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# McKesson Corp. (MCK)

Q1 2026 Earnings Call

## CORPORATE PARTICIPANTS

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**Brian Scott Tyler**

*Chief Executive Officer & Director, McKesson Corp.*

**Britt J. Vitalone**

*Executive Vice President & Chief Financial Officer, McKesson Corp.*

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**Lisa C. Gill**

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**Charles Rhyee**

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Welcome to McKesson's First Quarter Fiscal 2026 Earnings Conference Call. Please be advised that today's conference is being recorded.

At this time, I would like to turn the call over to Jeni Dominguez, VP of Investor Relations. Please go ahead.

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### Jeni Dominguez

*Vice President - Investor Relations, McKesson Corp.*

Thank you, operator. Good afternoon, and welcome, everyone, to McKesson's first quarter fiscal 2026 earnings call.

Today, I'm joined by Brian Tyler, our Chief Executive Officer; and Brett Vitalone, our Chief Financial Officer. Brian will lead off, followed by Britt, and then we'll move to a question-and-answer session.

Today's discussion will include forward-looking statements such as forecast about McKesson's operations and future results. Please refer to the cautionary statements in today's earnings release and presentation slides available on our website at [investor.mckesson.com](http://investor.mckesson.com) and to the Risk Factors section of our most recent annual and periodic SEC filings for additional information concerning risk factors that could cause our actual results to materially differ from those in our forward-looking statements.

Information about GAAP – non-GAAP financial measures that we will discuss during the webcast, including a reconciliation of those measures to GAAP results can be found in today's earnings release and presentation slides. The presentation slides also include a summary of our results for the quarter and guidance assumptions.

With that, let me turn it over to Brian.

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### Brian Scott Tyler

*Chief Executive Officer & Director, McKesson Corp.*

Thank you, Jeni. Good afternoon, everyone. I appreciate everyone joining our call today. Earlier today, we reported strong fiscal first quarter results, exemplifying the value of our differentiated solutions and our ability to continuously drive progress against our strategic priorities.

We delivered record consolidated revenues of \$97.8 billion, an increase of 23% over the prior year. Adjusted operating profit increased 9% to \$1.4 billion. Three of our segments delivered double-digit growth in adjusted operating profit, reflecting continued momentum across the enterprise. We are executing against our growth commitments we outlined to our shareholders as demonstrated by these first quarter results.

The performance in the first quarter and our outlook for the remainder of the year gave us confidence to raise the full year guidance to \$37.10 to \$37.90 from a previous range of \$36.90 to \$37.70.

Our financial strength reflects our commitment to deliver services with the highest standard of quality, to foster innovation, and to collaborate with our customers and partners to ultimately drive forward our mission as a diversified healthcare services company.

I want to focus my remarks today on our strategy and our company priorities. I want to provide you with insights into how we're driving performance in the near-term and positioning McKesson for continued long-term growth. I'll then hand it over to Britt for a more detailed discussion on the first quarter financial results.

I want to start, as I always do, with our focus on people and culture. Everything we achieve is made possible by the dedication and the commitment of our 45,000 employees. The initiatives they work on, the problems they solve are complicated, including onboarding large strategic customers and/or integrating new businesses. Success in these endeavors relies upon strong collaboration and a cohesive teamwork across our organization.

I'm continually proud to see how our teams consistently come together to achieve our goals and deliver results. We're committed to taking care of our employees, empowering their growth and supporting their well-being.

In July, we witnessed the devastating floods that struck Central Texas, resulting in widespread destruction and tragic loss of life. Our hearts go out to the families and the communities impacted. In difficult moments like these, we stand ready to support each other through initiatives like McKesson Foundations taking care of our own.

In the past fiscal year, we delivered over 700 grants to employees going through various types of hardships. Together as a team, we're stronger and more resilient to navigate challenges that come our way.

Our people, along with our partners, community and our planet are the four pillars we focus on. Recently, we published our impact report for fiscal year 2025 that highlights the breadth of our impact and reaffirms our commitment to driving meaningful change across the healthcare landscape.

I am quite proud of the progress we made, and we're committed to leveraging our company's strengths and areas of expertise to build a healthier world for everyone. You can find our report on our corporate website.

Now, let me move on to our two strategic growth pillars: oncology and biopharma services. McKesson is uniquely positioned to bring innovative solutions and services to partners and patients in these areas. We began our journey in oncology over 18 years ago with the acquisition of Oncology Therapeutic Networks focusing on specialty distribution in the community-based settings.

Over the years, we have significantly evolved our portfolio and extended our capabilities to other differentiated and value-added services that span across the patient's journey, including practice management, clinical trial services and data and insights.

In June, we were pleased to complete the acquisition of a controlling interest in Core Ventures, which is a business and administrative services organization established by Florida Cancer Specialist & Research Institute. With the close of the acquisition, we welcome Florida Cancer Specialists and its providers to the US Oncology Network. This marks an important step forward in our efforts to expand access to exceptional cancer care in local communities growing the footprint of the US Oncology Network to approximately 3,300 providers across 700 sites in 30 states.

The growth of the US Oncology Network combined with our strategic investments has created a flywheel effect across the oncology platform. It broadens our footprint, including distribution volume and demand for our GPO services, it enhances patient care access within the community, with providers practicing on the same electronic health record system, it enables us to generate valuable data and insights.

For Florida Cancer Specialists and Core Ventures integration efforts are well underway, and we're excited about the opportunities ahead to accelerate growth across our oncology platform. Leveraging our leadership in community practice and specialty solutions, we have expanded our value proposition beyond oncology and into other therapeutic areas.

In April, we completed the acquisition of a controlling interest in PRISM Vision, enabling us to develop a leading retina and ophthalmology platform and further enhance our practice management solutions.

Let me move now to Biopharma Services and our platform there. In the first quarter, Prescription Technology Solutions delivered double-digit growth in revenue and adjusted operating profit. We continue to lead in transforming medication access and affordability.

We have built a robust scaled network that digitally and securely connects providers, pharmacists, and insurers so they can work together to remove barriers and improve efficiency.

We connected – we're connected to over 50,000 pharmacies and approximately 985,000 providers. The extensive connectivity and reach of our networks are differentiating and enable us to provide commercialization solutions at scale while bringing unique value to each of our stakeholders.

In the past quarter, we continued to experience volume growth and prior authorization requests. Our Prescription Technology Solutions team brings over 15 years of experience transforming the prior authorization process, making it more efficient, more transparent and more patient-focused to help ensure people get the care they need faster. Through our innovative solutions, we're committed to improving health outcomes and making a meaningful difference for our customers and their patients.

Let's move on to our pharmaceutical distribution business in North America, these are our core foundational distribution assets in US and Canada. In the first quarter, we saw growth in underlying businesses supported by solid utilization trends, accelerated growth in categories of specialty pharmaceuticals and continued focus on operational excellence.

Our pharmaceutical business services a wide range of customers, one of the channels that we have supported and partnered with for years are community pharmacies. This past July, we hosted our annual ideaShare Conference, a nationwide event that brought together community pharmacies to drive deeper connections and engagement.

Despite the complexities present in the industry, their presence in the communities they serve is more important than ever. We are committed to helping them navigate this dynamic environment, as a partner providing best-in-class services, empowering them through innovation, advocacy and tailored solutions for their unique business needs.

We're pleased to see that our Health Mart franchise, a nationwide network of independent pharmacies, ranked highest among brick-and-mortar chain drugstore pharmacies in a J.D. Power 2025 US pharmacy study. To support the success of our customers, and the growth of our pharmaceutical business, we continue to invest in our large and scaled distribution network modernizing our facilities and positioning our operations for long-term success.

Operating a distribution center at our scale is complex, and we're implementing automated technologies and processes in numerous areas across our facilities, including automated storage and retrieval systems, and

automated picking systems for order fulfillment. These technologies are leveraged across the network to enable improvements in productivity, quality and safety for our teams.

They also enable new processes like the upcoming DSCSA requirements to be effectively managed. We've also expanded our cold chain capabilities to support the growing demand for specialty therapies, which often require special handling such as temperature control, ensuring product integrity from the manufacturer to the patients.

Our efforts have resulted in nearly double-digit growth in cold chain lines year-over-year. These investments not only strengthen our supply chain resiliency, they also position McKesson as a trusted partner to support future growth.

In McKesson Canada, we expanded our dedicated automation group that leads the way towards better health through the automation of medication delivery, resulting in faster and safer treatments. We're working closely with pharmacists and healthcare professionals to better understand their needs and bring forward solutions that leverage technology automation.

Now, I want to provide a brief update as to our portfolio actions. Last quarter, we announced our intent to separate the Medical Surgical segment into an independent company. This is a strategic decision that aligns with our enterprise focus on capital allocation and portfolio management, and it will enhance the operational focus for both companies. We firmly believe this action will unlock significant value for the medical business in McKesson.

We have a strong track record of executing on large complex transactions like the spin-off of Change Healthcare and the divestiture of our European business. We're confident in our ability to execute on this strategic initiative and maximize shareholder value. We look forward to providing an update on our progress at our upcoming Investor Day event in September.

I also want to comment on our Norway business. This week, we entered into a definitive agreement to sell our retail and distribution businesses in Norway. The transaction is subject to customary closing conditions, including receipt of required regulatory approvals.

Norway is the only remaining operating country in Europe. The planned exit of the Norway business will mark the final phase in our strategy of fully divesting our European businesses.

As I reflect on the progress across our company priorities, I'm proud of the impact we've achieved as a diversified healthcare services company. We continue to manage the business with discipline and focus while navigating a dynamic market and policy environment.

We remain engaged with policymakers and key stakeholders to evaluate the potential impacts on our business and customers. We're committed to promoting awareness fostering collaboration, and advocating for changes consistent with our values and our company's mission.

McKesson delivered strong first quarter results, underpinned by continued momentum across the segments. I want to again thank McKesson employees for their dedication and contribution to advancing our strategies. We, as a team, are confident in our ability to carry forward the momentum with strength and focus, deliver meaningful results for our shareholders and accelerate our mission to advance health care for all.

Finally, we're excited to host our Investor Day on September 23, during which we'll provide an update on the company's strategic priorities, growth strategies and business outlook.

And with that, I'm going to hand it over to Britt for some more financial details.

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## **Britt J. Vitalone**

*Executive Vice President & Chief Financial Officer, McKesson Corp.*

Thank you, Brian, and good afternoon. Before I turn to our adjusted results, I want to provide two updates. As Brian mentioned in his opening remarks, we are pleased to have entered into a definitive agreement to sell the retail and distribution businesses in Norway.

This transaction will complete the exit of our European operations and is subject to customary closing conditions and regulatory approvals. We will classify the assets and liabilities related to Norway as held-for-sale beginning with our fiscal 2026 second quarter.

The held-for-sale treatment includes the impact from discontinued depreciation and amortization, and our guidance assumes an approximate \$0.20 adjusted earnings per diluted share impact, and this is included in our updated full year guidance, which I will speak to in a few minutes. We've assumed that this transaction does not close during fiscal 2026.

Next, in our first quarter, we recorded a GAAP-only pre-tax provision for bad debts of \$189 million or \$140 million after tax within the US Pharmaceutical segment. This charge represents the remaining trade accounts receivable balances due from Rite Aid prior to its second bankruptcy filing.

The remainder of my comments today will refer to our adjusted results, and I'll start by discussing our first quarter fiscal 2026 results, and then I'll discuss our fiscal 2026 outlook.

Our first quarter results were strong led by double-digit operating profit growth in three of the four segments. This robust performance exhibited across the enterprise reflects continued momentum in the operations, execution against our strategies and disciplined capital deployment, which is underpinned by the strength of our balance sheet.

Consolidated revenues in the quarter increased 23% to \$97.8 billion, led by growth in the US Pharmaceutical segment due to increased prescription volumes from retail national account customers, the addition of a strategic account customer at the beginning of the second quarter in fiscal 2025, growth of GLP-1 medications, and growth in the distribution of oncology and specialty products.

We've also now cycled through the impact of the strategic account onboarding. Gross profit was \$3.3 billion, an increase of 7%, results of specialty distribution and provider growth within the US Pharmaceutical segment and growth in the Prescription Technology Solutions segment, driven by our access and affordability solutions, which was partially offset by lower contributions in our International segment, as a result of the divestiture of our Canada-based Rexall and Well.ca businesses at the end of the third quarter of fiscal 2025.

Operating expenses decreased 1% to \$1.9 billion, driven by divestitures in our Canadian business and cost optimization initiatives in the Medical Surgical Solutions segment, which were partially offset by increased operating expenses in the US Pharmaceutical segment to support growth, including first quarter fiscal 2026 acquisitions.

McKesson continues to deliver efficiency and operating leverage, disciplined focus, and the implementation of process innovations in advanced technology, including artificial intelligence. I'd also like to highlight how our

automation investments are enhancing outcomes for customers, partners, and employees, while driving measurable improvement in operating leverage.

Across our Pharmaceutical Distribution network, we're strategically allocating capital to scale automation from outbound picking to inbound receiving and replenishment. We have observed distribution centers, which have achieved up to 90% automation, serving as a tangible proof point of throughput scalability and operational consistency. These advancements are driving measurable operating leverage.

We also recently opened our largest specialty distribution center in Olive Branch, Mississippi, which is equipped with mobile autonomous robots or co-bots that assist associates in the order fulfillment process. These technologies improve productivity, efficiency, and order accuracy, while elevating the employee experience by reducing physical strain and minimizing injury risk.

These investments are advancing our capabilities delivering meaningful value to stakeholders. And these are just two of several examples across the enterprise that helped to contribute more than 450 basis points of year-over-year improvement in our consolidated operating expense to gross profit ratio.

Our operating profit was \$1.4 billion in the quarter, which was an increase of 9%. Year-over-year results benefited from growth across our operating segments, including strong oncology and multi-specialty volumes from organic growth and recent acquisitions, increased demand for access solutions in our Prescription Technology Solutions segment, and benefits from the cost optimization initiatives in the Medical Surgical Solutions segment.

As a reminder, first quarter fiscal 2025 operating profit included \$110 million of gains related to McKesson Ventures equity investments compared to gains of \$1 million in the first quarter of fiscal 2026.

[ph] Excluding (00:18:04) the impact of gains related to McKesson Ventures equity investments, operating profit increased 19%. Interest expense was \$44 million, a decrease over the prior year resulting from effective cash and portfolio management, including our derivative portfolio.

The effective tax rate in the first quarter was 21.4%, compared to 13% in the prior year. In the first quarter of fiscal 2026, we recognized a discrete tax benefit of \$23 million, compared to a discrete tax benefit of \$125 million in the first quarter of fiscal 2025.

First quarter diluted weighted average shares outstanding was 125.5 million, a decrease of 4%. The first quarter earnings per diluted share increased 5% to \$8.26. Year-over-year growth was driven by strong operational performance across the business, partially offset by a higher tax rate and pre-tax gains of \$110 million associated with McKesson Ventures equity investments in the first quarter of fiscal 2025. Excluding the gains from McKesson Ventures investment, earnings per diluted share increased 14%.

Turning to first quarter segment results, which can be found on slides 7 through 12 and starting with US Pharmaceutical. Revenues were \$90 billion, an increase of 25%, driven by increased prescription volumes from retail national account customers and growth in the distribution of oncology and specialty products, including contributions from acquisitions. Growth in the quarter included the onboarding of a new strategic customer as discussed previously.

Revenues from GLP-1 medications were \$12.1 billion in the quarter, an increase of approximately \$3.3 billion, or 38%, when compared to the prior year. On a sequential basis, GLP-1 revenue increased 11%.

Segment operating profit increased 17% to \$950 million, driven by growth in core distribution, including higher volumes from retail national account customers and growth in the distribution of oncology and specialty products.

Operating profit growth in the quarter also included contributions from the acquisitions of PRISM Vision and Core Ventures. These acquisitions advance our strategy in oncology and multi-specialty solutions. Although integration work remains, we're seeing early gains benefiting our differentiated platforms.

In the Prescription Technology Solutions segment, revenues increased 16% to \$1.4 billion, driven by increased prescription volumes in the third-party logistics business. Operating profit increased 21% to \$269 million, driven by higher demand for access solutions including prior authorization services for GLP-1 medications.

Turning to Medical-Surgical Solutions. In the first quarter, revenues were \$2.7 billion, an increase of 2%, driven by higher volumes of specialty pharmaceuticals. Operating profit increased 22% to \$244 million, driven by operational efficiencies from cost optimization initiatives.

Next, let me address our International results. Revenues were \$3.7 billion, an increase of 1%, resulting from higher pharmaceutical distribution volumes in the Canadian business, partially offset by the divestiture of our Canada-based Rexall and Well.ca businesses completed at the end of the fiscal 2025 third quarter. Excluding the impact of divested businesses, revenues increased 5%.

Operating profit was \$99 million, a decrease of 3%, driven by the divestiture of the Canada-based Rexall and Well.ca businesses, partially offset by higher pharmaceutical distribution volumes in the Canadian business. Excluding the impact of divested businesses, operating profit was flat.

And wrapping up our segment review with corporate. Corporate expenses were \$138 million in the quarter. As a reminder, during the first quarter of fiscal 2025, we had pre-tax gains of \$110 million, or \$0.62 per share related to equity investments within the McKesson Ventures portfolio. Excluding McKesson Ventures gains in fiscal 2025 and 2026, corporate expenses were 4% lower than the prior year. The decrease was driven by lower opioid-related expense and technology costs.

Let me turn to cash and capital deployment in the first quarter, which can be found on slide 13. We ended the quarter with \$2.4 billion in cash and cash equivalents. For the first quarter, we had negative free cash flow of \$1.1 billion, which included \$189 million in capital expenditures. We used \$3.4 billion of cash for the acquisitions of PRISM Vision and Core Ventures.

During the quarter, we completed the \$2 billion bond issuance with tenders of 5-, 7-, and 10 years. The proceeds of which were used to finance the Core Ventures acquisition. Additionally, we returned \$671 million of cash to shareholders, which included \$581 million of share repurchases and \$90 million in dividend payments.

Moving now to our fiscal 2026 outlook. Our first quarter results represent strong execution against our strategies and growth across our operating segments. The strong start and momentum across the enterprise, combined with our ongoing focus to deliver shareholder value through the management of our portfolio and alignment to our enterprise strategy gives us confidence in our outlook for fiscal 2026.

Stellar first quarter results, combined with our announcement of a definitive agreement to sell our Norway-based business, underpins today's increase to our fiscal 2026 earnings per diluted share outlook to a new range of \$37.10 to \$37.90. For fiscal 2026, we anticipate revenue growth of 11% to 15% and operating profit growth of 9% to 13% when compared to the prior year.

Let me start with a review of our segments. US Pharmaceutical segment, we anticipate revenues to increase 12% to 16%. As a result of strong first quarter performance, we now anticipate operating profits to increase at the high end of the previously provided range of 12% to 16% growth. In the core distribution business, we anticipate continued growth of GLP-1 medications. However, we anticipate this growth may vary from quarter-to-quarter.

During the first quarter, we successfully completed two strategic acquisitions, PRISM Vision and Core Ventures. These actions are consistent with our disciplined capital deployment strategy, allocating capital against our differentiated growth platforms such as oncology and multispecialty. These acquisitions will deliver growth in a value-creating manner and position us for durable growth in fiscal 2026, supporting our long-range target.

A reminder, on April 1, we completed the acquisition of a controlling interest in PRISM Vision Holdings, a premier provider of general ophthalmology and retina management services. On June 2, we completed the acquisition of a controlling interest in Community Oncology Revitalization Enterprise Ventures or Core Ventures, an internal business and administrative services organization established by Florida Cancer Specialists and Research Institute.

As I discussed previously, we're pleased with the first quarter performance for these acquisitions. We continue to anticipate the acquisitions of PRISM and Core Ventures will contribute approximately 6% to 7% to the fiscal 2026 operating profit growth in the US Pharmaceutical segment.

In the Prescription Technology Solutions segment, we anticipate revenues to increase by 8% to 12% and operating profit to increase by 9% to 13%. The higher revenue outlook is due to increased third-party logistics volumes and greater demand for our supported products and programs. We anticipate continued contribution from prior authorization services, including those related to GLP-1 medications to drive increased demand for our access and affordability solutions contributing to the growth of the segment.

The outlook affirms our confidence in achieving operating profit growth in fiscal 2026, in line with the long-term growth rate target. As I previously discussed, the revenue and operating profit trajectory in this segment is not linear and can vary from quarter-to-quarter, driven by several factors, which include utilization trends, the timing and trajectory of new product drug launches, the evolution of a product program support requirements as it matures, which could result in the shift to other services or program termination, product delays and supply shortages, payer requirements, utilization management and formulary strategies, the annual verification programs that we provide for our customers that occur in our fiscal fourth quarter and the size and timing of investments to support and expand our product portfolio.

We have scale and breadth of capabilities and connections across multiple channels, including biopharma providers, retail pharmacies and payers. Our leading scale of digitally connected solutions is addressing market and patient challenges and access, affordability and adherence and delivering growth and value for all stakeholders.

In the Medical-Surgical Solutions segment, we anticipate revenues and operating profit to increase 2% to 6%. We're pleased with the solid start to the year and the continued focus and delivery of cost optimization opportunities, resulting in operating efficiencies and better alignment with our customers.

In the International segment, we anticipate revenues to be approximately a 2% decline to 2% growth and operating profit to increase 3% to 7%. Segment outlook reflects continued growth in the Canadian distribution

business, partially offset by the impact of the divestiture of our Canada-based Rexall and Well.ca businesses at the end of the third quarter of fiscal 2025.

As I mentioned earlier, on August 4, 2025, McKesson entered into a definitive agreement to sell its retail and distribution businesses in Norway. The transaction is subject to customary closing conditions, including receipt of required regulatory approvals.

Our fiscal 2026 outlook contemplates contributions related to operations in Norway for the full fiscal year, and includes held-for-sale accounting treatment, adding approximately \$0.20 of operating profit to the segment.

In the Corporate segment, we anticipate expenses to be in the range of \$570 million to \$630 million. When excluding the impact of McKesson Ventures gains in fiscal 2025 and 2026, corporate expenses are roughly flat compared to the prior year, a reflection of efficiency gains and cost discipline across the enterprise.

Turning now to items below the line, we anticipate interest expense to be in the range of \$260 million to \$290 million, and income attributable to non-controlling interest to be in the range of \$215 million to \$235 million.

The updated interest expense outlook includes the \$2 billion of debt issuance associated with the acquisition of Core Ventures completed in the first quarter of fiscal 2026. We anticipate the full year effective tax rate will be in the range of 17% to 19%, with the first half of the fiscal year to be in the range of 17% to 20% and the second half to be approximately 16% to 19%.

Wrapping up our outlook with cash flow and capital deployment, we anticipate free cash flow of approximately \$4.4 billion to \$4.8 billion. Our working capital metrics and free cash flow will vary from quarter-to-quarter and are impacted by timing, including the day of the week that marks the close of quarter.

We're also pleased to announce that in July, our board of directors approved a 15% increase to our quarterly dividend. These actions demonstrate the confidence that the board of directors and management have in the strength of the company and execution of our strategic priorities.

Our outlook reflects plans to repurchase approximately \$2.5 billion of shares in fiscal 2026. As a result of this share repurchase activity, we estimate weighted average diluted shares outstanding to be in the range of approximately \$124 million to \$125 million.

In summary, we delivered outstanding performance in the first quarter of fiscal 2026, a continuation of the strong momentum across the enterprise. The strength and stability and the underlying fundamentals across our businesses including the acquisitions of PRISM Vision and Core Ventures, give us confidence in our increased outlook.

Our sustained financial performance, bolstered by the strength of our financial position and consistent operating execution are leading to compelling value creation for our customers, partners and shareholders.

With that, we should move to the Q&A session.

## QUESTION AND ANSWER SECTION

**Operator:** Thank you. [Operator Instructions] . And our first question will come from Eric Percher with Nephron Research.

**Eric Percher**

*Analyst, Nephron Research LLC*

Q

Thank you. Impressive patience on Norway, but that's not where my question is going to be. I want to ask on RxTS. I understand the discussion of upside this quarter and factors that may be temporary in nature and how difficult it is to predict. Is this now a segment where we should look at the full year guidance and expect that it's really going to be difficult to find upside to that number to see upward revisions until we get into the back half of the year? And what is it – what elements of the business, do you believe this year could drive you towards the upper end of the range ultimately.

**Brian Scott Tyler**

*Chief Executive Officer & Director, McKesson Corp.*

A

Thank you, Eric, for that question. I think we're really pleased with the consistency of operating performance in this segment. As I mentioned, there are a number of factors that underpin this performance, utilization being one, the success of our programs being another. And I think we've seen consistency in that over the last several years. As we indicated, our continued investment in this business and continued investment in adjacencies to support access adherence and affordability solutions is going to help us continue to sustain, we believe, sustain this growth over the long-term growth period.

But again, I would just point back to the factors that I talked about. They will help us drive the performance in this business. It will be utilization. It will be the maturity of drugs within our programs. It will be launch of new products. And our products and services are well positioned as new products and new programs launch.

**Jeni Dominguez**

*Vice President - Investor Relations, McKesson Corp.*

A

Next Question, please.

**Operator:** And next will be Lisa Gill with JPMorgan.

**Lisa C. Gill**

*Analyst, JPMorgan Securities LLC*

Q

Thanks very much. And congratulations on another good quarter. Can we talk about Core pharma for a minute. If I just look at the strong results, can you maybe talk about the cadence, Britt, I appreciated you calling out Rite Aid and what was excluded. But are you seeing any impact from the store closings or anything else from a negative perspective on Rite Aid?

And then lastly, if you can just maybe walk us through how to think about maybe some of the cadence. I know that with the acquisitions and the operating profit growth that you talked about, is there anything we should think about as we go through the quarters?

**Britt J. Vitalone**

*Executive Vice President & Chief Financial Officer, McKesson Corp.*

A

Yes. Thanks for the question, Lisa. Maybe I'll talk about a couple things, but I'll start with Rite Aid. As we've talked about in prior calls and prior settings, the impact of Rite Aid second bankruptcy on our operations and our operating profit growth is immaterial, and we don't believe it's going to have an impact on our operations in fiscal 2026.

As we think about the business, the US Pharma business, we are really pleased with the underpinnings, the utilization, certainly, the onboarding of new customers that we've now cycled through. That's been an important factor for us. The continued growth in specialty and oncology as well as adding providers to both of those platforms. And certainly, the acquisitions that we talked about. And again, I'd just remind you that we anticipate that these acquisitions will add about 6% to 7% to the operating profit growth rate this year.

So, we've got what I would say there's a lot of really good momentum in factors going into this, good, stable utilization. There's a continued performance of specialty and oncology. There's a continued addition of providers to the network, the acquisitions. All of these things are continuing to help build that momentum within this business.

**Jeni Dominguez**

*Vice President - Investor Relations, McKesson Corp.*

A

Question, please.

**Operator:** The next will be Charles Rhyee with TD Cowen.

**Charles Rhyee**

*Analyst, TD Cowen*

Q

Yeah. Thanks for taking the question. Maybe if I can ask a question on RxTS, obviously, a strong performance in the quarter. You raised the revenue guide, but if I look, right, I think the outlook for the rest of the year in terms of operating income growth has remained the same. Anything that we should think about as we [ph] think (00:36:32) through the rest of the quarters here, maybe any change in your expectations related to GLP-1s? And if you could just remind us of any of these recent prior authorization initiatives undertaken by insurers had any impact on the segment? Thanks.

**Britt J. Vitalone**

*Executive Vice President & Chief Financial Officer, McKesson Corp.*

A

Thanks for your question, Charles. I'll start, and then I'll let Brian answer that last question. Again, we're really pleased with the performance in the quarter as both Brian and I talked about operating profit was driven by the success of our prior authorization programs, particularly around GLP-1s but non-GLP-1 programs also performed quite well.

In terms of the revenue, in the quarter, we saw increased revenue from 3PL. And this is really around the success of products and programs that we service. And so 3PL revenue, which we've talked about before, can be quite lumpy from quarter-to-quarter, but it was strong in the first quarter. So, I think we're pretty pleased with the progression of the business and the momentum of the business, underpinned again by the strength of our access and affordability solutions including prior authorizations for GLP-1s.

**Brian Scott Tyler**

*Chief Executive Officer & Director, McKesson Corp.*

A

Yeah. I would just – we're very pleased with how the business is performing. We're more or less right where we thought we would be at this point in the year. I think the last question that you asked Charles was just related to are we seeing any behavior changes around prior auth policies. And I would say, for the most part, no. I think things have been a little bit steady. There was one payer that made a decision to prefer one product over another in their portfolio. But from our perspective, as part of the benefit of having both programs is that [ph] drives (00:38:18) prior auth may shift from one program sponsor to another, but our overall prior auth volumes remains good.

**Jeni Dominguez**

*Vice President - Investor Relations, McKesson Corp.*

A

Question, please.

**Operator:** And next will be Allen Lutz with Bank of America.

**Allen Lutz**

*Analyst, BofA Securities, Inc.*

Q

Good afternoon. And thanks for the taking the question. There's been several potential changes to the pharmaceutical market, brand price increases in July may be coming in a little bit higher than expectations. Then you have potential changes just to manufacturers, distributors, pharmacies around tariffs and concerns around tariffs, and then generic pricing around cost plus models. Is anything going on around those items that are different from your expectations? Or is there anything to comment specifically about those things as we move into the back half of the year? Thanks.

**Britt J. Vitalone**

*Executive Vice President & Chief Financial Officer, McKesson Corp.*

A

Thanks for your question, Allen. I'll start and then Brian can add on. In terms of brand pricing, we're not seeing anything outside of what we've seen over the last several years in terms of the cadence and brand pricing is right in line with our expectations. So we're not seeing anything different from that end.

In terms of generics, we are seeing good performance from our sourcing programs. We feel that we're well positioned in the marketplace there. We're not seeing anything unusual in the generics pricing environment as well. So again, these are good underpinnings that are supporting the success and the growth within the business. We're not seeing anything unusual at this point.

**Brian Scott Tyler**

*Chief Executive Officer & Director, McKesson Corp.*

A

I'd take your question on the tariffs as it relates to the pharmaceutical industry, I mean it's been obviously a little bit volatile. And I would say we're still in a bit of an uncertain time where this all settles down. But what we know about tariffs is represented in the guidance that we have provided to you.

And I would remind everybody that I think COVID highlighted this quite well that despite all the challenges the external world had, the pharmaceutical supply chain in totality tends to have enough inventory to get you through these periods. So I would think that tariffs would take a little while to play into the economics.

**Jeni Dominguez**

*Vice President - Investor Relations, McKesson Corp.*

Next question, please.

A

**Operator:** And next will be Daniel Grosslight with Citi.

**Daniel Grosslight**

*Analyst, Citigroup Global Markets, Inc.*

Hi, guys. Thanks for taking the question. Congrats on another strong quarter here. I was hoping you could touch on biosimilar adoption and any acceleration in benefits that you're getting from that in the bottom line, particularly in the Part B channel and specifically within retina with PRISM closing.

Q

And on the Part D channel, we've obviously seen a rapid adoption of Stelara [ph] biosims (00:41:06). I'm curious how that is impacting your bottom line at all? And how the in-sourcing by PBMs by Caremark specifically impacts you guys? Thanks.

**Brian Scott Tyler**

*Chief Executive Officer & Director, McKesson Corp.*

Thanks for the question. Obviously, the big two recent biosimilar launches really in Part D, which was Humira and Stelara. And those – while slowing down revenue don't really have much of an impact in terms of materiality on the bottom line.

A

Obviously, the channel at these products, these biosimilars launch into matters for us and Part B, particularly Part B Oncology is our most effective channel. Obviously, we're excited about the EYLEA, and the biosimilar launches that are happening in the retina space. But I would remind everyone, this is a quite recently closed deal. So the good news in that story is to play out ahead of us.

**Britt J. Vitalone**

*Executive Vice President & Chief Financial Officer, McKesson Corp.*

The only thing that I might add there is on biosimilars. We have talked about this for many, many quarters now that there's – this is a great long-term opportunity for distributors, for providers, also for patients. We are seeing this as a steady contributor to our earnings.

A

It's another building block within the segment. And so we're not seeing anything in terms of material gains or increases in any quarter, but we are seeing this as a steady contributor to the growth of the segment.

**Jeni Dominguez**

*Vice President - Investor Relations, McKesson Corp.*

Next question, please.

A

**Operator:** And next will be Brian Tanquilut with Jefferies.

**Brian Tanquilut**

*Analyst, Jefferies LLC*

Q

Hey, good afternoon, guys, and congrats on the quarter. Maybe, Britt, as I think about OpEx down year-over-year, obviously, some moving pieces there with the Norway sale and coming acquisitions. But is there any way you can talk about the trajectory there or to quantify how some of the tech and automation initiatives could impact OpEx in the coming years. Thanks.

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**Britt J. Vitalone**

*Executive Vice President & Chief Financial Officer, McKesson Corp.*

A

Yes, Brian, thanks for that question. We've actually been talking about our leverage ratios for some time now. If you wind the clock back even five years ago, we started on this journey and around our strategy, starting with costs first and getting a lot of discipline and focus on that.

Over time, what we've been able to do is to put more efficiencies, automation within distribution centers within other parts of our business. And I think what we're seeing now is just a really good set of disciplines, automations and leverage that's happening organically across the company now.

Both Brian and I talked about a couple of examples where we're seeing that within our distribution network. But there are just several examples across the company where we are implementing technology. We're implementing improved processes to drive just better costs. And so if you look at the operating expense leverage over a long period of time, it has been improving. And I think this is just another quarter where that's an example of it.

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**Jeni Dominguez**

*Vice President - Investor Relations, McKesson Corp.*

A

Next question, please.

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**Operator:** And next will be Elizabeth Anderson with Evercore ISI.

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**Elizabeth Anderson**

*Analyst, Evercore ISI*

Q

Hi, guys. Good afternoon. Thanks for the question. I know it's early days in terms of FCS and PRISM. But can you talk about whether you've had sort of the time to dig in and think about like the broader, like longer term strategy, like obviously, they consolidate within their own ologies, if you will. But are there broader platform things that you can sort of cross – that can run across both of those or across other ologies that you're in and kind of have a broader? Is that sort of – if you could just talk a little bit more about that broader long-term strategy there on the MSO side, that would be great. Thanks.

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**Brian Scott Tyler**

*Chief Executive Officer & Director, McKesson Corp.*

A

Sure. I mean, look, we have a very mature, very differentiated MSO offering in US oncology. And we've been at that strategy for nearly two decades. We have just recently expanded into the retina ophthalmology with the acquisition of PRISM, which we very much view as a platform.

And our vision at this point in time that we would continue to not exactly run the same playbook as US oncology, but to continually over time, expand the value add, expand the services, continue to solve problems and make these practices more productive and effective in the retina space.

They run on different IT platforms today, and we think that that is strategically the right decision because the complexity and needs of the practices are different, and so you want a fit-for-purpose solution to each of those.

Now as tools and technologies and particularly AI and such begins to roll out, we would certainly hope we would find some complementary transfer of knowledge, assets, insights across those two platforms, but it's not key to the strategy today. It would be upside to the thesis for getting into that space.

**Jeni Dominguez**

*Vice President - Investor Relations, McKesson Corp.*

A

Next question, please.

**Operator:** And next will be Erin Wright with Morgan Stanley.

**Erin Wilson Wright**

*Analyst, Morgan Stanley & Co. LLC*

Q

Great. Thanks. So I wanted to circle back on MFN, and I know you've talked about this before, but just any changes to how you're thinking about that, the impact across kind of US Oncology as well as other businesses, and just your competitor talked about kind of an active effort in DC, and recognizing sort of the overall impact of what could happen on that front. But any change in terms of how you're thinking about how that could play out?

**Brian Scott Tyler**

*Chief Executive Officer & Director, McKesson Corp.*

A

I don't think there's any change. And we have talked in previous calls about community setting being the lowest cost, highest quality, most accessible and then anything that would incentivize care to move out from there would probably be overwhelmed by the additional healthcare costs that occur when that care takes place in a higher cost setting.

It's still very early in terms of MFN. I mean letters just came out on July 31. And I think there are lots of facts that will still be necessary for us to see to really begin to think in any real way on what the impacts may be. And we do expect that this will play out over a somewhat long-time horizon. It's not like at the end of 60 days, this is implemented. And in 60 days, we'll know how manufacturers are thinking about this.

We are currently and have been actively engaged with legislature, the administration, manufacturers, customers and consistently advocating and educating around the fact that we need to keep the community setting vibrant and healthy and this is where the care should best take place for the totality of US healthcare costs and for the totality of quality of care and accessibility for Americans. And we think that message resonates.

**Jeni Dominguez**

*Vice President - Investor Relations, McKesson Corp.*

A

Next question, please.

**Operator:** And next will be Stephen Baxter with Wells Fargo.

**Stephen Baxter**

*Analyst, Wells Fargo Securities LLC*

Q

Hi. Thanks for the question. It looks like there could be some upward pressure on the uninsured rate going into 2026 coming from the individual market and the Medicaid end market. I was wondering if you could speak to how

impactful you think those changes may or may not be on demand and maybe how the company is budgeted for them in the back half of the year, particularly for the US Pharma segment. Thank you.

**Brian Scott Tyler**

*Chief Executive Officer & Director, McKesson Corp.*

A

I think you're referring to the Big Beautiful Bill and the \$1 trillion cuts to Medicaid over the coming decade. By my back-of-the-envelope math, healthcare will cost the US roughly \$80 billion or \$80 trillion over the next decade in totality, adjusting for inflation growth, what have you. And so \$1 trillion is a little more than 1%. So I don't think – our expectation is that it's not going to be dramatic. It's not going to be material. It's spread over a long period of time. It's delayed and it's starting.

And I think if you try to look back historically to when coverage rates were akin to what people are forecasting, they might be, you still find people getting care. I mean people who need care still consume care, maybe uncompensated care or maybe care in different settings, but they tend to still get that care.

**Jeni Dominguez**

*Vice President - Investor Relations, McKesson Corp.*

A

Next question, please.

**Operator:** And next will be George Hill with Deutsche Bank.

**George Hill**

*Analyst, Deutsche Bank Securities, Inc.*

Q

Hey, good afternoon, guys. Britt, I'm wondering if we can pull kind of the guide apart a little bit more because you've got the \$0.20 guidance increase which seems like a lot of that is tied to the Norway sale and you're at the high end of the AOI range for US Pharmaceutical.

Should the implication be that, I guess, either PTS or Medical might come in at the low end of the guidance ranges that you guys are thinking about given that I would have thought the rate would have been a little bit higher, and I recognize that there's a little bit of an interest offset.

So I guess I just kind of – I'd be interested to hear you talk about like how you're thinking about the other two segments and if there's anything else we should consider or if there's any other onetime items to be expected in the balance of the year? Thanks.

**Britt J. Vitalone**

*Executive Vice President & Chief Financial Officer, McKesson Corp.*

A

Thanks for your question, George. Let me try to answer that for you. If you recall, we raised guidance in the middle of the quarter, and that was a reflection of the strength of the operating performance that we saw up to that time. We are confident in for the rest of the fiscal year.

The \$0.20 raise that we're doing now is specifically to the sale of Norway and the impact of the held-for-sale accounting. We have not made changes to – any changes to the segment guidance for the Medical or for the Rx Technology Solutions segment. So we still feel very good about the guidance that we gave you there. The performance in the first quarter was solid, and we feel good about that guidance and haven't changed it.

In terms of the US Pharmaceutical guidance, certainly, part of our thinking when we raised the guidance was the operational performance that we were seeing in that segment. And that continued through the end of the first quarter. So again, we're one quarter in, we feel really good about the performance across the company. We feel really good about the performance in our US Pharmaceutical segment, and that's why we indicated the higher end of range for that particular segment.

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**Jeni Dominguez**

*Vice President - Investor Relations, McKesson Corp.*

A

We have time for one more question.

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**Operator:** Certainly. That question will come from Michael Cherny with Leerink Partners.

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**Michael Cherny**

*Analyst, Leerink Partners LLC*

Q

Afternoon, and thanks for squeezing me in. Specialty has been obviously the biggest growth driver for you in the space. As you think about your specialty growth opportunity, how much of it do you think is you growing in line with, above the market? How much of it is your customers growing? Are you taking share? Anything more you can do to bifurcate the specialty growth so we can understand how durable it is, would be greatly appreciated. Thanks.

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**Brian Scott Tyler**

*Chief Executive Officer & Director, McKesson Corp.*

A

First, I'd say we're seeing good specialty growth across all of our segments. I mean hospital segment, retail segment, and certainly in our oncology segment. And I think as demonstrated by this quarter, quite frankly, we think we're getting the good organic growth that exists in that market, complemented by expanding practices through recruiting additional physicians, by adding smaller practices to existing practices, and in the case of FCS acquiring a quite large practice.

And that's been the formula in the strategy over the last years, and I think the performance in this quarter shows the power of that strategy.

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**Brian Scott Tyler**

*Chief Executive Officer & Director, McKesson Corp.*

Okay. Well, I want to thank everyone again for joining the call. Thank you for the thoughtful questions. Thank you, operator, for facilitating the call. McKesson is off to a strong start in fiscal 2026. The fundamentals of our business remain strong. Our strategy is delivering results. We continue to fulfill our commitments to our shareholders by driving sustained momentum. We fundamentally believe we're positioning the business for continued long-term growth.

I just want to end by saying how proud I am to work alongside our 45,000 employees to advance our mission. I look forward to sharing more about our progress at our Investor Day in September. Thanks again, everybody. I hope you have a terrific evening.

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**Operator:** Thank you for joining today's conference call. You may now disconnect, and have a great day.

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