McKesson Corporation First Quarter Fiscal 2024 Earnings Call

August 2, 2023

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Cautionary Statements

Cautionary Statements

This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements may be identified by their use of terminology such as "believes," "expects," "anticipates," "may," "will," "should," "seeks," "approximately," "intends," "projects," "plans," "estimates," "targets," or the negative of these words or other comparable terminology. The discussion of financial outlook, guidance, trends, strategy, plans, assumptions, commitments, intentions, and future dividends and share repurchases may also include forward-looking statements. Readers should not place undue reliance on forward-looking statements, such as financial performance forecasts, which speak only as of the date they are first made. Except to the extent required by law, we undertake no obligation to update or revise our forward-looking statements. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those projected, anticipated, or implied. Although it is not possible to predict or identify all such risks and uncertainties, we encourage investors to read the risk factors described in our most recent annual and periodic report filed with the Securities and Exchange Commission.

These risk factors include, but are not limited to: we experience costly and disruptive legal disputes and settlements, including regarding our role in distributing controlled substances such as opioids; we might experience losses not covered by insurance or indemnification; we 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 might not realize expected benefits from business process initiatives; 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 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; 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 might be adversely impacted by changes or disruptions in product supply and have 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 fluctuations in foreign currency exchange rates; 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; and we may be adversely affected by global climate change or by legal, regulatory, or market responses to such change.

GAAP / Non-GAAP Reconciliation

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

Delivering sustainable growth and long-term shareholder value

Our Vision:

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

Our Priorities:

Focus on People and Culture

Evolve and Grow the Portfolio

Expand Oncology and Biopharma Platforms

Sustainable Core Growth

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First Quarter Fiscal 2024 Results

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Strong foundation and execution delivering sustainable long-term growth

Business Summary

- Q1 revenues of **$74.5 billion** increased 11%
- Earnings per diluted share from continuing operations of **$7.02** increased $1.77
- Adjusted Earnings per Diluted Share of **$7.27** increased 25%
- Adjusted Earnings per Diluted Share Excluding Certain Items increased 33%
- Raising Fiscal 2024 Adjusted Earnings per Diluted Share outlook to **$26.55 to $27.35** from $26.10 to $26.90

Company Updates

- Board of Directors approved a $6.0 billion increase to the share repurchase program, bringing the total remaining authorization to $8.9 billion as of July 2023
- Board of Directors approved a 15% increase to the quarterly dividend to $0.62 per share
- The US Oncology Network expanded its footprint with the addition of Cancer Center of Kansas, growing its total number of providers to over 2,400
- Published Impact Report for fiscal years 2022 and 2023 describing initiatives in sustainability focused on four pillars:
  - People: Providing equitable and dynamic opportunities for people to thrive
  - Partners: Collaborating to improve health outcomes for patients
  - Community: Enhancing the health of those in its communities
  - Planet: Delivering environment action for health

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Consolidated financial information

Q1 Fiscal 2024 Results

Results ($ and shares in millions, except per share amounts)		**Q1 FY 24**	**YoY Change**
Revenues	$	74,483	11 %
Adjusted Gross Profit	$	2,936	(2) %
Adjusted Operating Expenses	$	(1,804)	(4) %
Adjusted Operating Profit	$	1,170	3 %
Adjusted Interest Expense	$	(42)	(7) %
Adjusted Income Tax Expense	$	(95)	(53) %
Adjusted Net Income Attributable to Noncontrolling Interests[1]	$	(40)	(2) %
Adjusted Earnings	$	993	17 %
Adjusted Earnings per Diluted Share	$	7.27	25 %
Diluted weighted-average common shares		136.6	(6) %

See endnotes for details

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U.S. Pharmaceutical

Q1 Fiscal 2024 Results

Results ($ in millions)		**Q1 FY 24**	**YoY Change**
U.S. Pharmaceutical			
Revenues	$	67,160	18 %
Adjusted Segment Operating Profit	$	771	8 %
Adjusted Segment Operating Profit Margin		1.15 %	(10) bp

Q1 revenue growth driven by increased prescription volumes, including higher volumes from retail national account customers and specialty and GLP-1 products, partially offset by branded to generic conversions

Q1 Adjusted Segment Operating Profit increase driven by growth in the distribution of specialty products to providers and health systems and increased contributions from our generics program. Excluding the impact of COVID-19 vaccine distribution from fiscal 2023, the U.S. Pharmaceutical segment delivered Adjusted Segment Operating Profit growth of 14%

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Prescription Technology Solutions

Q1 Fiscal 2024 Results

Results ($ in millions)		**Q1 FY 24**	**YoY Change**
Prescription Technology Solutions			
Revenues	$	1,244	17 %
Adjusted Segment Operating Profit	$	223	35 %
Adjusted Segment Operating Profit Margin		17.93 %	245 bp

Q1 revenue increase driven by growth in our third-party logistics and technology services businesses due to increased prescription volumes

Q1 Adjusted Segment Operating Profit growth driven by increasing demand for access solutions, primarily related to prior authorization services due to increased prescription volumes

Medical-Surgical Solutions

Q1 Fiscal 2024 Results

Results ($ in millions)	**Q1 FY 24**	**YoY Change**
Medical-Surgical Solutions		
Revenues	$ 2,611	1 %
Adjusted Segment Operating Profit	$ 235	(12) %
Adjusted Segment Operating Profit Margin	9.00 %	(134) bp

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

Q1 Adjusted Segment Operating Profit decrease driven by lower contribution from kitting, storage, and distribution of ancillary supplies for the U.S. government's COVID-19 vaccine program. Excluding the impact of COVID-19 related items from fiscal 2023, the Medical-Surgical Solutions segment delivered Adjusted Segment Operating Profit growth of 7%, driven by growth in the extended and primary care businesses

International

Q1 Fiscal 2024 Results

Results ($ in millions)		**Q1 FY 24**	**YoY Change**
International			
Revenues[1]	$	3,468	(47) %
Adjusted Segment Operating Profit[1]	$	90	(35) %
Adjusted Segment Operating Profit Margin		2.60 %	49 bp

Q1 FX-Adjusted revenue of $3.7 billion, down 44% year-over-year, driven by the divestitures of McKesson's European businesses

Q1 FX-Adjusted Segment Operating Profit of $95 million, down 31% year-over-year, driven by the divestitures of McKesson's European businesses

See endnotes for details

Corporate
Q1 Fiscal 2024 Results

Results ($ in millions)		**Q1 FY 24**	**YoY Change**
Corporate			
Adjusted Corporate Expenses	$	(149)	3 %

Q1 Adjusted Corporate Expenses increased 3% year-over-year driven by a receipt of a payment related to a tax receivable agreement in the first quarter of fiscal 2023, partially offset by losses of approximately $7 million associated with McKesson Ventures' equity investments, compared to losses of approximately $22 million in the first quarter of fiscal 2023, and lower opioid-related litigation expenses

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Cash
($ in millions)

YTD Cash Balance Walk

Balance at March 31, 2023[1]	**$**	**4,679**
Operating cash flow		(1,052)
Capital expenditures		(124)
Free Cash Flow		(1,176)
Other investing cash flows		(25)
Share repurchases		(696)
Dividends paid		(74)
Other financing cash flows and FX		(71)
Net decrease in cash		(2,042)
Balance at June 30, 2023[1]	**$**	**2,637**
Less: Restricted cash		(1)
Cash and cash equivalents at June 30, 2023	**$**	**2,636**

See endnotes for details

Cash Dynamics

Free Cash Flow of **($1.2) billion**

Returned **$770 million** of cash to shareholders year-to-date

- Repurchased **$696 million** of shares
- Paid **$74 million** in dividends

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Fiscal 2024 Outlook

On the following slides, McKesson presents an overview of its fiscal 2024 Outlook 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 reliably forecast LIFO inventory-related adjustments, certain litigation loss and gain contingencies, restructuring, impairment and related charges, and other adjustments, which are difficult to predict and estimate. These items are 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.

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Raising Fiscal 2024 Adjusted EPS outlook

$26.55 – $27.35

Strong Business Performance

Fiscal 2024 Adjusted Earnings per Diluted Share guidance range indicates **2% to 5% growth** compared to prior year

Fiscal 2024 Adjusted Earnings per Diluted Share Excluding Certain Items[1] guidance indicates **13% to 16% growth** compared to prior year

Capital Deployment

Anticipate approximately $3.5 billion in share repurchases in Fiscal 2024

Board of Directors approved an additional $6.0 billion of share repurchase authorization, bringing the total remaining authorization to $8.9 billion as of July 2023

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

Grow the business through investments to accelerate the growth of our oncology and biopharma platforms

See endnotes for details

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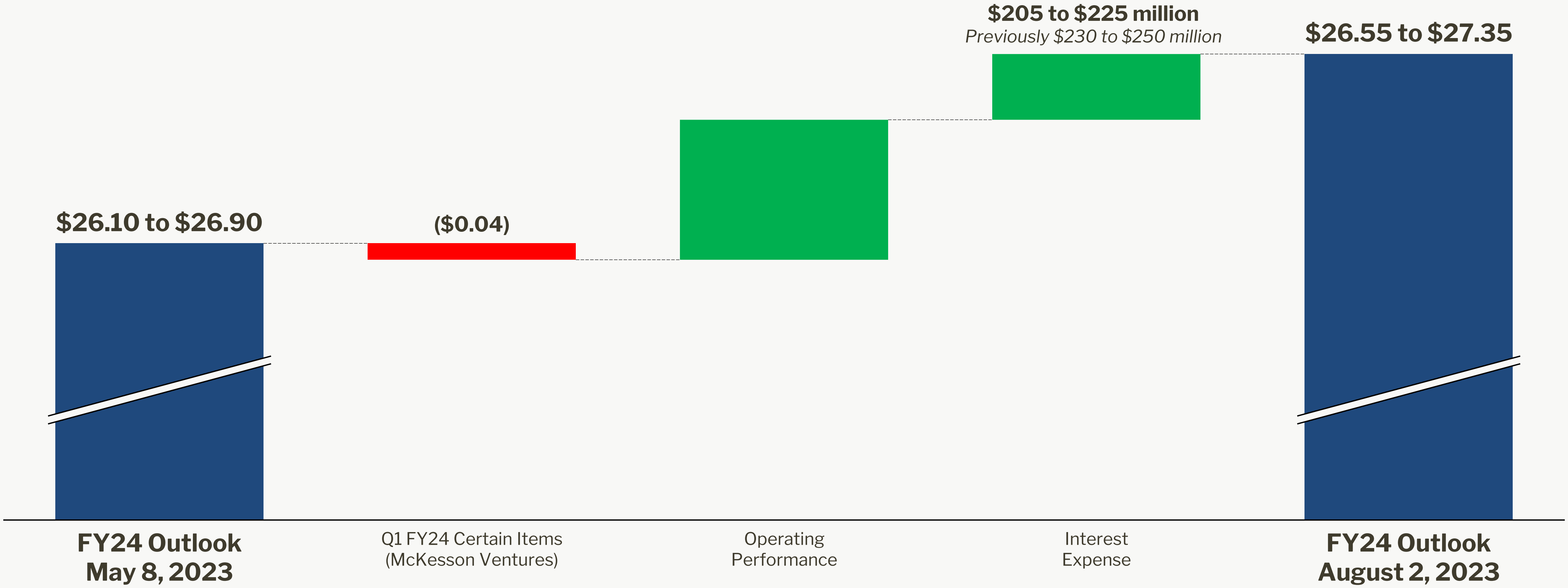
Raising Fiscal 2024 Adjusted EPS outlook



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Fiscal 2024 outlook

Consolidated metrics

Metric	Fiscal 2024 Outlook	Fiscal 2023 Actual
Adjusted Earnings per Diluted Share	**$26.55 to $27.35** *Previously $26.10 to $26.90*	$25.94
Revenues	**7% to 12% growth** *Previously 4% to 9% growth*	5% growth
Adjusted Operating Profit	**Flat to 4% decline** *Previously 2% to 6% decline*	3% growth
Adjusted Operating Profit Excluding Certain Items[1]	**6% to 10% growth** *Previously 4% to 8% growth*	8% growth
Adjusted Corporate Expenses	**$580 to $640 million** *Previously $530 to $590 million*	$457 million
Adjusted Interest Expense	**$205 to $225 million** *Previously $230 to $250 million*	$239 million
Adjusted Income attributable to Non-Controlling Interests[2]	$145 to $165 million	$165 million
Adjusted Effective Tax Rate	18% to 20%	18.8%
Free Cash Flow	$3.7 to $4.1 billion	$4.6 billion
Share repurchases	Approximately $3.5 billion	$3.6 billion
Diluted weighted average common shares	133 to 134 million	142.2 million
Opioid-related litigation expenses	Approximately $35 million	$36 million

See endnotes for details

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Fiscal 2024 outlook

Segment metrics

	U.S. Pharmaceutical	Prescription Technology Solutions	Medical-Surgical Solutions	International
FY24 Revenue	**13% to 15% growth** *Previously 9% to 11% growth*	7% to 13% growth	1% decline to 3% growth	30% to 34% decline
FY24 Adjusted Segment Operating Profit				
Reported	**3% to 5% growth** *Previously flat to 3% growth*	**15% to 19% growth** *Previously 11% to 15% growth*	5% to 11% decline	23% to 29% decline
Excluding Certain Items[1]	**8% to 11% growth** *Previously 5% to 8% growth*		11% to 15% growth	

See endnotes for details

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Appendix

Endnotes

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

Slide 6 – Consolidated financial information

1. Non-GAAP measure representing Net income attributable to noncontrolling interests adjusted for the proportionate share of acquisition-related intangibles amortization of $1 million in the first quarter fiscal 2024

Slide 10 – International

1. Revenue and Adjusted Segment Operating Profit are presented without adjustments for the effects of foreign currency

Slide 12 – Cash

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

Slide 14 – Raising Fiscal 2024 Adjusted EPS outlook

1. Excluding the impacts from the following in FY23: impacts attributable to the U.S. government's COVID-19 vaccine distribution in U.S. Pharmaceutical; impacts attributable to kitting, storage, and distribution of ancillary supplies and COVID-19 tests in Medical-Surgical Solutions; net losses associated with McKesson Ventures' equity investments; and gain from termination of the tax receivable agreement with Change Healthcare; and losses associated with McKesson Ventures' equity investments in FY24

Slide 16 – Fiscal 2024 outlook (Consolidated metrics)

1. Excluding the impacts from the following in FY23: impacts attributable to the U.S. government's COVID-19 vaccine distribution in U.S. Pharmaceutical; impacts attributable to kitting, storage, and distribution of ancillary supplies and COVID-19 tests in Medical-Surgical Solutions; net losses associated with McKesson Ventures' equity investments; and gain from termination of the tax receivable agreement with Change Healthcare; and losses associated with McKesson Ventures' equity investments in FY24

2. Non-GAAP measure representing Net income attributable to noncontrolling interests adjusted for the proportionate share of acquisition-related intangibles amortization of $1 million in the first quarter of fiscal 2024

Slide 17 – Fiscal 2024 outlook (Segment metrics)

1. Excluding the impacts from the following in FY23: impacts attributable to the U.S. government's COVID-19 vaccine distribution in U.S. Pharmaceutical and impacts attributable to kitting, storage, and distribution of ancillary supplies and COVID-19 tests in Medical-Surgical Solutions

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GAAP to Non-GAAP Reconciliation

Q1 Fiscal 2024 and Q1 Fiscal 2023

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

Schedule 2

	Three Months Ended June 30,		
	2023	2022	Change
Income from continuing operations (GAAP)	$ 997	$ 807	24 %
Net income attributable to noncontrolling interests (GAAP)	(39)	(41)	(5)
Income from continuing operations attributable to McKesson Corporation (GAAP)	958	766	25
Pre-tax adjustments:			
Amortization of acquisition-related intangibles	62	56	11
Transaction-related expenses and adjustments (1)	9	10	(10)
LIFO inventory-related adjustments	32	(13)	346
Gains from antitrust legal settlements	(118)	—	—
Restructuring, impairment, and related charges, net (2)	52	23	126
Claims and litigation charges, net	—	5	(100)
Other adjustments, net	—	5	(100)
Income tax effect on pre-tax adjustments	(1)	(1)	—
Net income attributable to noncontrolling interests effect on pre-tax adjustments	(1)	—	—
Adjusted Earnings (Non-GAAP)	$ 993	$ 851	17 %

Refer to Slide 24 of this presentation for all footnote references.
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GAAP to Non-GAAP Reconciliation

Q1 Fiscal 2024 and Q1 Fiscal 2023

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

Schedule 2
(Continued)

	Three Months Ended June 30,		
	2023	2022	Change
Earnings per diluted common share from continuing operations attributable to McKesson Corporation (GAAP) [a]	$ 7.02	$ 5.25	34 %
After-tax adjustments:			
Amortization of acquisition-related intangibles	0.35	0.30	17
Transaction-related expenses and adjustments	0.09	0.18	(50)
LIFO inventory-related adjustments	0.17	(0.07)	343
Gains from antitrust legal settlements	(0.64)	—	—
Restructuring, impairment, and related charges, net	0.28	0.12	133
Claims and litigation charges, net	—	0.03	(100)
Other adjustments, net	—	0.02	(100)
Adjusted Earnings per Diluted Share (Non-GAAP) [a] [b]	$ 7.27	$ 5.83	25
After-tax adjustments: [c]			
U.S. government's COVID-19 vaccine distribution program	[d]	(0.18)	—
U.S. government's kitting, storage, and distribution of ancillary supplies program and COVID-19 tests	[d]	(0.25)	—
Net losses associated with McKesson Ventures' equity investments	0.04	0.11	(64)
Adjusted Earnings per Diluted Share Excluding Certain Items (Non-GAAP) [a]	$ 7.31	$ 5.51	33 %
Diluted weighted-average common shares outstanding	136.6	145.9	(6)%

Refer to Slide 24 of this presentation for all footnote references.
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GAAP to Non-GAAP Reconciliation

Q1 Fiscal 2024 and Q1 Fiscal 2023

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

Schedule 2
(Continued)

	Three Months Ended June 30,		
	2023	2022	Change
Gross profit (GAAP)	$ 3,022	$ 3,023	— %
Pre-tax adjustments:			
LIFO inventory-related adjustments	32	(13)	346
Gains from antitrust legal settlements	(118)	—	—
Adjusted Gross Profit (Non-GAAP)	$ 2,936	$ 3,010	(2)%
Total operating expenses (GAAP)	$ (1,922)	$ (1,987)	(3)%
Pre-tax adjustments:			
Amortization of acquisition-related intangibles	62	56	11
Transaction-related expenses and adjustments (1)	4	10	(60)
Restructuring, impairment, and related charges, net (2)	52	23	126
Claims and litigation charges, net	—	5	(100)
Other adjustments, net	—	5	(100)
Adjusted Operating Expenses (Non-GAAP)	$ (1,804)	$ (1,888)	(4)%

Refer to Slide 24 of this presentation for all footnote references.

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GAAP to Non-GAAP Reconciliation
Q1 Fiscal 2024 and Q1 Fiscal 2023

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

Schedule 2
(Continued)

	Three Months Ended June 30,		
	2023	**2022**	**Change**
Interest expense (GAAP)	$ (47)	$ (45)	4 %
Pre-tax adjustments:			
Transaction-related expenses and adjustments	5	—	—
Adjusted Interest Expense (Non-GAAP)	$ (42)	$ (45)	(7)%
Income tax expense (GAAP)	$ (94)	$ (199)	(53)%
Tax adjustments:			
Amortization of acquisition-related intangibles	(14)	(12)	17
Transaction-related expenses and adjustments	4	16	(75)
LIFO inventory-related adjustments	(8)	3	(367)
Gains from antitrust legal settlements	30	—	—
Restructuring, impairment, and related charges, net	(13)	(6)	117
Claims and litigation charges, net	—	(1)	(100)
Other adjustments, net	—	(1)	(100)
Adjusted Income Tax Expense (Non-GAAP)	$ (95)	$ (200)	(53)%

Refer to Slide 24 of this presentation for all footnote references.
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GAAP to Non-GAAP Reconciliation

Q1 Fiscal 2024 and Q1 Fiscal 2023

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.

(b) Adjusted earnings per diluted share on an FX-adjusted basis for the three months ended June 30, 2023 was $7.31, respectively, which excludes the foreign currency exchange effect of $0.04.

(c) After-tax adjustments include the following tax impacts per diluted share:

- U.S. government's COVID-19 vaccine distribution program includes income tax expense of $0.06 per diluted share for the three months ended June 30, 2022.
- U.S. government's kitting, storage, and distribution of ancillary supplies program and COVID-19 tests includes income tax expense of $0.09 per diluted share for the three months ended June 30, 2022.
- Net losses associated with McKesson Ventures' equity investments includes income tax benefit of $0.01 and $0.04 per diluted share for the three months ended June 30, 2023 and 2022, respectively.

(d) We anticipate contributions from COVID-19 vaccine distribution, kitting, storage, distribution of ancillary supplies programs, and COVID-19 tests, will be immaterial to our fiscal 2024 and year-over-year results, driven by a combination of continued decreases in demand and anticipation of the commercialization of these items. As a result, these COVID-19 related items are included in our fiscal 2024 Adjusted Earnings per Diluted Share Excluding Certain items.

All 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 Earnings per Diluted Share Excluding Certain Items (Non-GAAP), Adjusted Gross Profit (Non-GAAP), Adjusted Operating Expenses (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 2024 and Q1 Fiscal 2023

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

Schedule 3

	Three Months Ended June 30, 2023			Three Months Ended June 30, 2022			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	$ 67,160	$ —	$ 67,160	$ 56,947	$ —	$ 56,947	$ —	$ 67,160	$ —	$ 67,160	18 %	18 %	18 %	18 %
Prescription Technology Solutions	1,244	—	1,244	1,066	—	1,066	—	1,244	—	1,244	17	17	17	17
Medical-Surgical Solutions	2,611	—	2,611	2,592	—	2,592	—	2,611	—	2,611	1	1	1	1
International	3,468	—	3,468	6,549	—	6,549	199	3,667	199	3,667	(47)	(47)	(44)	(44)
Revenues	$ 74,483	$ —	$ 74,483	$ 67,154	$ —	$ 67,154	$ 199	$ 74,682	$ 199	$ 74,682	11 %	11 %	11 %	11 %
OPERATING PROFIT (LOSS) [(2)]														
U.S. Pharmaceutical	$ 827	$ (56)	$ 771	$ 696	$ 15	$ 711	$ —	$ 827	$ —	$ 771	19 %	8 %	19 %	8 %
Prescription Technology Solutions	231	(8)	223	144	21	165	—	231	—	223	60	35	60	35
Medical-Surgical Solutions	227	8	235	256	12	268	—	227	—	235	(11)	(12)	(11)	(12)
International [(1)]	57	33	90	(6)	144	138	6	63	5	95	—	(35)	—	(31)
Subtotal	1,342	(23)	1,319	1,090	192	1,282	6	1,348	5	1,324	23	3	24	3
Corporate expenses, net [(1)]	(204)	55	(149)	(39)	(106)	(145)	(1)	(205)	—	(149)	423	3	426	3
Income from continuing operations before interest expense and income taxes	$ 1,138	$ 32	$ 1,170	$ 1,051	$ 86	$ 1,137	$ 5	$ 1,143	$ 5	$ 1,175	8 %	3 %	9 %	3 %
OPERATING PROFIT (LOSS) AS A % OF REVENUES														
U.S. Pharmaceutical	1.23 %		1.15 %	1.22 %		1.25 %		1.23 %		1.15 %	1 bp	(10) bp	1 bp	(10) bp
Prescription Technology Solutions	18.57		17.93	13.51		15.48		18.57		17.93	506	245	506	245
Medical-Surgical Solutions	8.69		9.00	9.88		10.34		8.69		9.00	(119)	(134)	(119)	(134)
International	1.64		2.60	(0.09)		2.11		1.72		2.59	173	49	181	48

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

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

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

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GAAP to Non-GAAP Reconciliation

Q1 Fiscal 2024 and Q1 Fiscal 2023

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

Schedule 6

	Three Months Ended June 30,		
	2023	**2022**	**Change**
GAAP CASH FLOW CATEGORIES			
Net cash used in operating activities	$ (1,052)	$ (941)	12 %
Net cash provided by (used in) investing activities	(149)	39	(482)
Net cash used in financing activities	(843)	(1,181)	(29)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	2	18	(89)
Change in cash, cash equivalents, and restricted cash classified as Assets held for sale	—	470	(100)
Net decrease in cash, cash equivalents, and restricted cash	$ (2,042)	$ (1,595)	28 %
FREE CASH FLOW (NON-GAAP)			
Net cash used in operating activities	$ (1,052)	$ (941)	12 %
Payments for property, plant, and equipment	(78)	(71)	10
Capitalized software expenditures	(46)	(29)	59
Free Cash Flow (Non-GAAP)	$ (1,176)	$ (1,041)	13 %

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

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Financial Statement Notes

McKESSON CORPORATION
FINANCIAL STATEMENT NOTES

1. Transaction-related expenses and adjustments for the three months ended June 30, 2022 includes pre-tax net gains of $12 million (charges of $4 million after-tax) to remeasure assets and liabilities held for sale to fair value less costs to sell, including the effect of accumulated other comprehensive income balances associated with the disposal group, related to an agreement to sell certain of our European businesses to the PHOENIX Group, which closed on October 31, 2022. Pre-tax gains for the three months ended June 30, 2022 of $106 million ($90 million after-tax) are included within Corporate expenses, net, and charges (pre-tax and after-tax) of $94 million are included within International. These gains and 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. Restructuring, impairment, and related charges, net for the three months ended June 30, 2023 includes pre-tax charges of $52 million ($39 million after-tax), primarily for Corporate expenses, net. The three months ended June 30, 2022 includes pre-tax charges of $23 million ($17 million after-tax), primarily for Corporate expenses, net and Prescription Technology Solutions. 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.

Supplemental Non-GAAP Financial Information

McKESSON CORPORATION
SUPPLEMENTAL NON-GAAP FINANCIAL INFORMATION

In an effort to provide investors with additional information regarding the Company's financial results as determined by generally accepted accounting principles ("GAAP"), McKesson Corporation (the "Company" or "we") also presents the following Non-GAAP measures in this presentation.

- **Adjusted Gross Profit (Non-GAAP):** We define Adjusted Gross Profit as GAAP gross profit, excluding transaction-related expenses and adjustments, last-in, first-out (“LIFO”) inventory-related adjustments, gains from antitrust legal settlements, restructuring, impairment, and related charges, and other adjustments.

- **Adjusted Operating Expenses (Non-GAAP):** We define Adjusted Operating Expenses as GAAP total operating expenses, excluding amortization of acquisition-related intangibles, transaction-related expenses and adjustments, restructuring, impairment, and related charges, claims and litigation charges, and other adjustments.

- **Adjusted Other Income (Non-GAAP):** We define Adjusted Other Income as GAAP other income (expense), net, excluding amortization of acquisition-related intangibles, transaction-related expenses and adjustments, and other adjustments.

- **Adjusted 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.

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Supplemental Non-GAAP Financial Information

SUPPLEMENTAL NON-GAAP FINANCIAL INFORMATION (continued)

- **Adjusted Earnings per Diluted Share Excluding Certain Items (Non-GAAP):** Prior to fiscal 2024, we defined Adjusted Earnings per Diluted Share Excluding Certain Items as Adjusted Earnings per Diluted Share (Non-GAAP), excluding the impacts of the U.S. government's COVID-19 vaccine distribution program, the U.S. government's kitting, storage, and distribution of ancillary supplies for COVID-19 vaccines program, sales of COVID-19 tests, net gains and losses associated with McKesson Ventures' equity investments, and the gain recognized in the three months ended December 31, 2022 related to termination of the Tax Receivable Agreement ("TRA") with Change Healthcare Inc. ("Change"), as well as the related income tax effects for each of these items, as applicable, divided by diluted weighted-average shares outstanding. Beginning in fiscal 2024, we define Adjusted Earnings per Diluted Share Excluding Certain Items as Adjusted Earnings per Diluted Share (Non-GAAP), excluding the impacts of net gains and losses associated with McKesson Ventures' equity investments and the gain recognized related to termination of the TRA with Change, as well as the related income tax effects for each of these items, as applicable, divided by diluted weighted-average shares outstanding.

  The following provides further details regarding certain adjustments made to our fiscal 2023 Adjusted Earnings per Diluted Share (Non-GAAP) financial results to arrive at our fiscal 2023 Adjusted Earnings per Diluted Share Excluding Certain Items (Non-GAAP) as defined above:

  U.S. government's COVID-19 vaccine distribution program - The Company distributes certain COVID-19 vaccines in support of the U.S. government through a contract with the Centers for Disease Control and Prevention. The results of operations related to this vaccine distribution program are reflected in the U.S. Pharmaceutical segment.

  U.S. government's kitting, storage, and distribution of ancillary supplies program and COVID-19 tests - The Company operates under a contract to manage the assembly, storage, and distribution of ancillary supply kits for COVID-19 vaccines as directed by the Department of Health and Human Services. Sales of COVID-19 tests are also included in the Company's results of operations. These items are reflected in the Medical-Surgical Solutions segment.

- **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 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.

Supplemental Non-GAAP Financial Information

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 lawsuit settlements.

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

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

Other adjustments - The Company evaluates the nature and significance of transactions qualitatively and quantitatively on an individual basis and may include them in the determination of our adjusted results from time to time. While not all-inclusive, other adjustments may include: other asset impairments; gains or losses from debt extinguishment; and other similar substantive and/or infrequent items as deemed appropriate.

The Company evaluates the aforementioned Non-GAAP measures on a periodic basis and updates the definitions from time to time. The evaluation considers both the quantitative and qualitative aspects of the Company's presentation of Non-GAAP adjusted results. A reconciliation of McKesson's GAAP financial results to Non-GAAP financial results is provided in Schedules 2 and 3 of the financial statement tables included with this presentation.

- **FX-Adjusted (Non-GAAP):** McKesson also presents its GAAP financial results and adjusted results (Non-GAAP) on an FX-Adjusted basis. To present our financial results on an FX-Adjusted basis, we convert current year period results of our operations in foreign countries, which are recorded in local currencies, into U.S. dollars by applying the average foreign currency exchange rates of the comparable prior year period. To present Adjusted Earnings per Diluted Share on an FX-Adjusted basis, we estimate the impact of foreign currency rate fluctuations on the Company's noncontrolling interests and adjusted income tax expense, which may vary from quarter to quarter. The supplemental FX-Adjusted information of the Company's GAAP financial results and adjusted results (Non-GAAP) is provided in Schedule 3 of the financial statement tables included with this presentation.

Supplemental Non-GAAP Financial Information

SUPPLEMENTAL NON-GAAP FINANCIAL INFORMATION (continued)

- **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 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.