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Call Participants

EXECUTIVES

Brian S. Tyler
CEO & Chairman

Kenny K. Cheung
Executive VP & CFO

Paula Adkison
SVP, Corporate Finance & Investor Relations

ANALYSTS

Brian Gil Tanquilut
Jefferies LLC, Research Division

Elizabeth Hammell Anderson
Evercore ISI Institutional Equities, Research Division

Eric R. Percher
Nephron Research LLC

Erin Elizabeth Wilson Wright
Morgan Stanley, Research Division

George Robert Hill
Deutsche Bank AG, Research Division

Kevin Caliendo
UBS Investment Bank, Research Division

Lisa Christine Gill
JPMorgan Chase & Co, Research Division

Michael Aaron Cherny
Leerink Partners LLC, Research Division

Stephen C. Baxter
Wells Fargo Securities, LLC, Research Division

Presentation

Operator

Welcome to McKesson's First Quarter Fiscal 2027 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 Paula Adkison, SVP of Corporate Finance and Investor Relations. Please go ahead.

Paula Adkison

Thank you, operator. Good afternoon, and welcome, everyone, to McKesson's First Quarter Fiscal 2027 Earnings Call. Today, I'm joined by Brian Tyler, our Chair and Chief Executive Officer; along with Kenny Cheung, our Chief Financial Officer. Brian will lead off, followed by Kenny, and then we will move to a question-and-answer session.

Today's discussion will include forward-looking statements such as forecasts 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 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 non-GAAP financial measures that we will discuss during this 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.

Brian S. Tyler
CEO & Chairman

Good afternoon, everyone, and thank you for joining our call. Earlier today, we reported strong fiscal first quarter results, reflecting broad-based momentum across the enterprise and the disciplined execution of our teams. Revenues increased 8% to $105 billion and adjusted earnings per diluted share increased 20% to $9.93, both results exceeding our expectations. During the quarter, 3 of our reporting segments delivered double-digit operating profit growth, reflecting the strength of our core operating businesses. This performance is underpinned by good stable utilization and volume growth and is reinforced by our differentiated portfolio of solutions, our focus and the execution of our strategy.

We're pleased with the strength of our first quarter performance, which gives us the confidence to raise full year adjusted earnings per diluted share guidance to $44.20 to $45.00 from the prior range of $43.80 to $44.60. Before I share an update on how we advanced our strategic priorities during the quarter, I wanted to take a moment to recognize an important leadership transition and recognize someone in the room with me today, Kenny Cheung, who is our new Chief Financial Officer. Kenny joined us in May, and we're excited to have him as part of Team McKesson.

Following a thoughtful and comprehensive search, we're confident that Kenny is the right leader for McKesson. He brings extensive experience across finance and operations with a focus on execution and discipline that is well aligned with McKesson's operating model. He has led finance organizations across complex scaled businesses with a track record of managing through change, executing portfolio strategy and allocating capital to create long-term value. These experiences are especially relevant as we continue to grow our diversified health care services offering and execute against our strategic portfolio initiatives.

Just as important or maybe more important, Kenny shares our belief that strong performance begins with strong teams. He's stepping into a high-performing finance organization, and I'm confident he'll build on that strength while helping guide McKesson through the next phase of growth. You'll hear more from Kenny today about his approach to the CFO role and his confidence in the business.

Now let me turn to the quarter and highlight several key strategic initiatives that reflect our continued progress against priorities that are shaping the future of McKesson. And I'll start with our people and culture, which is foundational to everything we do. We are committed to developing strong talent and building capabilities our teams need to continue leading in an increasingly dynamic environment. An example of that commitment is how we're empowering our teams to lead in an AI-enabled environment.

During the quarter, we hosted a full day enterprise AI training at our headquarters, bringing teams together for educational sessions and real hands-on learning experience focused on the practical applications of AI. I had the opportunity to participate in person, and it was great to see the enthusiasm and the energy across Team McKesson. I continue to be impressed by the work our teams are advancing to leverage our ongoing investments in tech and AI, which are driving measurable business outcomes, strengthening how we operate, how we innovate and how we create long-term value.

Now let me turn to our strategic growth pillars, beginning with the oncology and multi-specialty platform. The continued growth of specialty therapies represents a significant market opportunity, and McKesson is extremely well positioned to capitalize on that growth. Our strategy in oncology and multispecialty is built on the foundation of our scaled distribution services, including our GPO services, specialty pharmacy and advanced clinical therapies capabilities to help providers access the medicines their patients need.

Today, we serve more than 14,000 providers across a broad range of community-based specialties. Through Unity and OnMark, we help providers achieve meaningful savings on drug purchases, improving the health of their practices. Biologics supports commercialization and access for more than 200 cancer and other rare disease therapies. And through InspiroGene, we're expanding our advanced therapy capabilities by forming new manufacturer partnerships and bringing complex cell and gene treatments to more patients. Together, this demonstrates the breadth of our specialty distribution capabilities as we continue to enable high-quality community-based care.

While our specialty distribution capabilities extend across many therapeutic areas, we are, of course, particularly focused on building a differentiated platform for oncology and for retina and ophthalmology. These areas have strong innovation pipelines and meaningful opportunities for McKesson to offer additional services. During the quarter, we saw continued growth in our practice management business. The U.S. Oncology Network grew to approximately 3,400 providers and treats more than 2 million patients annually. It's a leading force in expanding access to care and accelerating innovation in community-based oncology care.

PRISM Vision brings together over 200 providers in 97 locations, helping expand access to high-quality retina and ophthalmology care, again, in the community setting. As we expand relationships with these community-based providers, we create additional opportunities to build off distribution and GPO services. It allows us to expand patient participation in clinical trials, generating more data and more insights.

Our clinical trial services joint venture, Sarah Cannon Research Institute, continues to bring innovative therapies to patients faster and closer to where they live. SCRI participated in research that contributed to 43 of the 52 adult oncology drugs approved by the FDA in 2025. Recently, SCRI announced a strategic oncology research collaboration with Pfizer to help accelerate clinical trials. Through this collaboration, SCRI and Pfizer will leverage a next-generation clinical trial delivery model designed to streamline trial operations, enhance site efficiency and reduce administrative burden for investigators and care teams alike.

Let's move on to our biopharma services platform. We continue to enable connectivity across providers, biopharma, pharmacies, and payers. We're advancing programs that improve access and affordability while allowing patients greater ease and confidence in navigating their prescription journey. In July, we began supporting the CMS Medicare GLP-1 Bridge program, where our integrated solutions help enable the operational workflow infrastructure, including eligibility determination, electronic prior authorization connectivity and pharmacy claims transactions for Medicare beneficiaries. Once a prior authorization request is submitted to the payer, 95% of them receive a determination within 30 minutes. This reflects the power of our scaled network and the important role our technology plays in helping providers, pharmacies, payers, and biopharma partners move information more efficiently so patients can get therapy faster.

In addition to the CMS program, we saw continued growth in the new program wins throughout the quarter, demonstrating broad demand across the portfolio. Growth remains diversified across both access and affordability solutions with brands represented across many therapeutic categories. A key differentiator of our biopharma services solutions is our use of technology and automation to reduce manual process and improve productivity. With the advances in AI, we're applying these capabilities to improve how we build and deliver technology. During the quarter, our team designed, developed, tested, and deployed a production-ready external data connection in a single business day, work that historically would have taken several weeks or even months.

The impact extends beyond faster software development. Greater speed allows us to respond more quickly to customer needs and brings new capabilities to market sooner. While we're still in the early stages of AI-enabled development, examples like this demonstrate the potential to scale these capabilities more broadly across the segment.

Turning to North American distribution. In Q1, we delivered strong growth in our core distribution business, supported by stable business fundamentals. We continue to deliver substantial value to our customers through scaled distribution capabilities, exceptional service and a diversified channel reach. One of the customer channels we're proud to support for many years is independent community pharmacies. In June, we hosted our annual ideaShare conference, bringing together independent pharmacy leaders from across the country for education, for collaboration and practical solutions focused on helping them navigate a changing health care environment.

This year's event emphasized innovation, including the use of AI-enabled tools as well as advocacy efforts that support the long-term vitality of community pharmacy. These are the types of capabilities and connections that reinforce the value of our distribution platform and help our customers continue to serve the patients in their local communities.

We also broke ground on a new regional distribution center in Moore, Oklahoma, an important investment to strengthen the resiliency and capacity of our pharmaceutical distribution network. The new facility will increase throughput by 75% compared to the prior facility, supported by advanced automation, digitally enabled logistics and expanded cold chain capabilities. This investment strengthens the foundation of our supply chain and positions us to serve our customers with greater scale, resilience and accuracy.

Now let me provide a brief update on our portfolio actions. During the quarter, we continued to successfully execute on the planned separation of Medical-Surgical Solutions, allowing us to continue to build momentum towards becoming a stand-alone company. We completed the previously announced strategic minority investment from Apollo Funds, bringing on an important partner with financial resources and experience in complex separations. Additionally, we completed a $2.25 billion senior secured Term Loan B, further establishing a stand-alone capital structure for the business with a clear focus on maximizing long-term value for shareholders.

Today, I'm pleased to share that McKesson Medical-Surgical business is becoming Wellverse. Wellverse delivers a future where health care providers and patients thrive. This is an important step as we establish a distinct market identity and brand that reflects the organization's purpose and vision. The MedSurg business anticipates formally operating as Wellverse starting in January 2027, as part of a phased transition. Together, these actions, advanced separation readiness support the financial flexibility of Wellverse and reinforce our focus on maximizing long-term shareholder value while executing against the planned separation.

Let me close my comments with this. Our first quarter performance reflects the continued momentum across the enterprise and reinforces our confidence in our strategy and the durability of our operating model. Across the business, our teams continue to execute with discipline, advancing our strategic priorities and create continued value for our customers, partners and shareholders. The policy environment remains dynamic. McKesson remains highly engaged, focusing on the important role of community-based care, access, cost and transparency.

Recently, we were pleased to become a signatory to technology pledges under the CMS Healthcare Technology Ecosystem initiative, a good example, I think, of our continued engagement. As a diversified health care services company, we're focused on strengthening the resilience of the pharmaceutical supply chain, improving access and affordability, enabling innovation and helping deliver better outcomes for patients. We're confident that our strategic focus and differentiated market position will continue to position us well for sustained long-term growth.

With that, Kenny, I'll turn it over to you.

Kenny K. Cheung
Executive VP & CFO

Thank you, Brian, and good afternoon, everyone. I'm excited to join you from my first earnings call as part of Team McKesson. Since joining the company in May, I spent considerable time across the organization in the field learning about our business and the role we play in advancing health care. What attracted me to McKesson was its differentiated capabilities across the health care ecosystem. Seeing those capabilities come to life firsthand has strengthened my appreciation for our company, our people and the meaningful impact we make every day. This is an organization with impressive scale, strong execution and a proven ability to deliver results. The strength of the business was evident in our strong first quarter performance, driven by continued momentum across the enterprise.

Before I dive into our first quarter results, I want to briefly share how I approach my role as CFO. My focus is clear; remain closely connected to the business, understand the drivers of performance, support disciplined execution and maintain what I call a strong say-do ratio, do what you say you will do. Equally important is allocating capital thoughtfully and responsibly in ways that create long-term value for shareholders while advancing our strategic priorities. These priorities align with McKesson's long-standing operating model and disciplined capital allocation framework. McKesson has a strong track record of investing behind growth, maintaining financial flexibility and returning capital to shareholders. I look forward to building on that foundation as we continue to execute our strategy and create shareholder value.

Turning to the first quarter performance. We delivered a strong first quarter with growth led by North American Pharmaceutical and oncology and multispecialty and solid execution within Prescription Technology Solutions. Our performance demonstrates the strength of the underlying fundamentals across the business, continued operational excellence and the benefits of our diversified portfolio. Unless otherwise noted, my comments today will refer to our adjusted results.

Revenues increased 8% to $105.4 billion, reflecting solid performance across the business. Growth was driven by higher prescription volumes in North American Pharmaceutical and continued strength in oncology and multispecialty. This was partially offset by expected market dynamics, including lower branded pharmaceutical pricing following wholesale acquisition cost decreases in January 2026, and branded to generic conversions. Gross profit was $3.7 billion, an increase of 13%, driven by growth in North American Pharmaceutical and Oncology and Multispecialty. The increases reflect higher prescription volumes and strength in specialty, including oncology and the benefit from branded to generic conversions, which together supported gross profit growth across the portfolio.

Operating expenses increased 10% to $2.1 billion, reflecting investments in operating expenses to support growth across the business. As we continue to invest in the business, we remain disciplined in our approach to capital deployment, focusing on investments that generate strong returns, enhance our ability to serve customers and drive sustainable growth. We continue to drive operating leverage in the quarter through strong gross profit growth and effective expense management. During the quarter, operating expenses as a percentage of gross profit improved by approximately 150 basis points year-over-year, continuing the positive leverage trends we have demonstrated.

Operating profit was $1.7 billion, an increase of 16%, driven by growth in North American Pharmaceutical, Oncology and Multispecialty and Prescription Technology Solutions. These 3 segments delivered double-digit operating profit growth, reflecting broad-based strength across our core operating businesses. Interest expense was $75 million, reflecting recent financing activities supporting the Medical-Surgical Solutions separation, including the $1 billion secured Term Loan A and $2.25 billion secured Term Loan B. We also completed a $1 billion revolving credit facility in support of the separation, which remained undrawn during the quarter.

The effective tax rate in the first quarter was 21.5% compared to 21.4% in the prior year. As a reminder, our effective tax rate can vary quarter-to-quarter, driven by timing and the amount of discrete tax items. Diluted weighted average shares was 119.2 million, a decrease of 5%. During the quarter, we repurchased $2.5 billion of shares, including $2.25 billion through an accelerated share repurchase program at an initial average price of approximately $755 per share. Adjusted earnings per share increased 20% to $9.93, reflecting strong operational performance led by North American Pharmaceutical and the benefit of a lower share count as a result of share repurchase activity.

Now let me turn to our segment results, starting with North American Pharmaceuticals. Revenues were $86.8 billion, an increase of 5%, driven by broad-based growth from higher prescription volumes, including an increase in specialty products. This was partially offset by lower branded pharmaceutical pricing following WAC decreases in January 2026 and branded to generic conversions. While branded pricing declines impacted revenue, they did not have a meaningful impact on operating profit. As a reminder, revenues from branded pharmaceuticals reflect the WAC of those products and will be impacted by changes in those prices. However, our branded pharmaceutical contracts are structured such that we are compensated for the fair value of the service we deliver.

We continue to play a critical role in the pharmaceutical supply chain with strong value proposition to our manufacturer partners. Leveraging our extensive capabilities, we deliver value beyond distribution, including inventory management, central fill and other services that support customers across the pharmaceutical supply chain. Revenues from GLP-1 medications distribution were $15 billion in the quarter, an increase of approximately $3 billion or 24% versus the prior year. Sequentially, GLP-1 revenues increased 13%.

Segment operating profit increased 19% to $894 million, driven by growth in specialty distribution, including health systems and strategic accounts and the timing of new product launches. Fundamentals in the business remain strong, supported by stable utilization trends, specialty growth and the strength of our generic sourcing program. Our scaled distribution capabilities include McKesson Plasma and Biologics position us well to support growth in specialty distribution volumes. ClarusONE, our generic sourcing program, continues to deliver meaningful value to customers while supporting stability of supply.

Turning to oncology and multispecialty. Revenues increased 33% to $14.2 billion, driven by growth across our platform, including organic and new business growth in provider solutions. First quarter results also reflected contributions from the Core Ventures acquisition, which was completed on June 2, 2025. Excluding contributions from Core Ventures, revenues grew approximately 24%. Operating profit increased 41% to $405 million, excluding contributions from Core Ventures. Operating profit grew approximately 15%, driven by higher specialty distribution volumes, organic and new growth in provider solutions and business growth across differentiated offerings. We continue to see growth supported by solid utilization trends in the community setting and stable same-store patient visit growth across the provider network.

In Prescription Technology Solutions, revenues increased 9% to $1.6 billion, driven by higher prescription volumes in third-party logistics and access solutions. Operating profit increased 13% to $303 million, driven by higher demand for access solutions, including prior authorization services. We saw strong demand across our technology solutions with growth driven by both GLP-1 medications and other therapeutic categories. Our solutions continue to help manufacturers connect patients to therapy and navigate an increasingly complex environment. The breadth of our technology and service portfolio positions us well to grow the business while delivering value to customers and patients.

Turning to Medical-Surgical Solutions. Revenues were $2.8 billion, an increase of 4% year-over-year, representing an improvement in revenue growth trends compared to the prior quarters, driven by growth across alternate sites of care, led by higher volumes of specialty pharmaceuticals. Operating profit decreased 20% to $195 million, driven by product mix and onetime administrative expense, partially offset by contributions from the extended care channel. On June 1, we completed the previously announced transaction with Apollo Funds, which now holds approximately 13% minority ownership interest in MedSurg. We retained majority ownership and continue to consolidate the business for financial reporting purposes.

As part of the transaction, we recorded a noncash GAAP-only accounting adjustment of $293 million related to the remeasurement of the redeemable noncontrolling interest. Wrapping our review with corporate, corporate expenses were $144 million, an increase of 4%, primarily reflecting technology infrastructure investments.

Let me now turn to cash and capital deployment. We ended the quarter with $5.2 billion in cash and cash equivalents and total liquidity of approximately $10 billion, which is well above the minimum threshold. We had negative free cash flow of $372 million, including $152 million in capital expenditures as we continue to invest in distribution technology, infrastructure and operational capabilities across the business. Free cash flow improved meaningfully compared to the prior year, driven by efficient working capital execution.

On a trailing 12-month basis, free cash flow remained strong at approximately $6.1 billion, providing flexibility to invest in the business and return capital to shareholders. We returned $2.6 billion to shareholders during the quarter through a combination of share repurchases and dividend payments. In July, our Board of Directors approved a 15% increase to our quarterly dividend, representing our 10th consecutive annual increase. We remain committed to dividend growth that is commensurate with our long-term earnings growth target.

Turning now to our fiscal '27 outlook. First quarter performance exceeded our expectation and reinforced our confidence in the fundamentals of the business. As a result, we are raising our fiscal '27 adjusted earnings per share outlook to $44.20 to $45.00. The increase in the full year outlook is supported by the strength and momentum of our business, the performance we delivered and the confidence we have in our ability to execute throughout the year. It implies adjusted EPS growth of 13% to 15% excluding the impact of the Norway divestiture and the gain on sale of an equity investment within the U.S. Oncology Network. In fiscal '26, our outlook implies adjusted EPS growth of 15% to 17%, above our long-term growth target of 13% to 16%. For fiscal '27, we anticipate revenue growth of 5% to 9% and operating profit growth of 9% to 13%.

Let me give you more color on our segment outlook. In North American Pharmaceutical, we anticipate revenue growth of 4% to 8% and operating profit growth at the high end of the previous range of 5.5% to 9.5%. The updated outlook reflects strong performance and solid underlying fundamentals, including stable utilization trends and specialty growth. It also incorporates accelerated investments into the business during the second half of fiscal '27. We anticipate continued growth of GLP-1 medications throughout fiscal '27 with quarter-to-quarter variability.

Turning to oncology and multispecialty. We continue to anticipate revenue growth of 14.5% to 18.5% and operating profit growth of 13.5% to 17.5%. Outlook reflects the strength across the business and the value of our highly differentiated platform. Within the segment, distribution and GPO-related capabilities remain the largest component of revenue contribution.

As Brian discussed, we expect growth in the platform will drive additional value across our business. As we continue to add new providers and expand existing relationships, it will drive growth across our practice management services, GPO capabilities, data and analytics and clinical research support. These offerings are designed to support providers and biopharma customers across multiple points of care and create additional opportunities over time. As a reminder, specific to the fiscal second quarter, we will be lapping prior year gains of $51 million in the segment related to the sale of an equity investment within the U.S. Oncology Network.

In Prescription Technology Solutions, we anticipate revenue to increase by 2.5% to 6.5% and operating profit to increase 11% to 15%. Performance in this business is not always linear. It can vary quarter-to-quarter driven by several factors, including utilization trends, product launch timing and the evolution of program support requirements over the life cycle of the product. We anticipate growth in our access and affordability solutions, supported by demand across both GLP-1 medications and other therapeutic categories. We also expect contributions from new brands and programs being onboarded throughout the year. The visibility we have into these opportunities, together with the strength of our existing programs and customer relationships supports our expectations for this segment.

Moving now to MedSurg segment. We anticipate revenue growth of 1% to 6% and operating profit growth of flat to 4%. The MedSurg business has a diversified offering and broad customer reach across alternative site of care, including ambulatory and extended care, consumer health and at-home care settings. The team remains focused on disciplined execution and operating efficiencies, which strengthens our position and supports our ability to serve our customers. In corporate, we anticipate expenses of $580 million to $640 million. As a reminder, we completed our exit from Norway in January. In fiscal '26, the Norway business contributed $74 million of operating profit, including $25 million in the fiscal second quarter.

Turning now to items below the line. We expect interest expense to be in the range of $380 million to $420 million, reflecting financing activities completed in support of the MedSurg separation. We expect income attributable to noncontrolling interest of $295 million to $325 million, which includes the minority ownership interest in MedSurg. We also anticipate the full year effective tax rate of 18% to 19%, a slight increase from the prior guidance range, driven by incremental tax expenses result of higher operating profit growth. We expect the quarterly phasing of tax rate to be broadly similar to fiscal '26 with variability driven by timing of discrete tax items.

Wrapping up our outlook with cash flow and capital deployment. Our capital allocation priorities are unchanged. We remain focused on investing in our strategic priorities, maintaining financial flexibility, returning capital to shareholders and upholding our investment-grade balance sheet. We anticipate free cash flow of approximately $4.5 billion to $4.9 billion. We expect repurchasing approximately $5 billion worth of shares during fiscal '27, of which $2.5 billion was completed in the first quarter. This activity reflects the deployment of proceeds from the MedSurg financing transaction and the Apollo minority investments. As a result, we estimate weighted average diluted shares outstanding to be in the range of 115.5 million to 117.5 million.

In closing, I'm pleased with the strong first quarter results and confident in the path ahead. McKesson is operating from a position of strength with robust growth outlook, strong balance sheet position and long track record of execution. I'm excited to contribute as we build on the foundation and drive long-term value creation. I appreciate everyone's time today. Look forward to engaging with many of you in the months ahead, including at investor events in September.
With that, let's move to the Q&A session.

Question and Answer

Operator

[Operator Instructions] And our first question will come from George Hill with Deutsche Bank.

George Robert Hill
Deutsche Bank AG, Research Division

I guess, Kenny, as it relates to the outperformance in the North American Pharma segment in the quarter, I guess you mentioned something about investments. Could you talk a little bit more about kind of what's driving the organic growth and the margin expansion just because I think it's been a while since we've seen relatively in line revenue growth and the operating earnings in the segment grow so strongly. So I would love if there are any onetime risks that are in there? And just any color on that segment.

Kenny K. Cheung
Executive VP & CFO

George, it's Kenny. Yes, absolutely. So North American Pharmaceutical had a really strong quarter for us. I'll go through top line and then walk through the -- from the AOP and margin side. On the top line, overall 5% growth, really driven by the increased prescription transaction volume, including higher volume from specialty products. That was offset a little bit by the lower branded pharmaceutical pricing following the WAC decrease, as I mentioned in the prepared remarks and also some branded to generic conversion as well.

Again, while branded pricing declines impacted revenue, there was very, very little impact on the operating profit side. On the AOP, we increased 19% for the first quarter. It's really driven by the distribution of specialty products to the health system and timing of new product launches. By timing, it was both on the new branded side as well as branded to generic as well. Those are the 2 factors on the timing in terms of that comment.

On the margin side, you're correct. AOP did grow faster than revenue, implying a higher margin mix profile. Generally, George, for our business, operating margin changes in the segment can be driven by a couple of things. One is customers, right? So it could be a split between national account, grocery segment, community pharmacy. Also product can also impact margin profile as well, branded specialty, generics, biosimilars and then obviously, channel, right, between retail, specialty and hospitals. So overall, the business is robust, and we continue to expect momentum carrying into the outer quarters as well.

Operator

And next will be Stephen Baxter with Wells Fargo.

Stephen C. Baxter
Wells Fargo Securities, LLC, Research Division

Just a follow-up to the North America discussion. Just as we look at the improvement to the guidance that you made, at least versus our model, it looks like the improvement is really just primarily driven by the outperformance in the first quarter. So wondering if there's anything to call out about the drivers of outperformance that either could be timing related or maybe you're just taking kind of a conservative approach for the rest of the year when you think about repeatability of that.

Kenny K. Cheung
Executive VP & CFO

Yes, you bet. So you are correct. So right now, the -- in terms of the guide up for the full year, the majority of the driver is driven by the NAP business, North America Pharmaceutical being on the high end of the AOP range of 9.5%. And then I think the question -- behind the question is more about the confidence behind the guide. So let me share with you my thoughts on that one. We are pleased with the continued momentum in our business, and that is the reason why we guided $0.40 above the last midpoint. And you can see broad-based growth, right? NAP, as you mentioned, has definitely shown momentum, but it wasn't just NAP, it was O&M as well and RxTS, all grew double digits for the quarter.

I think from my lens, the forecast and the guidance is what I would say is what we see today. It is intended to be a balanced view of the year, not a best case scenario. We feel really good about the momentum we're seeing in the business and the strength of execution in our Q1 results and the exit rate as well. June was the strongest month of the quarter. As always, there's always opportunities and risk along the way. And as a management team, we're really focused on 3 things; number one, execute with discipline; number two, mitigate potential risk where we can. And last but not least, position the business to capitalize on opportunities as they emerge. So as you can see, it's a very thoughtful process. And when it comes down to it, that's the reason why we're very confident in our full year guidance.

Operator

And next will be Elizabeth Anderson with Evercore ISI.

Elizabeth Hammell Anderson
Evercore ISI Institutional Equities, Research Division

As we think about the drivers of oncology and multispecialty, obviously, some very, very nice growth in the quarter. How do you think about -- could you parse that apart a little bit more? Is Florida Cancer sort of performing in line to your expectations, exceeding that? And anything else you could provide to sort of talk about sort of that accelerated growth through that -- in that segment?

Kenny K. Cheung
Executive VP & CFO

Yes. You bet. So for oncology and multispecialty, we had a really strong quarter there as well. Let me unpack your question a bit. So for the quarter, top line revenue was roughly 33% growth. There are 3 key drivers of that 33% growth for oncology and multispecialty. Number one, we saw really nice growth in existing provider solutions and specialty distribution. So that's what I call penetration. Number two, we won new business as well, and the pipeline continues to be robust. The last but not least, to your last point, there was contribution from the acquisition side, meaning Core Ventures. If you normalize for Core Ventures of the 33%, it'sro ughly 24%. And then on the AOP side, we grew 41% year-over-year. If you normalize for Core Ventures, it was roughly 15%, which is in line with the long-term targets.

Brian S. Tyler
CEO & Chairman

And if you reflect specifically on Florida Cancer, we have been very pleased with the work the team has done to integrate them into McKesson. The operations have been very, very solid. Execution has been fantastic. And we are on the high end of the guidance range we provided to you at the time of the acquisition. So it's been very successful, both in the cultural integration, the operational execution and the financial performance. I would note that we began lapping that transaction starting this quarter.

Operator

And next will be Brian Tanquilut with Jefferies.

Brian Gil Tanquilut
Jefferies LLC, Research Division

Congrats on the quarter. Maybe just as I think about the comments you made on GLPs, expecting that to continue to grow throughout the year. Just curious what you're seeing there in terms of market dynamics, especially as it relates to employer coverage and how you're thinking about that going forward and also balancing that with the consumer side of things, the direct-to-consumer aspect of GLPs.

Brian S. Tyler
CEO & Chairman

Sure. Well, we continue to be pleased with the growth that we're seeing in GLP-1s. There is a vibrant cash market for GLP-1s. It's one of the only product categories out there that I think we could say that's true for. But we've seen very strong growth in the covered segment as well as evidenced by the performance of CoverMyMeds and the revenue that's showing up in APD. There has been some debate about coverage, but it really hasn't moved super significantly, and you can obviously track the overall growth and performance of this category and see that the growth remains healthy and robust.

Operator

And next will be Lisa Gill with JPMorgan.

Lisa Christine Gill
JPMorgan Chase & Co, Research Division

Brian, you mentioned that you continue to monitor what's happening from a policy perspective. And I just really want to understand 2 things. One, we've heard about some incremental changes around 340B. And I'm curious if there's any impact to your North American business through that. And then secondly, anything else that you're watching? I know you and I in the past have talked about GLOBE and the fact that, that pricing goes around the physician practice and doesn't really have an impact. But is there anything else that we should be thinking about from a business perspective?

Brian S. Tyler
CEO & Chairman

Sure. Let me start with 340B and I should frame the discussion, I remind everybody that this is probably pretty preliminary because the current proposal remains under a comment and review period. We think it's going to be important to let that process play out before we draw any conclusions about the final structure or timing or anything. And Lisa, you will well know, we've seen many 340B proposals come and go over the last half a decade or more. 340B is a complicated ecosystem.

And I think any reform we see there will create both opportunity and challenges for various stakeholder groups. Some participants will benefit from the operational clarity and transparency. Others could face impacts to their economics, cash flows, et cetera. We serve many of those stakeholders, hospitals, health systems, contract pharmacies, community providers, biopharma manufacturers.

So we really think about this from a very holistic or multiple perspectives. Our focus will be to help our customers, navigate this change like we do for all policies that we've had to deal with over my 30-year career, and we'll think about all the constituents we serve as we approach that. And I think regardless of the ultimate direction of the reform takes, we think that our scale, our technology expertise, our compliance expertise and our strong relationships will allow us to continue to create value. So it'd be premature to speculate on the financial impact. But I feel very confident in the capabilities of McKesson in partnership with our customers that we can navigate that.

The second question, I think, related more towards what other things are we watching? There's obviously been a lot of discussion about IRA Part D. And I would just remind everyone that, that is not going to go into effect until January of 2028. And again, there's a lot of unknowns. We don't know what the MFP will be. We don't know if there will be supporting reimbursement changes around that. We don't know if biosimilars will come into the market and therefore, obviate the eligibility for that program.

What we do know is that fundamentally, the community provider setting is the low-cost setting with the highest and easiest access to care. We believe the government and our legislators understand that. And we would put forth evidence for that to the program you referenced, GLOBE, where as they attempted to push prices lower in this demonstration project, the mechanism to achieve that is a rebate directly from the manufacturer to CMS, therefore, with no impact on the provider practice itself. We think that, that is a good solution. That's a working solution. It supports the goal of lowering drug prices, but it also protects the community-based provider and therefore, creates an incentive for care to happen in the community where it's low cost, i.e., good for the government and easy for the patient to access.

Kenny K. Cheung
Executive VP & CFO

I think one thing just to add, when we talk about -- think about IRA, there's a lot of discussions around WAC pricing. And let me share with you how I think about that topic. And just a reminder, right, on WAC pricing, WAC movements impact top line because our revenue is recognized on the drug selling price, right? However, GP and operating profit are less sensitive on these price changes. And just so you know, more than 95% of our branded drugs are fee-for-service as we earn a fair value for what we deliver.

I think one proof point that I'd like to kind of talk about is this past quarter, as I mentioned in my prepared remarks, we did see WAC pricing decreases. And despite this dynamic, we were able to achieve GP growth, margin expansion and strong operating leverage as well. So this is another proof point that as a company, we know how to manage through these dynamics.

Operator

And next will be Erin Wright with Morgan Stanley.

Erin Elizabeth Wilson Wright
Morgan Stanley, Research Division

So within the North America distribution business, I think you spoke to some of the accelerated investments that you called out. And you so much touched on the confidence you have in the guide. But I guess more specifically, is there anything to call out or we should be aware of from a quarterly cadence perspective as we kind of map out the balance of the year within that segment?

Kenny K. Cheung
Executive VP & CFO

Yes. So in terms of quarterly cadence, let me go through the enterprise and give you a bit more detail. So first, from a North America standpoint, seasonality can play a factor here. So if you look at prior years, Q4 will be the biggest quarter for us from a dollar standpoint. If you look at RxTS from a quarterly standpoint, I remind you, Q4 is our annual verification season. The quarterly cadence can vary due to internal investment patterns, product launch timing, general product lifestyle and which may shift to other services and termination.

On that surge, right now, we closed the minority interest investment from Apollo. So just to make sure you model the quarterly NCI correctly in terms of that front. Again, for Norway divestiture that was completed in January 2026. So in terms of the phasing of it, this quarter, Q2, it was roughly $25 million from a year-on-year standpoint. And then last but not least, on US Oncology and Multi-Specialty from a quarterly cadence standpoint, this quarter, meaning Q2, we have a $51 million gain that we're lapping last year, driven by the sale of equity investment within the USON business.

Operator

And next will be Eric Percher with Nephron Research.

Eric R. Percher
Nephron Research LLC

I want to return to Onco and Multi, and I appreciate the commentary on organic growth. There's been a lot of discussion of what the growth rate is today. And I'd be interested in your 15% or your view of the long term, what do you view as the market's growth versus your growth given the assets and specialties that you're in? And then, Brian, I might come back to you on how can you extend that growth via additions of additional providers or other services?

Brian S. Tyler
CEO & Chairman

Yes. Look, we're very pleased with the growth that we have seen in oncology and multispecialty. And even adjusting for the last quarter of FCS impact, we grew 24% in this segment. That's a combination of the organic growth resident in the market, same-store visits or patient traffic that was up sequentially over our last quarter. We continue to add to our practices by recruiting physicians and expanding geographically. All of those things, Eric, support the growth algorithm. We don't think there'll be opportunities for kind of the scale of adding additional FCS, but we do continue to think that geographical expansion and recruitment to build the practices locally will be an important part of the growth algorithm.

And then as we continue to introduce technologies, AI or otherwise into the support of these physicians, it should allow us to expand our capacity to see patients, and that's a growth driver we haven't really talked about a lot in the past. So very, very pleased with the performance. We feel very good about the positioning of our business, the quality of the service we deliver and the impact we have on patients' lives.

Kenny K. Cheung
Executive VP & CFO

The outlook reflects -- the outlook and guide reflects the overall strength of the business and the value of our highly differentiated platform. The 15% growth I mentioned earlier, that is all organic, no M&A in there, and we do expect that to continue on the forward to hit the long-term targets. The growth will come from, as I mentioned, in a couple of areas, right? Yes, there will be some M&A along the way, some tuck-ins along the way. And then you also have driving more throughput through existing provider network and also winning new business as well. As you probably know, on the USON side, for example, we have 3,400 providers, but then we also have a bigger basket of 14,000 total, which we support the GPO and distribution side as well. So we expect broad-based growth across the board.

Operator

And next will be Kevin Caliendo with UBS.

Kevin Caliendo
UBS Investment Bank, Research Division

Kenny, welcome aboard. Love the energy on these calls. It's great. Question about the free cash flow. I know the guidance hasn't changed, but I just want to -- I'm kind of asking Kenny this question. It's basically down not just year-over-year, but over the last couple of years. And I know with your business, it's always lumpy in this way. But now this is sort of like a 2-year trend, earnings are growing a lot faster than free cash flow. And I'm just wondering if there's anything in there that we should think about or when we might think about the free cash flow starting to accelerate a little bit because just optically, it looks a little off or it looks a little odd that it's not growing along with the income.

Kenny K. Cheung
Executive VP & CFO

Yes. I understand the question. I followed completely. So first quarter, we had -- usually first quarter free cash flow is negative because of working capital and inventory timing. With that said, though, this year was much improved. Last year, we were roughly down $1 billion on free cash flow. This quarter, it was roughly $370 million. So much improvement there. A lot of it is structural, which is very, very encouraging. It's still early in the year for us. And as you pointed out, there's a lot of moving pieces on day of the close -- the week of the close, et cetera.

So right now, we're providing -- we're sticking with the current guide provided on the last quarterly call. With that said, from my vantage point, we are seeing using technology, AI, et cetera, really structural improvements within our working capital management. And I do believe some of that should flow through for the rest of the year. So as we progress through these projects and more to come on this one is my answer. More to come on this one. Right now, I feel very good about our forecast. And we do have opportunities along the way to beat that off throughout the year.

Operator

[Last question] Certainly, that question will come from Michael Cherny with Leerink Partners.

Michael Aaron Cherny
Leerink Partners LLC, Research Division

Yes, welcome, Kenny as well. I apologize to come back on it, but I just -- in doing some rough math, even if you go to the high end of your North American Pharma guidance for the rest of the year, you're at about 6.8%. Now this is very squarely in line with the LRP. But as you think about the moving pieces for that segment in the back half of the year, are there anything on the comp dynamics to think about? And how are you thinking about the pathway forward, both utilization as well as additional potential launches within that market? It would be greatly appreciated.

Brian S. Tyler
CEO & Chairman

Yes. Well, again, very pleased with the first quarter and the strength coming out of the gate. We think the utilization environment continues to be steady. I would say, Michael, that we probably had some favorability in the generics portion of the business that came earlier in the year than we would have expected it to. That obviously will come at the expense of later quarters, we benefited early. But other than that, I don't think there's anything structurally that -- Kenny, you might want to comment.

Kenny K. Cheung
Executive VP & CFO

Yes. Yes. So as I mentioned earlier, there was some new product launch timing. As I mentioned earlier, these were the both the new branded and branded generics, and that did pop up a little bit on the AOP growth in Q1. As I think about the rest of the year in terms of the NAP guidance, right, so the under -- the updated outlook reflects strong performance and solid underlying fundamentals, including a continuation of stable utilization trends and specialty growth. It also incorporates accelerated investments in the business in the second half of the year as well, focused on growth and also AI.

So we do have that baked into our current forecast. And the return on investment is accretive to our enterprise and the return timing will most likely be the beginning of 2028. At McKesson, we're always thinking about ways to deliver the spot moment, but at the same time, build for tomorrow as well. And these are the right things to do as a company.

Brian S. Tyler
CEO & Chairman

It's always been part of our algorithm.

Kenny K. Cheung
Executive VP & CFO

That's exactly it.

Brian S. Tyler
CEO & Chairman

Okay. Well, thank you again, everyone, for joining us today. We always appreciate your questions, and thank you to Cynthia for facilitating the call. McKesson's first quarter results were strong, and they're a testament to strength of our business and the fundamentals of the markets we participate in and the differentiated solutions that we bring to those markets.

I do want to thank all McKesson employees for their dedication, their unwavering commitment to our partners, to our customers and to their patients. As we look ahead, we're confident in our ability to consistently execute, extend the business momentum and deliver long-term shareholder value. Thanks again, everyone. I hope you have a terrific evening.

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