

McKesson Corporation

First Quarter Fiscal 2025 Earnings Call

August 7, 2024

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,” “targets,” or the negative of these words or other comparable terminology. The discussion of financial outlook, guidance, trends, strategy, plans, assumptions, expectations, commitments, and 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 publicly available filings with the Securities and Exchange Commission and news releases.

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 are subject to frequently changing, extensive, complex, and challenging healthcare and other laws; we from time to time record significant charges from impairment to goodwill, intangibles, and other long-lived assets; we experience cybersecurity incidents that might significantly compromise our technology systems or might result in material data breaches; we may be unsuccessful in achieving our strategic growth objectives; we may be unsuccessful in our efforts to implement initiatives to reduce or optimize our costs; we are impacted by customer purchase reductions, contract non-renewals, payment defaults, and bankruptcies; our contracts with government entities involve future funding and compliance risks; we might be harmed by changes in our relationships or contracts with suppliers; 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 competition and industry consolidation; we are adversely impacted by changes or disruptions in product supply and have had difficulties in sourcing or selling products due to a variety of causes; we might be adversely impacted as a result of our distribution of generic pharmaceuticals; we might be adversely impacted by changes in the economic environments in which we operate; changes affecting capital and credit markets might impede access to credit, increase borrowing costs, and disrupt banking services for us and our customers and suppliers and might impair the financial soundness of our customers and suppliers; we might be adversely impacted by changes in tax legislation or challenges to our tax positions; we might be adversely impacted by events outside of our control, such as widespread public health issues, 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 governance issues and regulations, including those related to social issues, climate change, and sustainability, and stakeholder response thereto may have an adverse effect on our business, financial condition, and results of operations and damage our reputation.

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.

Our Company Priorities

Focus on People and Culture

Commitment to investing in talent

Best place to work

Sustainable Core Growth

Scaled and **durable** distribution capabilities

Leading pharmaceutical and medical supply distribution networks

Expand Oncology and Biopharma Platforms

Differentiated assets and capabilities in community oncology

Leadership in access, affordability, and adherence solutions

Evolve and Grow the Portfolio

Digital enablement and AI

Technology modernization and process simplification

12% - 14%

Long-Term Adjusted EPS Growth Target

First Quarter Fiscal 2025 Results

Continued progress against strategic priorities leveraging broad capabilities

Business Summary

- Revenues of **\$79.3 billion** increased 6%
- Earnings per diluted share of \$7.00 decreased \$0.02
- Adjusted Earnings per Diluted Share of **\$7.88** increased 8%
- Raising Fiscal 2025 Adjusted Earnings per Diluted Share outlook to **\$31.75 to \$32.55** from \$31.25 to \$32.05

See endnotes for details

Company Updates

- McKesson's Board of Directors approved:
 - **15% increase to the quarterly dividend** to \$0.71 per share, marking the eighth consecutive year of increases
 - **\$4.0 billion increase to the share repurchase program**, bringing the total share repurchase authorization to \$9.9 billion as of July 2024
- Dr. Deborah Dunsire joined the company's Board of Directors on June 3, 2024
- Named by Forbes as one of America's Best Employers for Diversity in 2024

Consolidated adjusted financial information

Q1 Fiscal 2025 Results

Adjusted Results

(\$ and shares in millions, except per share amounts)

	Q1 FY 25	YoY Change
GAAP Revenues	\$ 79,283	6 %
Gross Profit	\$ 3,060	4 %
Operating Expenses	\$ (1,927)	7 %
Operating Profit	\$ 1,305	12 %
Interest Expense	\$ (70)	67 %
Income Tax Expense	\$ (160)	68 %
Net Income Attributable to Noncontrolling Interests ¹	\$ (46)	15 %
Earnings	\$ 1,029	4 %
Earnings per Diluted Share	\$ 7.88	8 %
GAAP Diluted weighted-average common shares	130.7	(4) %

See endnotes for details

U.S. Pharmaceutical

Q1 Fiscal 2025 Results

Results

(\$ in millions)

Q1
FY 25

YoY
Change

U.S. Pharmaceutical

Revenues	\$	71,715	7 %
Adjusted Segment Operating Profit	\$	815	6 %
Adjusted Segment Operating Profit Margin		1.14 %	(1) bp

Q1 revenue growth driven by increased prescription volumes, including higher volumes from specialty products, retail national account customers, and GLP-1 medications

Q1 Adjusted Segment Operating Profit increase driven by growth in the distribution of specialty products to providers and health systems

Prescription Technology Solutions

Q1 Fiscal 2025 Results

Results

(\$ in millions)

Q1
FY 25

YoY
Change

Prescription Technology Solutions

Revenues	\$	1,241	— %
Adjusted Segment Operating Profit	\$	223	— %
Adjusted Segment Operating Profit Margin		17.97 %	4 bp

Q1 revenue flat to the prior year driven by growth in the technology services business, offset by lower contributions from the third-party logistics business

Q1 Adjusted Segment Operating Profit was unchanged compared to the prior year. Growth in affordability solutions was offset by lower contributions due to the mix of services within our access programs, and higher expenses to support future growth

Medical-Surgical Solutions

Q1 Fiscal 2025 Results

Results

(\$ in millions)

Q1
FY 25

YoY
Change

Medical-Surgical Solutions

Revenues	\$	2,636	1%
Adjusted Segment Operating Profit	\$	200	(15)%
Adjusted Segment Operating Profit Margin		7.59%	(141) bp

Q1 revenue increase driven by higher volumes of specialty pharmaceuticals, partially offset by lower volumes, customer mix, and product demand shifts in the primary care channel

Q1 Adjusted Segment Operating Profit decrease driven by lower volumes, customer mix, and product demand shifts across the primary care sites of care

International

Q1 Fiscal 2025 Results

Results

(\$ in millions)

Q1
FY 25

YoY
Change

International

Revenues

\$ 3,691 6 %

Adjusted Segment Operating Profit

\$ 102 13 %

Adjusted Segment Operating Profit Margin

2.76 % 16 bp

Q1 revenue and **Adjusted Segment Operating Profit** increase driven by higher pharmaceutical distribution volumes in the Canadian business

Corporate

Q1 Fiscal 2025 Results

Results

(\$ in millions)

Q1
FY 25

YoY
Change

Corporate

Adjusted Corporate Expenses

\$ (35)

(77) %

Q1 Adjusted Corporate Expenses decreased by \$114 million, driven by pre-tax gains of \$110 million associated with McKesson Ventures' equity investments, compared to pre-tax losses of \$7 million in the first quarter of fiscal 2024

Cash

(\$ in millions)

YTD Cash Balance Walk

Balance at March 31, 2024¹	\$	4,585
Operating cash flow		(1,380)
Capital expenditures		(167)
Free Cash Flow		(1,547)
Other investing cash flows		80
Share repurchases		(527)
Dividends paid		(82)
Other financing cash flows and FX		(205)
Net decrease in cash		(2,281)
Balance at June 30, 2024¹	\$	2,304
Less: Restricted cash		(2)
Cash and cash equivalents at June 30, 2024	\$	2,302

Cash Dynamics

Operating cash flow of **(\$1.4) billion**, a portion of which was used in support of onboarding new customers

Free Cash Flow of **(\$1.5) billion**

Returned **\$609 million** of cash to shareholders year-to-date

- Repurchased **\$527 million** of shares
- Paid **\$82 million** in dividends

Remaining share repurchase authorization of **\$9.9** billion as of July 2024

See endnotes for details

Fiscal 2025 Outlook

On the following slides, McKesson presents an overview of its fiscal 2025 Outlook and assumptions. The company does not provide forward-looking guidance on a GAAP basis as McKesson is unable to provide a quantitative reconciliation of forward-looking Non-GAAP measures to the most directly comparable forward-looking GAAP measure, without unreasonable effort. McKesson cannot reasonably 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 generally 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.

Raising Fiscal 2025 Adjusted EPS outlook

\$31.75 to \$32.55

Strong Business Performance

Fiscal 2025 **Adjusted Operating Profit** growth of **10% to 15%** compared to the prior year

Fiscal 2025 **Adjusted Earnings per Diluted Share** guidance range indicates **16% to 19% growth** compared to the prior year

Capital Deployment

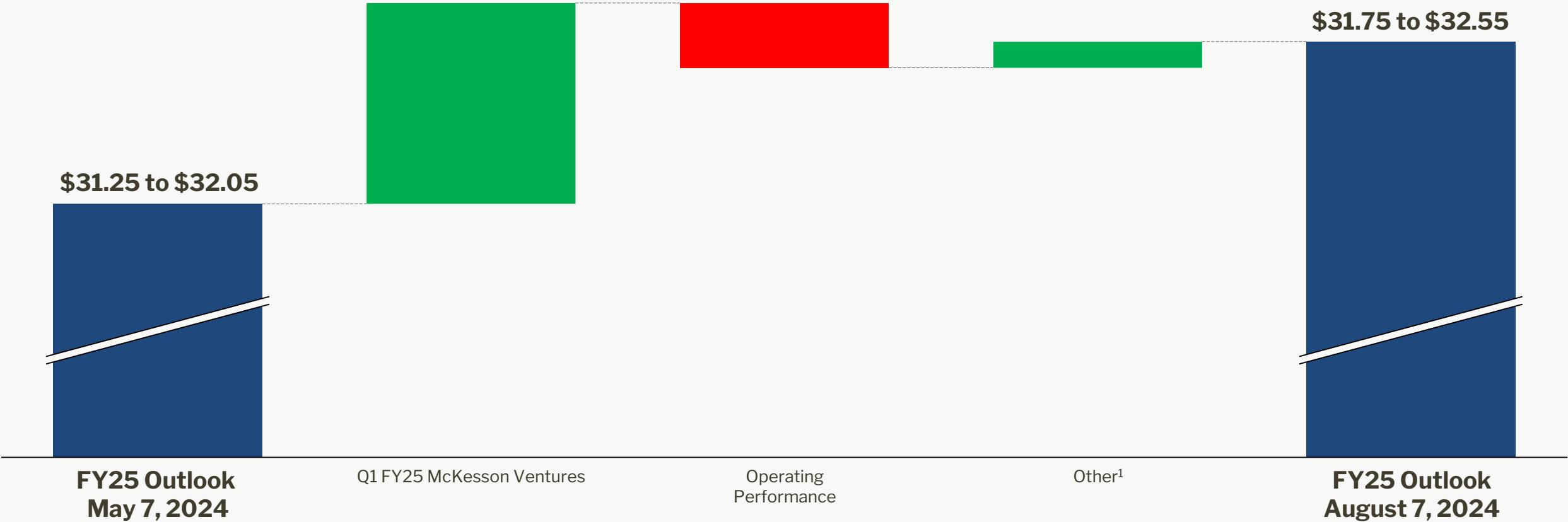
Anticipate approximately \$2.8 billion in share repurchases in Fiscal 2025

McKesson Board of Directors declared a 15% increase to the quarterly dividend

McKesson Board of Directors approved an additional \$4.0 billion of share repurchase authorization, bringing the total authorization to \$9.9 billion as of July 2024

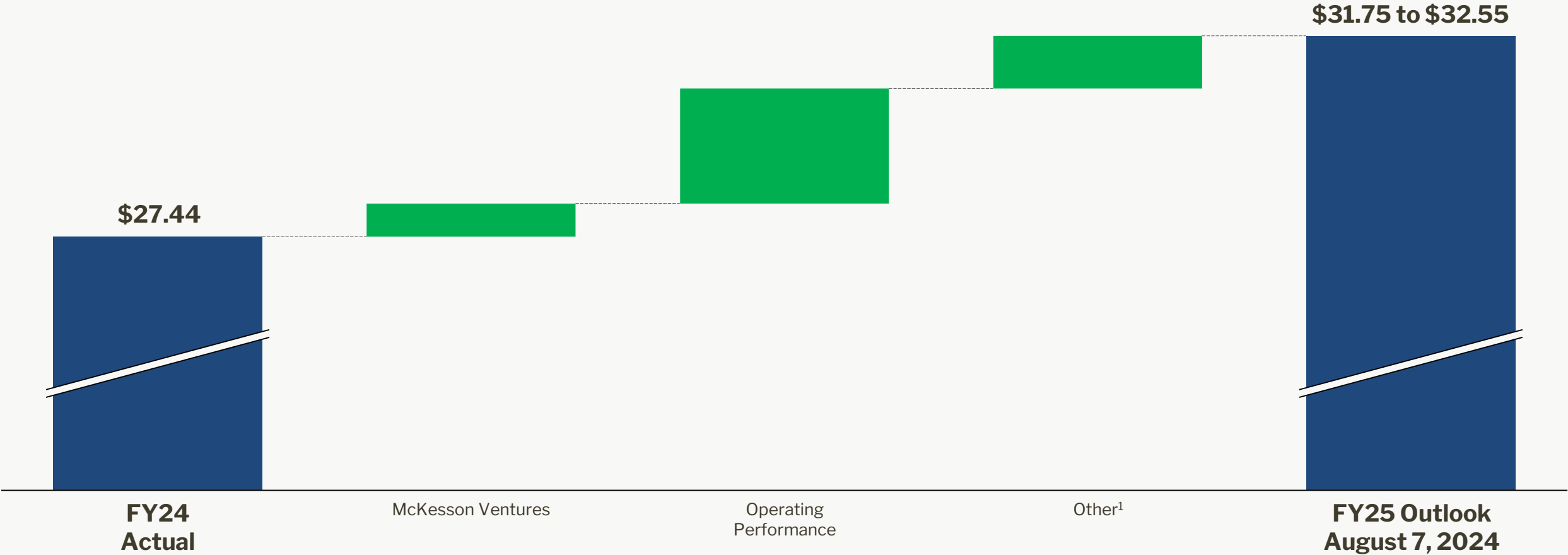
Focused investments to accelerate the growth of our oncology and biopharma services platforms

Fiscal 2025 Adjusted EPS outlook



See endnotes for details

Fiscal 2025 Adjusted EPS outlook



See endnotes for details

Fiscal 2025 adjusted outlook

Consolidated metrics

Metric	Fiscal 2025 Outlook	Fiscal 2024 Actual
Earnings per Diluted Share	\$31.75 to \$32.55 <i>Previously \$31.25 to \$32.05</i>	\$27.44
GAAP Revenues	13% to 15% growth <i>Previously 15% to 17% growth</i>	12% growth
Operating Profit	10% to 15% growth <i>Previously 9% to 14% growth</i>	2% decline
Corporate Expenses	\$495 to \$555 million <i>Previously \$580 to \$640 million</i>	\$648 million
Interest Expense	\$245 to \$265 million <i>Previously \$220 to \$240 million</i>	\$230 million
Income Attributable to Noncontrolling Interests ¹	\$175 to \$185 million <i>Previously \$140 to \$160 million</i>	\$165 million
Effective Tax Rate	17% to 19% <i>Previously 18% to 20%</i>	17.7%
Free Cash Flow	\$4.8 to \$5.2 billion	\$3.6 billion
Share repurchases	Approximately \$2.8 billion	\$3.0 billion
GAAP Diluted weighted average common shares	128 to 130 million	134.1 million

See endnotes for details

Fiscal 2025 adjusted outlook

Segment metrics

	U.S. Pharmaceutical	Prescription Technology Solutions	Medical-Surgical Solutions	International
Revenue	13% to 16% growth <i>Previously 16% to 19% growth</i>	14% to 18% growth <i>Previously 18% to 22% growth</i>	3% to 7% growth <i>Previously 4% to 8% growth</i>	4% to 8% growth
Adjusted Operating Profit	8% to 10% growth	11% to 15% growth <i>Previously 12% to 16% growth</i>	Low end of 6% to 8% growth <i>Previously 6% to 8% growth</i>	8% to 12% growth <i>Previously 6% to 10% growth</i>

Appendix

Endnotes

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

Slide 3 – Our Company Priorities

1. Long-Term Adjusted EPS Growth Target excludes gains or losses associated with McKesson Venture's portfolio investments

Slide 6 – Consolidated adjusted financial information

1. Non-GAAP measure representing Net income attributable to noncontrolling interests adjusted for the proportionate share of acquisition-related intangibles amortization and transaction-related expenses of \$1 million in the first quarter of fiscal 2025

Slide 12 – Cash

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

Slide 15 – Fiscal 2025 Adjusted EPS outlook

1. Includes Adjusted Effective Tax Rate, Adjusted Net Income Attributable to Non-Controlling Interests, and Adjusted Interest Expense

Slide 16 – Fiscal 2025 Adjusted EPS outlook

1. Includes Adjusted Effective Tax Rate, Adjusted Net Income Attributable to Non-Controlling Interests, Adjusted Interest Expense, and Diluted weighted average common shares

Slide 17 – Fiscal 2025 adjusted outlook (Consolidated metrics)

1. Non-GAAP measure representing Net income attributable to noncontrolling interests adjusted for the proportionate share of acquisition-related intangibles amortization and transaction-related expenses

GAAP to Non-GAAP Reconciliation

Q1 Fiscal 2025 and Q1 Fiscal 2024

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

Schedule 2

	Three Months Ended June 30,		Change
	2024	2023	
Net income (GAAP)	\$ 960	\$ 997	(4)%
Net income attributable to noncontrolling interests (GAAP)	(45)	(39)	15
Net income attributable to McKesson Corporation (GAAP)	915	958	(4)
Pre-tax adjustments:			
Amortization of acquisition-related intangibles	63	62	2
Transaction-related expenses and adjustments	15	9	67
LIFO inventory-related adjustments	(2)	32	(106)
Gains from antitrust legal settlements	(90)	(118)	(24)
Restructuring, impairment, and related charges, net ⁽¹⁾	10	52	(81)
Claims and litigation charges, net ⁽²⁾	112	—	—
Other adjustments, net ⁽³⁾	43	—	—
Income tax effect on pre-tax adjustments	(36)	(1)	—
Net income attributable to noncontrolling interests effect on pre-tax adjustments	(1)	(1)	—
Adjusted Earnings (Non-GAAP)	\$ 1,029	\$ 993	4 %

GAAP to Non-GAAP Reconciliation

Q1 Fiscal 2025 and Q1 Fiscal 2024

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

Schedule 2
(Continued)

	<u>Three Months Ended June 30,</u>		<u>Change</u>
	<u>2024</u>	<u>2023</u>	
Earnings per diluted common share attributable to McKesson Corporation (GAAP) ^(a)	\$ 7.00	\$ 7.02	— %
After-tax adjustments:			
Amortization of acquisition-related intangibles	0.36	0.35	3
Transaction-related expenses and adjustments	0.10	0.09	11
LIFO inventory-related adjustments	(0.01)	0.17	(106)
Gains from antitrust legal settlements	(0.51)	(0.64)	(20)
Restructuring, impairment, and related charges, net	0.06	0.28	(79)
Claims and litigation charges, net	0.64	—	—
Other adjustments, net	0.24	—	—
Adjusted Earnings per Diluted Share (Non-GAAP) ^(a)	<u>\$ 7.88</u>	<u>\$ 7.27</u>	8 %
Diluted weighted-average common shares outstanding	<u>130.7</u>	<u>136.6</u>	(4)%

GAAP to Non-GAAP Reconciliation

Q1 Fiscal 2025 and Q1 Fiscal 2024

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

Schedule 2
(Continued)

	Three Months Ended June 30,		Change
	2024	2023	
Gross profit (GAAP)	\$ 3,152	\$ 3,022	4 %
Pre-tax adjustments:			
LIFO inventory-related adjustments	(2)	32	(106)
Gains from antitrust legal settlements	(90)	(118)	(24)
Adjusted Gross Profit (Non-GAAP)	<u>\$ 3,060</u>	<u>\$ 2,936</u>	4 %
Total operating expenses (GAAP)	\$ (2,123)	\$ (1,922)	10 %
Pre-tax adjustments:			
Amortization of acquisition-related intangibles	63	62	2
Transaction-related expenses and adjustments	11	4	175
Restructuring, impairment, and related charges, net ⁽¹⁾	10	52	(81)
Claims and litigation charges, net ⁽²⁾	112	—	—
Adjusted Operating Expenses (Non-GAAP)	<u>\$ (1,927)</u>	<u>\$ (1,804)</u>	7 %
Other income, net (GAAP)	\$ 130	\$ 38	242 %
Pre-tax adjustments:			
Transaction-related expenses and adjustments	(1)	—	—
Other adjustments, net ⁽³⁾	43	—	—
Adjusted Other Income (Non-GAAP)	<u>\$ 172</u>	<u>\$ 38</u>	353 %

GAAP to Non-GAAP Reconciliation

Q1 Fiscal 2025 and Q1 Fiscal 2024

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

Schedule 2
(Continued)

	<u>Three Months Ended June 30,</u>		<u>Change</u>
	<u>2024</u>	<u>2023</u>	
Interest expense (GAAP)	\$ (75)	\$ (47)	60 %
Pre-tax adjustments:			
Transaction-related expenses and adjustments	5	5	—
Adjusted Interest Expense (Non-GAAP)	<u>\$ (70)</u>	<u>\$ (42)</u>	67 %
Income tax expense (GAAP)	\$ (124)	\$ (94)	32 %
Tax adjustments:			
Amortization of acquisition-related intangibles	(15)	(14)	7
Transaction-related expenses and adjustments	(3)	4	(175)
LIFO inventory-related adjustments	1	(8)	113
Gains from antitrust legal settlements	23	30	(23)
Restructuring, impairment, and related charges, net	(2)	(13)	(85)
Claims and litigation charges, net	(28)	—	—
Other adjustments, net	(12)	—	—
Adjusted Income Tax Expense (Non-GAAP)	<u>\$ (160)</u>	<u>\$ (95)</u>	68 %

GAAP to Non-GAAP Reconciliation

Q1 Fiscal 2025 and Q1 Fiscal 2024

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

Schedule 2
(Continued)

(a) Certain computations may reflect rounding adjustments.

Any percentage changes displayed 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 Interest Expense (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

Q1 Fiscal 2025 and Q1 Fiscal 2024

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

Schedule 3

	Three Months Ended June 30,						Change	
	2024			2023				
	As reported (GAAP)	Adjustments	As adjusted (Non-GAAP)	As reported (GAAP)	Adjustments	As adjusted (Non-GAAP)	As reported (GAAP)	As adjusted (Non-GAAP)
REVENUES								
U.S. Pharmaceutical	\$ 71,715	\$ —	\$ 71,715	\$ 67,160	\$ —	\$ 67,160	7 %	7 %
Prescription Technology Solutions	1,241	—	1,241	1,244	—	1,244	—	—
Medical-Surgical Solutions	2,636	—	2,636	2,611	—	2,611	1	1
International	3,691	—	3,691	3,468	—	3,468	6	6
Revenues	<u>\$ 79,283</u>	<u>\$ —</u>	<u>\$ 79,283</u>	<u>\$ 74,483</u>	<u>\$ —</u>	<u>\$ 74,483</u>	6 %	6 %
OPERATING PROFIT ⁽¹⁾								
U.S. Pharmaceutical ⁽²⁾⁽³⁾	\$ 781	\$ 34	\$ 815	\$ 827	\$ (56)	\$ 771	(6) %	6 %
Prescription Technology Solutions	203	20	223	231	(8)	223	(12)	—
Medical-Surgical Solutions	188	12	200	227	8	235	(17)	(15)
International	90	12	102	57	33	90	58	13
Subtotal	<u>1,262</u>	<u>78</u>	<u>1,340</u>	<u>1,342</u>	<u>(23)</u>	<u>1,319</u>	<u>(6)</u>	<u>2</u>
Corporate expenses, net ⁽²⁾⁽⁴⁾	(103)	68	(35)	(204)	55	(149)	(50)	(77)
Income before interest expense and income taxes	<u>\$ 1,159</u>	<u>\$ 146</u>	<u>\$ 1,305</u>	<u>\$ 1,138</u>	<u>\$ 32</u>	<u>\$ 1,170</u>	2 %	12 %
OPERATING PROFIT AS A % OF REVENUES								
U.S. Pharmaceutical	1.09 %		1.14 %	1.23 %		1.15 %	(14) bp	(1) bp
Prescription Technology Solutions	16.36		17.97	18.57		17.93	(221)	4
Medical-Surgical Solutions	7.13		7.59	8.69		9.00	(156)	(141)
International	2.44		2.76	1.64		2.60	80	16

Any 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), 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

Q1 Fiscal 2025 and Q1 Fiscal 2024

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

Schedule 6

	Three Months Ended June 30,		Change
	2024	2023	
GAAP CASH FLOW CATEGORIES			
Net cash used in operating activities	\$ (1,380)	\$ (1,052)	31 %
Net cash used in investing activities	(87)	(149)	(42)
Net cash used in financing activities	(809)	(843)	(4)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(5)	2	(350)
Net decrease in cash, cash equivalents, and restricted cash	<u>\$ (2,281)</u>	<u>\$ (2,042)</u>	12 %
FREE CASH FLOW (NON-GAAP)			
Net cash used in operating activities	\$ (1,380)	\$ (1,052)	31 %
Payments for property, plant, and equipment	(106)	(78)	36
Capitalized software expenditures	(61)	(46)	33
Free Cash Flow (Non-GAAP)	<u>\$ (1,547)</u>	<u>\$ (1,176)</u>	32 %

Any 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

1 of 1

1. Restructuring, impairment, and related charges, net for the three months ended June 30, 2024 includes pre-tax charges of \$10 million (\$8 million after-tax), primarily within Medical-Surgical Solutions and Prescription Technology Solutions. The three months ended June 30, 2023 includes pre-tax charges of \$52 million (\$39 million after-tax), primarily 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.
2. Claims and litigation charges, net for the three months ended June 30, 2024 includes pre-tax charges of \$114 million (\$86 million after-tax) related to our estimated liability for opioid-related claims of a nationwide group of certain third-party payors. We recorded charges of \$57 million (\$43 million after-tax) within Corporate expenses, net and \$57 million (\$43 million after-tax) within U.S. Pharmaceutical. These charges are included under "total operating expenses" in the reconciliation of McKesson's GAAP operating results to adjusted results (Non-GAAP) provided in Schedule 2 of the accompanying financial statement tables.
3. Other adjustments, net for the three months ended June 30, 2024 includes a pre-tax charge of \$43 million (\$31 million after-tax) within U.S. Pharmaceutical related to a loss from one of the Company's investments in equity securities. This charge is included under "other income, 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.
4. During the three months ended June 30, 2024, the Company recognized a pre-tax net gain of \$97 million (\$72 million after-tax) within Corporate expenses, net related to a recapitalization event of one of our investments in equity securities, which resulted in an increase to the carrying value of this investment. This gain was recorded in "Other income, net" in the Condensed Consolidated Statements of Operations (GAAP) provided in Schedule 1 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, 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 Interest Expense (Non-GAAP):** We define Adjusted Interest Expense as GAAP interest expense, excluding transaction-related expenses and adjustments related to net interest expense incurred from cross-currency swaps used to hedge the changes in the fair value of the Company's foreign currency-denominated notes resulting from changes in benchmark interest rates and foreign currency exchange rates. The foreign currency-denominated notes were previously designated as non-derivative net investment hedges of portions of the Company's net investments in its now-divested European businesses against the effect of exchange rate fluctuations on the translation of foreign currency balances to the U.S. dollar.
- **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 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 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.

Supplemental Non-GAAP Financial Information

SUPPLEMENTAL NON-GAAP FINANCIAL INFORMATION (continued)

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- **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, 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 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 charges for 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, net interest expense impact of hedging foreign currency-denominated notes, 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 charges or credit adjustments.

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

Supplemental Non-GAAP Financial Information

SUPPLEMENTAL NON-GAAP FINANCIAL INFORMATION (continued)

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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.

- **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 this presentation 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 Canadian dollars, Euro, and British pound sterling. As a result, the comparability of our results reported in U.S. dollars can be affected by changes in foreign currency exchange rates. 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, share repurchases, 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.