McKesson to Acquire Rexall Health From Katz Group, Strengthening Its Position in Canada’s Pharmaceutical Supply Chain

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- Rexall Health will enhance McKesson Canada’s existing strength in providing comprehensive pharmacy solutions tailored to the Canadian market.
- McKesson Canada brings over 100 years of innovation and expertise in delivering efficient and effective pharmacy and supply chain solutions in Canada.
- Patients in Canada will benefit from greater choice and access, integrated pharmacy care, and industry-leading service levels.

SAN FRANCISCO & TORONTO--(BUSINESS WIRE)--McKesson Corporation (NYSE: MCK), a leading international healthcare services and information technology company, and Katz Group, one of Canada’s largest privately-owned enterprises, today announced a definitive agreement to acquire Rexall Health from Katz Group for $3 billion CAD ($2.2 billion USD*, or approximately $1.9 billion USD* net of the present value of incremental cash tax benefits). The acquisition strengthens McKesson’s position in Canada’s pharmaceutical supply chain, and is a natural next step for two companies that have worked together for over 20 years delivering care to Canadians.

“The acquisition of Rexall Health supports McKesson’s commitment to drive value in the industry by improving healthcare solutions delivered in the pharmacy; it enhances our ability to provide best-in-class pharmacy care through an expanded retail footprint for patients across Canada,” said John H. Hammergren, chairman and chief executive officer, McKesson Corporation.

“Canada’s healthcare environment is rapidly evolving; it is marked by a move of primary care into pharmacy and increasingly complex patient demand. With today’s announcement, McKesson will bring together the strengths and expertise of our diverse portfolio to address challenges and opportunities in delivering the very best patient care,” concluded Hammergren.

Daryl Katz, Founder and Chairman of Katz Group said, “I have the utmost confidence that Rexall Health will continue to flourish under McKesson’s ownership and Jürgen Schreiber’s continued leadership. I want to thank everyone who has helped to make Rexall Health a success over the past two decades, including all of our current and former employees, our partners, and above all our customers for their loyalty and dedication. Going forward, Katz Group will continue to invest in the growth of our three other lines of business: real estate, sports & entertainment, and private and public investments.”

“Today is an exciting day for Rexall Health and its employees,” said Jürgen Schreiber, CEO, Rexall Health. “With McKesson, we will ensure Rexall Health continues to deliver the highest quality care to its patients and service to its customers.”

Like McKesson Canada, the operations of Rexall Health will be part of McKesson’s Distribution Solutions segment, reporting to Paul C. Julian, executive vice president and group president, who commented: “We are looking forward to welcoming Rexall Health, its leadership team and employees to McKesson. We share a culture of respect for patients and the employees who serve them every day.”

Rexall Health will continue to have a dedicated management team in Canada led by Jürgen Schreiber, while retaining the existing brand Canadians have come to know and trust.

“For over one hundred years in Canada, McKesson has helped build a strong network of independent pharmacies,” said Alain Champagne, president, McKesson Canada. “With the acquisition of Rexall Health, McKesson will continue to deliver value-added pharmacy solutions through an expanded portfolio, while providing operational excellence to small business owners, independent pharmacists and our pharmaceutical distribution customers.”

Once completed, the acquisition of Rexall Health will enhance McKesson’s retail pharmacy capabilities and procurement scale. McKesson Canada’s diverse customer base, including its independent pharmacists, is expected to benefit from competitive pharmacy solutions and industry leading service levels.

As part of the transaction, McKesson intends to acquire Rexall Health’s business, including approximately 470 retail pharmacies. This will bring McKesson Canada’s combined pool of talent to 13,000 employees, serving customers and patients throughout the country. Rexall Health will help McKesson leverage its existing portfolio of assets to drive growth along the entire value chain, particularly in two of Canada’s fastest growing regions, Ontario and Western Canada.

The acquisition, which will be funded by a mix of cash and debt, is expected to close late in calendar year 2016. McKesson
expects the acquisition to be modestly accretive to adjusted earnings per diluted share for Fiscal 2017 as earnings attributable to Rexall Health will be partially offset by an anticipated charge related to the reversal of a step-up to fair value of acquired inventory at the date of the acquisition. McKesson expects the acquisition to drive meaningful accretion, on a constant currency basis, to Fiscal 2018 adjusted earnings per diluted share.

The transaction is subject to review under the Investment Canada Act and by the Competition Bureau of Canada.

* $1 CAD = $0.74 USD

**About McKesson Corporation**

McKesson Corporation, currently ranked 11th on the FORTUNE 500, is a healthcare services and information technology company dedicated to making the business of healthcare run better. McKesson partners with payers, hospitals, physician offices, pharmacies, pharmaceutical companies and others across the spectrum of care to build healthier organizations that deliver better care to patients in every setting. McKesson helps its customers improve their financial, operational, and clinical performance with solutions that include pharmaceutical and medical-surgical supply management, healthcare information technology, and business and clinical services. For more information, visit [www.mckesson.com](http://www.mckesson.com) [2].

**About McKesson Canada**

Founded more than 100 years ago, McKesson Canada is dedicated to delivering vital medicines, supplies and information technologies that enable the healthcare industry to provide patients better, safer care. Our solutions empower pharmacies, manufacturers, hospitals and other healthcare institutions by enabling them to get closer to the millions of patients they serve every single day, while contributing to the quality and safety of care in Canada.

**About Rexall Health**

With a heritage dating back to 1904, Rexall Health and Rexall Health Pharma Plus pharmacies are among the most trusted names in retail pharmacy. Rexall Health is focused on helping Canadians feel good about their health through easy access to a wide assortment of health and wellness services and products. Supported by our team of over 8,600 employees in over 470 pharmacies across the country, Rexall Health is continually evolving to enhance the customer experience. Rexall Health also includes Medicentres Canada, a group of family healthcare clinics in Edmonton, Calgary, London and Windsor where family physicians and specialists provide high-quality and accessible healthcare services to individuals and families, and ClaimSecure, Inc. an industry-leading healthcare management and technology firm that has been providing customized, value added health benefit claims management and plan administrative services to Canadian corporations and other health benefit plan sponsors for over 30 years. For more information, visit [www.rexall.ca](http://www.rexall.ca) [3].

**About Katz Group**

Katz Group is one of Canada's largest privately-owned enterprises, with operations in pharmacy, sports & entertainment and real estate development. Oilers Entertainment Group (OEG) delivers leading sports, entertainment and other special event programming to fans and patrons in Canada and the United States. OEG owns the 5-time Stanley Cup Champion Edmonton Oilers, the WHL's Edmonton Oil Kings, the AHL's Bakersfield Condors, and will operate Rogers Place, the new home of the Oilers and Oil Kings in downtown Edmonton. Through Katz Group Properties, Katz Group is also involved in land assembly, site, and building development in Canada and the United States, including the design and development of ICE District, North America's leading sports & entertainment district, anchored by Rogers Place ([www.rogersplace.com](http://www.rogersplace.com)) and encompassing more than 25 acres in downtown Edmonton. Katz Group is based in Edmonton, Alberta. For more information, visit [www.katzgroup.ca](http://www.katzgroup.ca) [5].

**Risk Factors**

This press release includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended, that are subject to risks and uncertainties and other factors. All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including statements regarding the ability to complete the transaction considering the various closing conditions; the expected benefits and costs of the transaction; any projections of earnings, revenues or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements regarding product or service development, extensions or integration; any statements of expectation or belief; any statements regarding general industry conditions and competition; any statements regarding economic conditions; and any statements of assumptions underlying any of the foregoing. Risks, uncertainties and assumptions include risks related to the timing or ultimate completion of the transaction, as the transaction is subject to certain closing conditions, including receipt of all necessary regulatory clearances; the possibility that expected benefits may not materialize as expected; McKesson's ability to successfully implement integration strategies; as well as the ability to ensure continued performance or market growth of the products and services of Rexall Health. These risks, uncertainties and other factors, and the general risks associated with McKesson's business described in the reports and other documents filed with the Securities and Exchange Commission, could cause actual results to differ materially from those referred to in the forward-looking statements. All forward-looking statements are based on information currently available to McKesson and are qualified in their entirety by this cautionary statement. Except as required by law, McKesson assumes no obligation to update any such forward-looking statements or other statements included in this press release.

Shareholders are encouraged to review SEC filings and more information about McKesson, which are located on the company's website.

**Language:**

English

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