	(183)	58	(125)	(260)	44	(216)	1	(182)	1	(124)	(30)	(42)	(30)	(43)
Income from continuing operations before interest expense and income taxes	\$ 1,081	\$ 83	\$ 1,164	\$ 1,266	\$ (231)	\$ 1,035	\$ (8)	\$ 1,073	\$ (11)	\$ 1,153	(15) %	12 %	(15) %	11 %
OPERATING PROFIT AS A % OF REVENUES														
U.S. Pharmaceutical	1.90 %		1.73 %	1.86 %		1.65 %		1.90 %		1.73 %	4 bp	8 bp	4 bp	8 bp
International	0.88		1.60	0.70		1.41		0.84		1.59	18	19	14	18
Medical-Surgical Solutions	6.31		7.08	5.49		7.71		6.31		7.08	82	(63)	82	(63)
Prescription Technology Solutions	15.84		18.50	15.76		17.93		15.84		18.50	8	57	8	57

(a) Operating profit (loss) for Other for the three months ended March 31, 2020 includes equity earnings and charges from investment in Change Healthcare Joint Venture. We completed the separation from our investment in Change Healthcare Joint Venture during the fourth quarter of fiscal 2020.

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.

McKESON

GAAP to Non-GAAP Reconciliation

Full Year Fiscal 2021 and Full Year Fiscal 2020

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

Schedule 3
(Continued)

	Years Ended March 31,						(in millions)							
	2021			2020			As reported		As adjusted		Change			
	As reported (GAAP)	Adjustments	As adjusted (Non-GAAP)	As reported (GAAP)	Adjustments	As adjusted (Non-GAAP)	Foreign currency effects	FX-Adjusted (Non-GAAP)	Foreign currency effects	FX-Adjusted (Non-GAAP)	As reported (GAAP)	As adjusted (Non-GAAP)	As reported FX-Adjusted (Non-GAAP)	As adjusted FX-Adjusted (Non-GAAP)
REVENUES														
U.S. Pharmaceutical	\$ 189,274	\$ —	\$ 189,274	\$ 181,700	\$ —	\$ 181,700	\$ —	\$ 189,274	\$ —	\$ 189,274	4 %	4 %	4 %	4 %
International	35,965	—	35,965	38,341	—	38,341	(1,068)	34,897	(1,068)	34,897	(6)	(6)	(9)	(9)
Medical-Surgical Solutions	10,099	—	10,099	8,305	—	8,305	—	10,099	—	10,099	22	22	22	22
Prescription Technology Solutions	2,890	—	2,890	2,705	—	2,705	—	2,890	—	2,890	7	7	7	7
Revenues	\$ 238,228	\$ —	\$ 238,228	\$ 231,051	\$ —	\$ 231,051	\$ (1,068)	\$ 237,160	\$ (1,068)	\$ 237,160	3 %	3 %	3 %	3 %
OPERATING PROFIT (LOSS) ⁽⁵⁾														
U.S. Pharmaceutical ⁽¹²⁾	\$ 2,763	\$ (46)	\$ 2,717	\$ 2,745	\$ (117)	\$ 2,628	\$ —	\$ 2,763	\$ —	\$ 2,717	1 %	3 %	1 %	3 %
International ^{(4) (11)}	(37)	522	485	(161)	622	461	(5)	(42)	(19)	466	(77)	5	(74)	1
Medical-Surgical Solutions	707	98	805	499	180	679	—	707	—	805	42	19	42	19
Prescription Technology Solutions	395	72	467	396	72	468	—	395	—	467	—	—	—	—
Other ^{(a) (1) (2) (3) (10)}	—	—	—	(1,113)	1,366	253	—	—	—	—	(100)	(100)	(100)	(100)
Subtotal	3,828	646	4,474	2,366	2,123	4,489	(5)	3,823	(19)	4,455	62	—	62	(1)
Corporate expenses, net ^{(6) (7) (8) (9)}	(8,645)	8,061	(584)	(973)	333	(640)	1	(8,644)	1	(583)	788	(9)	788	(9)
Income (loss) from continuing operations before interest expense and income taxes	\$ (4,817)	\$ 8,707	\$ 3,890	\$ 1,393	\$ 2,456	\$ 3,849	\$ (4)	\$ (4,821)	\$ (18)	\$ 3,872	(446) %	1 %	(446) %	1 %
OPERATING PROFIT (LOSS) AS A % OF REVENUES														
U.S. Pharmaceutical	1.46 %		1.44 %	1.51 %		1.45 %		1.46 %		1.44 %	(5) bp	(1) bp	(5) bp	(1) bp
International	(0.10)		1.35	(0.42)		1.20		(0.12)		1.34	32	15	30	14
Medical-Surgical Solutions	7.00		7.97	6.01		8.18		7.00		7.97	99	(21)	99	(21)
Prescription Technology Solutions	13.67		16.16	14.64		17.30		13.67		16.16	(97)	(114)	(97)	(114)

(a) Operating profit (loss) for Other for the year ended March 31, 2020 includes equity earnings and charges from investment in Change Healthcare Joint Venture. We completed the separation from our investment in Change Healthcare Joint Venture during the fourth quarter of fiscal 2020.

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.

McKESSON

GAAP to Non-GAAP Reconciliation

Full Year Fiscal 2021 and Full Year Fiscal 2020

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

Schedule 6

	Years Ended March 31,		
	2021	2020	Change
GAAP CASH FLOW CATEGORIES			
Net cash provided by operating activities	\$ 4,542	\$ 4,374	4 %
Net cash used in investing activities	(415)	(579)	(28)
Net cash used in financing activities	(1,693)	(2,734)	(38)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(61)	(19)	221
Net increase in cash, cash equivalents, and restricted cash	<u>\$ 2,373</u>	<u>\$ 1,042</u>	128 %
FREE CASH FLOW (NON-GAAP)			
Net cash provided by operating activities	\$ 4,542	\$ 4,374	4 %
Payments for property, plant, and equipment	(451)	(362)	25
Capitalized software expenditures	(190)	(144)	32
Free Cash Flow (Non-GAAP)	<u>\$ 3,901</u>	<u>\$ 3,868</u>	1 %

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

McKESON CORPORATION FINANCIAL STATEMENT NOTES

1 of 2

- (1) Amortization of acquisition-related intangibles 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 \$64 million for the three months ended March 31, 2020 and \$267 million for the year ended March 31, 2020. These charges are included under "equity earnings and charges from investment in Change Healthcare Joint Venture" 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, 2020 includes a pre-tax charge of \$246 million (\$184 million after-tax) within Other, representing the difference between our proportionate share of the IPO proceeds and the dilution effect on our investment in Change Healthcare Joint Venture carrying value. This charge is included under "equity earnings and charges from investment in Change Healthcare Joint Venture" 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, 2020 includes an estimated gain of \$414 million (pre-tax and after-tax) within Other recognized upon the separation of our investment in Change Healthcare LLC ("Change Healthcare"). The separation was completed on March 10, 2020 and involved a series of transactions, including an exchange offer to split-off our wholly-owned subsidiary PF2 SpinCo, Inc. ("SpinCo") which held all of McKesson's interest in Change Healthcare and a merger of SpinCo with and into Change Healthcare, Inc. ("Change"). McKesson no longer holds an interest in any securities of Change Healthcare or Change following the transactions. After the separation, Change Healthcare is required under an agreement to pay McKesson 85% of the net cash tax savings realized, or so deemed, from the depreciation or amortization allocated to Change by McKesson. The receipt of any payments from this agreement is dependent upon Change benefiting from this depreciation or amortization in future tax return filings, which creates uncertainty such that McKesson accounts for the agreement as a gain contingency. This estimated gain is included under "Equity earnings and charges from investment in Change Healthcare Joint Venture" 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 years ended March 31, 2021 and 2020 includes charges of \$58 million (pre-tax and after-tax) and \$275 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 our International segment. On November 2, 2020, McKesson announced the completion of the creation of the joint venture. 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 and year ended March 31, 2021 includes pre-tax charges of \$63 million (\$47 million after-tax) and \$334 million (\$275 million after-tax), primarily for our Europe and Canada businesses as well as Corporate expenses, net. The three months and year ended March 31, 2020 includes charges of \$64 million (\$48 million after-tax) and \$268 million (\$215 million after-tax), primarily for our Canada and Europe 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 three months ended March 31, 2020, and the years ended March 31, 2021 and 2020 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.
- (6) 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.

Financial Statement Notes

FINANCIAL STATEMENT NOTES (continued)

2 of 2

- (7) 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. In financial reporting periods prior to the three months ended December 31, 2020, this gain was included under other adjustments, net.
- (8) Claims and litigation charges, net for the year ended March 31, 2020 includes a pre-tax charge of \$82 million (\$61 million after-tax) recorded in connection with an agreement to settle all opioids related claims filed by two Ohio counties 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. In financial reporting periods prior to the three months ended December 31, 2020, this charge was included under other adjustments, net.
- (9) Other adjustments, net for the year ended March 31, 2020 includes pre-tax charges of \$122 million (\$90 million after-tax) representing settlement charges related to our frozen U.S. defined benefit pension plan, within Corporate expenses, net. This charge is included under "other income (expense), net" 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) Other adjustments, net for the year ended March 31, 2020 includes a pre-tax charge of \$1.2 billion (\$864 million after-tax) representing an other-than-temporary impairment of McKesson's investment in Change Healthcare Joint Venture within Other. This charge is included under "equity earnings and charges from investment in Change Healthcare Joint Venture" 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, 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.
- (12) 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. To the extent that further court decisions do not strike down the law, we will face liability under the OSA and 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

1 of 3

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, net, excluding amortization of acquisition-related intangibles, transaction-related expenses and adjustments, and other adjustments.
- **Adjusted Equity Income from Change Healthcare (Non-GAAP):** We define Adjusted Equity Income from Change Healthcare as GAAP equity earnings and charges from investment in Change Healthcare Joint Venture, excluding amortization of acquisition-related intangibles, transaction-related expenses and adjustments, and other adjustments. We completed the separation from our investment in Change Healthcare Joint Venture during the fourth quarter of fiscal 2020.
- **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 Earnings per Diluted Share was not previously adjusted for the effect of potentially dilutive securities issued by the Change Healthcare Joint Venture.

Supplemental Non-GAAP Financial Information

SUPPLEMENTAL NON-GAAP FINANCIAL INFORMATION (continued)

2 of 3

- **Adjusted Segment Operating Profit (Non-GAAP) and Adjusted Segment Operating Profit Margin (Non-GAAP):** We define Adjusted Segment Operating Profit as GAAP segment operating profit (loss), excluding amortization of acquisition-related intangibles, transaction-related expenses and adjustments, LIFO inventory-related adjustments, gains from antitrust legal settlements, restructuring, impairment, and related charges, and other adjustments. We define Adjusted Segment Operating Profit Margin as Adjusted Segment Operating Profit (Non-GAAP) divided by GAAP segment revenues.
- **Adjusted Corporate Expenses (Non-GAAP):** We define Adjusted Corporate Expenses as GAAP corporate expenses, net, excluding transaction-related expenses and adjustments, restructuring, impairment, and related charges, claims and litigation charges, and other adjustments.
- **Adjusted Operating Profit (Non-GAAP):** We define Adjusted Operating Profit as GAAP income (loss) from continuing operations before interest expense and income taxes, excluding amortization of acquisition-related intangibles, transaction-related expenses and adjustments, LIFO inventory-related adjustments, gains from antitrust legal settlements, restructuring, impairment, and related charges, claims and litigation charges, and other adjustments.

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, gains or losses on business combinations, and divestitures of businesses that do not qualify as discontinued operations.

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

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

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

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

Supplemental Non-GAAP Financial Information

SUPPLEMENTAL NON-GAAP FINANCIAL INFORMATION (continued)

3 of 3

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 release.

Additionally, the Company's 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 results per diluted share.

- **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 release.
- **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 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.

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.