23-Sep-2025

McKesson Corp. (MCK)

Investor Day

CORPORATE PARTICIPANTS

Brian Scott Tyler
Chief Executive Officer & Director, McKesson Corp.

Britt J. Vitalone
Executive Vice President & Chief Financial Officer, McKesson Corp.

Kirk Kaminsky
Executive Vice President, Group President, North American Pharmaceutical Services, McKesson Corp.

Joan Eliasek
President-North American Pharmaceutical Distribution, McKesson Corp.

Jason Hammonds
President-Oncology & Multispecialty, McKesson Corp.

Kevin Richard Kettler
Executive Vice President & President-Prescription Technology Solutions, McKesson Corp.

OTHER PARTICIPANTS

Lisa C. Gill
Analyst, JPMorgan Securities LLC

George Hill
Analyst, Deutsche Bank Securities, Inc.

Brian Tanquilut
Analyst, Jefferies LLC

Charles Rhyee
Analyst, TD Cowen

Elizabeth Anderson
Analyst, Evercore Group LLC

Daniel Grosslight
Analyst, Citigroup Global Markets, Inc.

Erin Wilson Wright
Analyst, Morgan Stanley & Co. LLC

Eric Percher
Analyst, Nephron Research LLC

Steven Valiquette
Analyst, Mizuho Securities USA LLC

Stephen Baxter
Analyst, Wells Fargo Securities LLC

MANAGEMENT DISCUSSION SECTION

Unidentified Participant

Today's presentation will include forward-looking statements. Please refer to the cautionary statements and to the risk factors of our most recent annual and periodic SEC filings for additional information concerning risk factors that could cause our actual results to differ materially from our forward-looking statements in today's presentation.

Information about non-GAAP financial measures that we will discuss today, including a reconciliation of those measures to GAAP results, can be found in today's presentation slides.

[Video Presentation] (00:00:35-00:02:33)

Unidentified Participant

Please welcome to the stage Chief Executive Officer, Brian Tyler.

Brian Scott Tyler

Chief Executive Officer & Director, McKesson Corp.

Thank you. Thank you. Well, good morning, everybody. Welcome to our 2025 Investor Day. We're super excited. Thank you to those of you that made the logistics trek to be with us here this morning in person, and I want to welcome those joining us virtually as well.

It's been four years since we last had an Investor Day, and I'm so proud of the tremendous progress we've made as an organization. Today, I'm excited to share our story. I want to highlight a bit of the journey we've been on, but more importantly, underscore the exciting future that we are building here at McKesson. You heard in the video that our company was founded in 1833. So, we've got a rich foundation of distributing pharmaceutical products and helping ensure patients get the medicines they need, where and when they need them, so that they can live healthier lives.

But if I had to summarize our 192-year journey, I would use two words. It's innovation and it's growth. I think that's been consistent through our history. And today, as I stand in front of you, McKesson represents a very diversified healthcare services provider. Our differentiated assets touch virtually every part of healthcare, every constituent in healthcare, and bring value to our customers and our patients.

You heard our mission is advancing health outcomes for all. I'm going to spend some time this morning walking you through how our strategy, our execution, and our purpose come together to advance that really important mission.

I'm really excited to have members of McKesson's executive leadership team, many of which will join me on stage, but welcome to Team McKesson, includes, obviously, the leaders of our newly aligned segments. They're going to walk you through our broad and differentiated capabilities, and you'll hear that theme, and I hope it will come loudly through their presentations, our broad and differentiated capabilities. That, complemented with our focus on execution, is how we create long-term value for you. Of course, we'll wrap up the day with a Q&A session that Britt and I very much look forward to.

With that, let's get started and dive into the agenda. I want to start, as I usually do, with a review of our company priorities and our strategy. And one thing I'll say about our strategy is, it's been consistent over the last several years, consistent at the highest, broadest level, but always evolving underneath in the tactics and the investments and things we pursue to continue to extend the growth trajectory of the company, because that's what we are here for as long-term sustained growth. The McKesson story is a growth story.

We've identified areas in our strategy where we have this breadth and we have a differentiation in capabilities. We think that breadth and that differentiation in capabilities allows us to continue to evolve with an ever-changing market, and we continue to invest and advance our solution, so that we can meet the emerging needs of the healthcare system. We take at McKesson a very disciplined approach to portfolio management. We have a proven track record of successfully evolving our portfolio to adapt to these market changes and to continue to drive long-term performance.

The continued momentum and execution against that strategy has led to good cash flow generation and we are able to use that cash flow to effectively position the business for long-term growth, to continue to invest organically and inorganically to sustain the growth of the business. At the highest level, our growth pillars are the same, which to me is a good thing. We test these on a routine and regular basis to make sure we still have conviction in them.

Our first focus, our first strategic pillar, is our people and our culture. Secondly, we want to expand and enhance and build on our growth platforms of oncology and multispecialty and biopharma services. The third is to strengthen the North American core pharmaceutical distribution businesses. And lastly, and always, to modernize and accelerate our portfolio of assets. In the past four years, we have executed on these priorities with unwavering focus and commitment. Great teams aligned together we've progressed on all four of these key pillars. We continue to build a healthy and an empowering culture focused on the best talent that is the foundation for everything we do in McKesson.

We saw a strong growth in the pharmaceutical distribution business, building a resilient supply chain and offering best-in-class distribution services to a growing group of customers. We executed our portfolio management with discipline. We took actions that streamline the business and importantly allowed the rest of the enterprise to be focused on growth. And lastly, our oncology and biopharma services platforms continue to expand, reflecting strong market demand for the capabilities that we offer.

The sustained and consistent momentum is clearly recognized in our financial performance, fueled by this organic growth, improvements in our operating leverage and this disciplined capital allocation, we're generating strong earnings growth that have exceeded the long-term targets we rolled out in 2021.

Now, based on our outlook for our rest of our fiscal 2026, we are expecting to deliver a compounded growth rate of 10% of adjusted operating profit growth and 17% adjusted earnings per diluted share growth. We're proud of these results. We're proud that we're able to deliver consistent, strong performance across the enterprise.

Of course, we operate in a very dynamic environment with an evolving healthcare landscape. But as we look at the fundamentals, we continue to see a strong drug pipeline for brand, generics, biosimilars. We see growing demand for innovative and more personalized therapies, and more personalized care experiences.

The evolution in technology and AI is shaping the future of our industry. It's enhancing drug discovery and research. It's improving patient experiences. It's allowing more customized treatment plans and better patient outcomes. And for McKesson, it's allowing us to continue to run the business more productively, more efficiently, and to innovate with more speed.

So, as we reflect, whether it's technology developments, public policy evolutions, changing customer requirements, we firmly believe that the strength and the breadth of our differentiated assets allow us to be well positioned to not just adapt with the markets, but to lead to continue to be a leader of healthcare's future.

I'm going to build on our four strategies for just a minute. Team McKesson, we refer to ourselves as Team McKesson, because we really truly think operating as one team is secret to this productivity and innovation. We believe that attracting the best talent and creating an environment where that talent can work at the top of their ability unencumbered by distractions and things that can happen in corporate environments. If we let them come to work and be their best selves, that enables productivity, creativity, and better outcomes for the business.

The foundation of our culture is anchored in what we call our ICARE values: integrity, inclusion, customer centeredness, accountability, respect, and excellence. These have been part of our culture for 25 years. We have a leadership, a similar set of leadership principles called ILEAD, and that's our commitment to developing and nurturing and growing the talent in the organization.

So, our first and top priority is always a relentless focus on our people and our culture. At McKesson, we are developing the future leaders of healthcare and talent matters. Of course, our culture and our focus on best talent starts at the very top, and I want to take a moment and just recognize our board of directors. Their expertise spans industries, markets, disciplines, experiences. They're all critical to our long-term success, and their guidance has been instrumental in shaping the path that we're sharing with you today. And their commitment to you, our shareholders, to our employees and our customers continues to set the tone for how we lead this company.

I'd also like to introduce our executive team there with us in my left corner of the room. They bring incredible and deep, extensive industry knowledge, strategic vision and focused commitment to innovation and results, and the results do matter. So, you'll get a chance to hear from many of the leaders who are in the room with us today, and you'll hear from them how they are expanding the boundaries and continuing to drive and push the business forward to ensure our long-term success.

Let me move to our next priority. Those are our growth pillars, oncology and multispecialty and biopharma services. We have long been the leader in oncology and we continue to be excited about the growth opportunities in oncology. It is by far the largest area of spend, and it's also a complicated therapeutic area, and the complexity in cancer care introduces opportunities for us to leverage these broad differentiated capabilities to create value for providers and value for biopharma service manufacturers.

Jason will take you into a bit of a deeper dive on that later this morning. Our journey in oncology started over 18 years ago with specialty distribution in the community based setting. Today, we have the market-leading oncology and multispecialty group purchasing organizations. We've continued to grow and expand our capabilities to differentiated ancillary services that span across the patient's entire journey, including practice management, clinical trial services, and our technology and data and insights business. But what really differentiates us in this space is the scale and the connectivity of these assets.

Today, the US oncology network has grown to over 3,300 providers and we support over 1.4 million patients a year through our facilities. The growth in the US oncology network creates this flywheel effect for us. It brings in additional distribution volume, additional scale to our GPO. It allows more patients to participate in cutting edge clinical trials, and their participation in those trials creates more data and more insight that we can use real world evidence that we can then provide to our biopharma sponsors and create value for them.

We've been very pleased to see the increasing growth in our clinical trial accruals demonstrating great momentum in the business. We're also expanding into ancillary services in other therapeutic areas. In April, we completed the acquisition of PRISM Vision, which is more than 180 providers with significant experience delivering superior retinal care. We're excited about the opportunities to take everything we've learned in the last 18 years with our experience in oncology and apply that to ophthalmology and retina to build a leading integrated health platform.

Let me move on to biopharma services. Every day, patients face barriers to accessing affordable medications they need to live healthier lives. There are many market dynamics at play here. The complex healthcare system, rising drug costs, increasingly complex therapies. Again, our differentiation is the breadth of our suite, the automation, the insertion of our tools right into workflow that help close these gaps and allow improved medication access and affordability and enable better outcomes for patients.

We have this really robust scaled network that digitally and securely connects providers, pharmacies and insurers, so we can knock down these barriers and improve that patient experience, get people started on their drug sooner and on for the appropriate length of duration. Last year alone, we helped patients access medicines more than 100 million times, and in partnership with our biopharma sponsors, we saved people over $10 billion in branded and specialty medications. We prevented 12 million prescriptions from being abandoned. That's real value. Kevin is going to spend more time this morning and take you deeper into this segment.

A core strength of our company though, of course, is our pharmaceutical distribution. It plays a critical – sort of not always appreciated at the scale it should be – role in healthcare. Every day, through our scale distribution networks, over one-third of the pharmaceuticals flow through our facilities with 99.9% order accuracy. Our operational excellence, our ability to leverage this scale with global suppliers continue to position us as the partner of choice for health systems, for community providers, and for pharmacies of all sizes. We were very pleased this year to see that our Health Mart franchise ranked first in customer satisfaction among brick-and-mortar drugstore pharmacies in the J.D. Power's 2025 US Pharmacy Survey. We think that's a terrific accomplishment.

We also remain at the forefront of supply chain innovation, embracing new technologies to improve operational excellence while driving operating leverage. We've equipped our newest distribution centers with advanced automation technologies that optimize the distribution process and improve our overall performance. When we think about our customer base, our relationships often start with distribution and the excellence we provide there is a platform for us to grow and expand the other services we offer across the company. I'm excited to have Kirk share some specific examples with you.

Let's move on to our last priority, modernizing and accelerating the portfolio. Disciplined portfolio management is a hallmark of our enterprise and it's a process to evaluate our assets and an always-on process. Looking at our assets, our capabilities, making sure we've got strategic alignment that we're either augmenting or refocusing the portfolio, so that we can move with speed and impact. Change Healthcare, Europe, Rexall, many smaller ones that you may or may not even have heard of, we have reshaped our portfolio, and through it all, we have grown AOP, because of the improved focus and the capital allocation discipline.

Last week, we announced changes to our organizational structure that reflect the strategic evolution of our business. The new reporting structure enhances our alignment to our strategy. We think it provides increased transparency for you and we believe it's going to allow us to continue to accelerate the momentum in our strategic growth areas. Under this new structure, roughly half of our operating profit comes from the core pharmaceutical distribution businesses, and our growth pillars represent over 33% of the operating profit. Britt is going to take you through much more detail, because I can see the wheel spinning already.

The continued optimization of our portfolio sets the foundation for our investments in our growth areas of oncology, multispecialty, and biopharma services. We have differentiated capabilities in both platforms and we continue to invest in extending that differentiation. Since our last Investor Day, we executed on a few exciting opportunities that we think introduce some incremental capabilities that will complement our assets and help fuel our growth. Florida Cancer Specialists, we welcome to The US Oncology Network, the Sarah Cannon Research Institute joint venture, which helps bring clinical trials to the community setting.

We strengthen our presence in other specialty areas, most notably retina and ophthalmology, through the acquisition of USRetina and the PRISM Vision Group. Our portfolio of biopharma services solutions continues to grow, adding new access and affordability solutions, and enhanced capabilities to improve outcomes and the patient experience. Through these acquisitions, we've enhanced our value proposition to customers, we've extended our leading capabilities, and we've extended our growth horizon.

We also invest organically in the business. We take a disciplined approach to assessing these internal investment opportunities. We focus on growth-oriented projects which will generate long-term shareholder value. The common theme in these investments is how we are introducing and using advanced technology, automation, AI to improve innovation, efficiency and enhance the performance of the organization. These allow us to achieve a few goals, modernize our infrastructure, which brings accelerated quality and more speed to the business.

We continue to enhance the customer experience, optimize our operations and enhance the functionality of our solutions to support our customers, their growth, and ultimately, our growth. You're going to hear examples of these throughout the morning. I guess, the main message, though, is we're excited about the continued opportunity to modernize the enterprise and we think that that will help unlock on top of the organic growth, great growth for the company.

Now, let me close my remarks this morning with an overview of today. We're really excited to get deeper into the capabilities. I know you're interested in it. Through the combined voice of our leadership team, I hope when you walk away from today, you'll carry a few themes with you. We have a diverse and broad set of healthcare solutions that deliver differentiated value to customers and create value for our shareholders. We remain committed to advancing oncology and multispecialty and biopharma services. Those platforms are central to our long-term growth and strategy.

At the same time, we've undertaken transformative portfolio actions designed to improve our focus, the speed of the organization, and to maximize value for our shareholders. Our disciplined execution is never taken for granted. It has created a lot of the sustained business momentum and the superior financial returns that we have been able to deliver, even in the dynamic environments we've operated in for the last decades. And lastly, I'll just leave you with this thought, we think this management team has a terrific track record and the investment thesis in McKesson is compelling.

Before I wrap up, I have one important group that I want to thank and that's the 45,000 members of Team McKesson. I am immensely grateful for their commitment. The things you're going to hear this morning, the results you see does not happen without them. Together, aligned around the strategy, committed to each other, committed to our customers, they make McKesson what it is. So, I'm excited for the future that's ahead of us. I'm incredibly excited about thinking what we can achieve as a team to advance healthcare for all and to continue to deliver value for our shareholders.

I look forward to a great morning, and with that, I'd like to invite our CFO, Britt Vitalone, to the stage.

Unidentified Participant

Please welcome to the stage Executive Vice President and Chief Financial Officer, Britt Vitalone.

Britt J. Vitalone

Executive Vice President & Chief Financial Officer, McKesson Corp.

Well, good morning, and thank you all for joining us today. It's a pleasure to be with you here today at the New York Stock Exchange, and I'm excited to share several important updates with you here this morning. I'm going to start by just talking a little bit about our portfolio and some of the updates that we're making with our portfolio, and Brian talked and touched on that a little bit already.

As Brian talked about, since our last Investor Day, we've made meaningful and consistent progress, and we're continuing to evolve the portfolio, sharpen our strategic focus and exceeding our financial targets. Our strategic clarity and execution have positioned the company to deliver sustained value across multiple environments and different cycles of healthcare. We're excited about the opportunities we have in front of us and we're going to talk a little bit more about that today, but I'm going to start with our portfolio.

I'm a clicker guy, so I'm going to start with that. So, as you can see on this page, we talk a lot about capital deployment and how we think about capital allocation strategy. And I believe that one of the success areas of the company and what we're rooted in the success is the execution of a clear and consistent strategy. Brian talked about that already today. You're going to hear more about that from our leaders throughout the morning.

A critical element of that strategy is our focused and disciplined approach to capital allocation, and we believe that it's a key driver of long-term shareholder value creation. You're going to hear me talk about that several times this morning. Over the past eight years, we have actively managed the portfolio with maniacal focus on this value creation and it's guided by two core principles.

The first principle, which I've talked about many times in various settings, is strategic importance. We prioritize assets that are aligned with our enterprise strategy, where we have clear differentiation, a right to win, and a path to sustained leadership. Second principle is financial performance. It's important for us that the decisions that we make in our portfolio drive earnings growth, maximize cash flow, and optimize return on invested capital.

This disciplined approach has enabled us to create synergies across the enterprise, expand our high performing platforms, and enhance capital efficiency. And this approach has guided our capital deployment decisions across an array of options that you can see here, and we've executed this discipline, and it remains a core competency for us, one that we've consistently executed with both precision and with purpose. And the result that we'll talk about here today is a clear track record of success and sustained shareholder value creation.

Four years ago when I was on this stage, I introduced our shareholder value creation framework. It's a methodical approach that reflects how we run the business and how we prioritize long-term value. And at the center of this is capital allocation strategy, again, tightly aligned to our enterprise strategy. Every portfolio decision that we make is executed within this framework is anchored against strategic importance and financial performance, and we carry this out with rigor and with intentionality.

As we've discussed several times in the past, there are three core pillars to how we allocate capital in this company. First, we prioritize growth and investments to drive organic expansion, and we pursue M&A opportunities that are tightly aligned to strategic relevance and financial returns. And you'll hear more about that today from each of our business leaders. The second element is returning capital to our shareholders. We're committed to returning capital in a value-accretive manner, growing the dividend in relation to earnings growth, and executing disciplined share repurchases.

I'll cover more about that later on when I come up and give a financial update. And finally, underpinning our growth and capital return strategy is a strong balance sheet, and a commitment to maintaining our current strong investment-grade credit rating. We've built a world-class balance sheet and we're committed to sustaining that, we're committed to sustaining the cash flow generation that we have, and the foundation that allows us to execute our strategy and has – execute that with financial flexibility.

I want to step back first before we go forward. In fiscal 2020, we had five segments in the company that were generating $3.8 billion in adjusted operating profit. We had a return on invested capital of about 11% and our balance sheet had leverage of about 2.5 times. Since fiscal 2020, this portfolio discipline, this intentional portfolio discipline aligned to our strategy and looking at financial performance as well as strategic importance, it's been tightly connected to this, the decisions that we've made, and we've made methodical decisions along the way.

As Brian talked about, we've exited noncore businesses with Change Healthcare, our Europe operations, and our Rexall operations in Canada. We've expanded our oncology and biopharma platforms, accelerating growth in these high margin, high segment areas where we have differentiated platforms. As Brian talked about, we've continually invested in digital and automation capabilities, including AI. And in May, we announced a separation, the intent to separate our medical business, enhancing strategic clarity and capital allocation.

Last week, we talked about the re-segmentation. We issued a press release. Hopefully, you've had a chance, and I know most of you have had a chance to go through that. And our going forward segment structure now focuses on our North American Pharmaceutical business, which Kirk will talk about and Joan will talk about; our Oncology and Multispecialty platform, and Prescription Technology Solutions, which represents our biopharma services.

These segments now represent adjusted operating profit of over $6 billion with a compound annual growth rate over this time period of adjusted operating profit of 9%. Adjusted earnings per share has more than doubled with a compound annual growth rate of 17%. We've delivered increased and sustained cash flow with meaningfully higher returns on investment. As you could see here, our return on invested capital has increased 1,800 basis points since fiscal 2020.

All of this has been done while also strengthening the balance sheet. This portfolio transformation has delivered tangible results exiting noncore businesses, deploying capital that's aligned tightly to our strategy, combined with a focus on strong financial returns, it's led to greater focus, greater clarity, and it's ultimately unlocked significant growth. These results clearly demonstrate the success of our strategy, the execution against the strategy, and our capital allocation strategy.

I'm going to unpack this a little bit further now and discuss the separation of our Medical Surgical segment. The decision to separate the medical segment is guided by several key principles, as you could see on this slide, many of which I've already talked about today, but let me just hit on this real quickly. Again, we focus on value creation, a laser focus on creating sustained shareholder value. Capital allocation is key to the framework ensuring that our resources are deployed where they drive the greatest return with strategic alignment.

We aim to provide clarity and transparency for our shareholders, for our employees, for our partners through a simplified structure, and we execute with discipline and focus, simplifying and refining our portfolio with precision and intention, and the medical separation reflects our commitment to long-term and sustained value creation. And we believe that it positions both McKesson and the medical segment for future growth and success.

We believe that the separation is going to create two well-positioned, well-capitalized healthcare leaders. For McKesson, McKesson will continue to persist as a diversified North American healthcare services leader, accelerating growth and capital allocation precision. It will be anchored by our strong positions in oncology, multispecialty and biopharma, supported by a robust balance sheet, consistent free cash flows, and a commitment to maintaining our strong investment-grade credit ratings.

For Medical Surgical, we believe that this separation will allow the business to emerge as a focused leader in alternate site medical supplies and distribution solutions. With scale, breadth of capabilities and strong brands, and free to pursue an independent strategy with its own capital structure. We're confident that this separation will enable sharper focus, sharper strategic execution and operating focus, reduced complexity and enhanced execution overall, improved capital allocation discipline and accelerated performance and financial flexibility.

Since the announcement in May, dedicated teams across both McKesson and the Medical Surgical business have been actively executing on multiple work streams to establish the Medical Surgical business as an independent, well-capitalized operating company. We've made tremendous progress over the last several months, and I'm pleased with the momentum of the teams. I'd like to provide a few updates for you that I know all of you are waiting to hear on this separation. So, let me talk about a few of these today.

First, the separation is expected to be tax free to McKesson and its shareholders, and we're committed to preserving our strong investment-grade credit ratings. We're targeting to exit the Medical Surgical Solutions by way of an initial public offering. Following a customary lockup period, McKesson intends to exit its remaining interest through a spin off or a split off transaction, or potentially a combination of both, and we anticipate that this separation could be completed by the second half of calendar 2027, of course, it's going to be subject to market conditions and customary regulatory approvals.

As we've discussed previously, the separation presents manageable complexity. Medical Surgical business largely operates separately today. The planning and the execution of that separation, there's many work streams in progress already. I talked about the momentum that we have against that, there's several things that we're still working towards to complete. Transition service agreements as an example, audited carve-out financial statements, and of course, the implementation of a capital structure for the new entity.

We are well down the path to establishing an independent medical surgical company, one that we are confident is positioned to pursue its own strategic ambitions and deliver significant shareholder value. I'd like to remind you that we've done this before. We know how to do this. We followed a similar path with this, with both the exit of our Change Healthcare operations, the exit of our European operations, and the exit to Rexall.

We've established a track record. Our portfolio transformation has delivered consistently outstanding financial results, growth and returns to shareholders. We know how to execute with disciplined precision and clarity. We're confident that the approach that I just outlined here this morning, the experience that we have with transactions like this that will ultimately present a compelling outcome and be value creating for our shareholders.

I'll be back later to give you a more financial update on some of the fiscal 2026 as well as the long-term outlook. With that, I'd like to turn it over moving into business review. Again, I'll be back later with the financial update. Thank you.

Unverified Participant

Please welcome to the stage Kirk Kaminsky, Joan Eliasek, and Jason Hammonds.

Kirk Kaminsky

Executive Vice President, Group President, North American Pharmaceutical Services, McKesson Corp.

Well, thank you, Brett. Good morning. Thank you for the time today, and more importantly, thanks for the opportunity to introduce you to our new and exciting North American Pharmaceutical Services Organization.

For those of you I haven't met, my name is Kirk Kaminsky. I've now been with the company for over 22 years. As you might imagine, I played in a variety of roles, and as I reflect on my journey, I am particularly proud to have played a role in both the growth and the development of our oncology platform really going back to the integration of US Oncology.

The cool thing about it is I've been able to see first-hand the impact that we've had on advancing cancer care in the community to tens of millions of patients close to home where we believe care should be delivered. For the past 6.5 years, I've been the President of our US Pharmaceutical business, which includes our US pharmaceutical distribution, oncology and multispecialty teams.

Joining me on stage today to take you through the presentation is Joan Eliasek. Joan is going to be leading our new North American Pharmaceutical business, and Jason Hammonds will be leading our new Oncology and Multispecialty segment.

So, before I jump into the details of the new organization, I did want to provide some important historical context of how our structure has evolved over the last several years and why we're excited for this newest set of changes. If you go back to 2017, we created US Pharmaceutical, which was US pharmaceutical distribution, oncology and multispecialty, really with the goal of working closely across our teams to make the most of our shared strengths and our shared capabilities.

We spent the last eight years prioritizing synergies and best practices across our distribution assets, while developing a targeted go-to market strategy for our providers and pharma, and what we thought at the time would be an evolving specialty market, particularly in oncology. The results to these efforts has led to consistently compelling financial growth and strong business momentum across the segment.

That said, as we move forward, as we lean into evolving specialties – opportunities within specialty and oncology, we believe the change in structure will once again help us accelerate growth and transform the business into higher growth, higher margin opportunities across the segment. On the North American distribution front, we're excited to combine our two distribution-oriented businesses across both US and Canada, where we can realize best practices and resources to improve efficiency and services for our customers.

So, what do they have? Combined, our new North American Pharmaceutical Services Group brings together a portfolio of highly scaled, differentiated distribution businesses and a unique oncology platform that spans across the cancer care continuum, while expanding into multispecialty.

So, what are these two new segments and how will we go to market? The North American Pharmaceutical segment will have US Pharmaceutical distribution business and McKesson Canada. The mission to continue to drive best-in-class distribution solutions and services across North America. The Oncology and Multispecialty segment will also continue to drive best-in-class distribution to community based providers. But now, as its own segment, will intensify our strategic investment in our provider platform and while deepening the work we do for pharmaceutical manufacturers, both across clinical services and commercialization.

Underlying the work that both of these segments do individually will be a broader focus on maintaining that connective tissue across the business to continue to focus on a few things. One, we want to continue and grow and develop our most strategic relationships, and I'll share a few examples of these relationships later in the presentation. Two, it's about talent, how do we develop a talent with a 360-degree view of healthcare across both distribution and oncology and multispecialty.

And then, third, we do want to continue to accelerate and digitally modernizing our operation across like customers and like systems. As we go deeper into each of these businesses, I did want to provide a little bit of clarity on the organizational structure and our approach to the presentation. We will start with North America distribution. Given that Joan will not be officially in her role until October 1, I'll walk you through the US Pharmaceutical business and Joan will share more about our McKesson Canada story. We'll then turn it over to Jason, who will walk you through Oncology and Multispecialty.

So, I think many of you are familiar by now with our US Pharmaceutical business, as it has truly been foundational to the McKesson story over the last several years, playing an essential enterprise role in driving sustained financial momentum, generating strong cash flow, and really enabling continued growth into our – continued investment into our growth strategies. But what's our secret sauce? What differentiates us?

To me, it's the quality of the services and the operational excellence we deliver with each and every day. In fact, our team distributes more than one-third of the medications in the US daily and over 53 million prescriptions annually. In many ways, we're the backbone of the pharmaceutical supply chain, playing a mission-critical role in bringing essential medications to our customers, and the patients they serve.

Day-to-day, we also relish a role behind the scenes of a highly complex supply chain, but it's during a crisis when we really show our mettle. Earlier this year, our team showed extraordinary resilience during several weather events from winter storms to wildfires. A standout moment was when our St. Louis team sprang into action after a tornado demolished Sinks Pharmacy Select in Rolla, Missouri on March 14th.

Despite the chaos, despite the disruption, our teams worked around the clock as we coordinated critical deliveries and business support over the weekend, ensuring uninterrupted service to patients. One of the things I love most about this company is that regardless of the crisis, Team McKesson constantly rises to the occasion, delivering on our commitment to our customers and patients, even in the most difficult of circumstances.

Okay. So, as we move into a more focused business discussion, I did want to elaborate on some of the broader market pharmaceutical – broader pharmaceutical market dynamics. Despite what we know as all know is a highly dynamic and policy regulatory environment, this slide would illustrate that the market continues to be healthy and resilient, and we anticipate growth rate of about 7% annually. So, then you ask what's driving market growth and opportunity for McKesson? Well, there are a few macro trends I'd like to point out.

The first is an aging population, which is leading to more patients accessing medications and staying on those therapies for a longer period of time. The second, the rising incidence of chronic disease. One obvious area is obesity-related diseases, like weight loss and diabetes, where we're seeing significant growth in the volume of GLP-1s. Another, oncology, where many of the diagnoses and treatments have gone from more acute to regimens that require patients to remain on therapy for longer, which really makes it more of a chronic disease.

We're also seeing accelerating growth in new therapies, such as cell and gene and CAR-T. They're requiring different distribution models and care delivery requirements. And then, lastly, we continue to see a strong pipeline of generics and bioscience entering the market, which represents a significant opportunity to capture multiple – mutual value for us and our customers, and their patients.

So, what are the key takeaways? We view the expanding market as a favorable condition to continue to drive growth of our business and we're excited for the opportunity to partner with biopharma and our customers in the care delivery and distribution of the next generation of truly innovative therapies.

So, let's talk a little bit more about specialty. If you think about the previous slide, one of the underlying implications of several of the macro trends referenced on the previous slide is that the trends that are contributing to the growth of specialty. As you can see on the left-hand of the screen, while the branded pharmaceutical market continues to grow at healthy rates, it's clear that specialty is now driving the market growth and now represents more than half of the US Pharmaceutical market spend. Spurring that growth, among other things, is oncology, growing at 60%, where we're seeing amazing advancements in the development of therapies and immunology at 39%.

Given all the growth in the category, we see specialty as an important strategic priority and are focused on advancing our market-leading position across oncology, significant investment and expansion across our specialty and cold chain distribution capabilities, and supporting the launch and commercialization of next generation therapies, like cell and gene, where we believe we are uniquely positioned to do so through our new InspiroGene business.

If you put a McKesson lens on the evolving specialty market, we also wanted to share a little bit about how it plays out across our distribution businesses. I think you in the audience are well aware, we deliver significant specialty volume in our market-leading Oncology and Multispecialty clinic. But as you can see from the slide, there's also significant specialty volume that's distributed across retail national accounts, health systems and community pharmacy across both the US and Canada. We believe the diversification of our footprint across specialty coupled with the investments we made in our supply chain positions us well to continue to grow across our specialty platform for years to come.

So as we shift away from the broader market to our own McKesson distribution playbook, it all starts with three foundational pillars. One effective product sourcing and procurement of medication across brand, specialty and generic; two, a quality supply chain operations to deliver therapies; and then third, our deep integrated customer relationships. We also believe that our ability to drive a virtuous flywheel across these pillars enables us to deliver industry leading service level value added solutions ensure access to critical therapies. So let me dive into each of these a bit more.

We're proud to have built a highly diversified customer base and leading position across all of our major segments. But what's the key to our success? It's creating deep, integrated strategic relationships across a unique set of customers like any business our solutions and our approaches differ by segment. Across retail, we serve several large retail chains and bring – that bring significant scale and volume. These customers typically engage in many of our services, but they're also highly sophisticated. So their needs differ from our smaller independent retailers who play a critical role in providing care to patients and often underserved rural communities.

These small business owners are more likely to lean on us for a multitude of solutions, including technology, inventory management or our market leading Pharmacy Service Administration Organization or PSAO that goes through the Health Mart franchise. We also work with health systems across every part of their setting from inpatient and outpatient to retail pharmacy and even 340B administration. These are some of our biggest and most integrated partnerships where together we are enabling delivery in an exceedingly complex environment. Lastly we take a ton of pride in our long standing relationship with both the Department of Veteran Affairs (sic) [Department of Veterans Affairs] (00:49:32) and the CDC. It's truly a privilege to work in support of our government and particularly our veterans who have given so much to this country. Our ability to consistently grow and innovate across unique customer segments around their toughest challenge is what allows us to sustain these powerful partnerships.

At the core of our leading distribution business is the great work happening across our supply chain. How advanced is our network? BT hit on some of these, but every day we deliver to customers with over 99% inventory levels and 99.98% order accuracy. Our vast network features 27 distribution centers, including our national REIT distribution center that serves all 50 states, enables us to make 40,000 deliveries a day. In fact, if you're a customer, as long as you deliver by 5 PM, you'll receive that product anywhere in the US the next day. Earlier I went into detail about our specialty growth, as you can see from the slide, we are heavily investing into this market having doubled our capacity over the last couple of years. Another area Brian talked about is our focus and significant investment in automation and AI-powered operations to support growing complexity in supply chain management. For example, we recently just opened a new state-of-the-art DC in Northern Ohio, where 90% of the distribution lines are fulfilled through automation. This creates significant efficiencies in that region. These investments ensure we can meet the needs of our customers today and the future with an ultimate focus on patients. Speaking of patients, if you were to walk in to any one of our distribution centers posted with pride on one of the walls will be the sign behind me, which says, it's not just a package, it's a patient. For our associates, this is [ph] our rallying cry (00:51:39). They take pride in the work we do, ensuring product integrity and protecting a resilient supply chain.

So let me turn to our generic sourcing strategy. At the core of a successful sourcing operation is our ClarusONE partnership. It's hard to believe, but it has been almost 10 years since we first formed ClarusONE in partnership with Walmart. ClarusONE combines a sourcing scale and expertise of both of our combined companies, offering a broad portfolio of generics, including oral solids, specialty generics and injectables. But our value lies beyond cost and scale. We are highly focused on maintaining a highly resilient supply chain and the mitigation of drug shortages. We do this in a couple of ways. One, we work with a diverse group of manufacturers in the US and globally. We take our extensive data coupled with complex AI algorithms to protect potential drug shortages in advance [ph] of an event (00:52:42). And third, we use digitally enabled solutions that provide end-to-end visibility of our complex supply chain. The net result of this work is that we are able to provide both access and low cost generics to our providers and the patients they serve each and every day.

So I'd like to close with two examples of how we are building distinct enterprise partnerships across our business. Let me start with our strategic relationship we have built with Walmart. For us, Walmart is more than just a customer, they are a strategic partner. In fact, we've been providing distribution services to Walmart for more than 30 years. As you might imagine, we've learned a lot about each other over that time period and how we can support each other's strategic aspirations.

In 2016, it was natural step for us to expand our distribution relationship and combine our generic sourcing efforts, which resulted in trading a market-leading generic sourcing organization that benefited both us and our customers. More recently, we're pleased to announce our collaboration in distributing domestically manufactured antibiotics by US Antibiotics. Leveraging our national distribution footprint, this marks a significant step forward in helping Americans have stable access to high-quality antibiotics during our illness season when patients need it most.

The second example is HCA Healthcare. Historically, we've always admired HCA, but we had a limited business relationship. A few years ago, we had the opportunity to meet with their leadership and discover a shared vision for solving similar problems in healthcare and the conversation began. The first area we identified was our complementary capabilities in oncology, where we believe there was an opportunity to improve patient access to clinical research in the community. A hallmark of good cancer care.

In 2022, we were pleased to form Sarah Cannon Institute joint venture combining our respective clinical research organizations. Jason will share more about the great work we're doing in cancer research in his section. But I did want to highlight how the JV created an opportunity for us to showcase our partnership mindset and expanded capabilities, including distribution and other related services. Ultimately, this led to the reestablishment of our relationship with HealthTrust, HGPO and enabled us to win the pharmaceutical distribution for the entire HCA hospital network. As I reflect on these partnerships, I'm proud of how we were able to bring to bear all of our great distribution in oncology leadership to drive differentiated value to some of our most important partners, the patients and the communities they serve.

With that, let me turn it over to Joan who will give you insights into our business in Canada.

Joan Eliasek

President-North American Pharmaceutical Distribution, McKesson Corp.

Thanks, Kirk. Good morning, everyone. It's a pleasure to be here. I am Joan Eliasek, the President of North American Distribution at McKesson, or the new President of Pharmaceutical Distribution. While I'm stepping into this new role, my journey with McKesson has been very rich and rewarding. I've had the privilege of leading incredible teams across operations, sales, marketing and supplier management within our medical surgical business. And most recently, I served as the President of McKesson Canada. Each chapter has strengthened my passion for putting patients first, by driving innovation, building resilient partnerships, and delivering value across the healthcare landscape and I am energized by what lies ahead.

It's an honor to be here with you today to share how McKesson is transforming medical care throughout Canada with unmatched reach and support. I'm proud to share how we are delivering value for our partners and patients by leading with purpose, scale and innovation. McKesson Canada is one of the largest and most diversified healthcare organizations in Canada, touching nearly every aspect of care from pharmaceutical distribution and specialty solutions to patient support programs and retail pharmacy services. Our number one priority in Canada shape the future of healthcare by putting patients first. With substantial investments in technology and AI we focus on service innovation and excellence to ensure we are ready to meet evolving healthcare needs.

Over the past several years, we've been on a multi-year journey, investment journey to modernize our distribution network into state of the art facilities and invest in automation and technology to accelerate our operational capabilities and build capacity for long-term growth. Our investment ensures we protect the supply chain and continue to serve the evolving needs of Canadians. With our leading pharmacy programs and enhanced Biopharma Service offerings, we also help remove barriers and improve access to medications and adherence to treatments for patients across Canada.

The Canadian market is strong and continues to grow, as you can see on the left we expect that to continue in the future. So let's talk about the trends on the right. Similar to what Kirk said in the US, the aging population and rise of chronic disease prevalence has increased the demand for essential medications. A growing pipeline of specialty drugs is increasing the need for complex special handling and coordinated support for patients. Simultaneously the accelerating expiration of patents is fueling expansion in generic drug offerings and that shift helps enable – enables us to leverage our expertise in generic sourcing and private label brands to reduce product costs for both patients and payers.

In March of 2023, the Canadian government committed $1.5 billion to enable rare disease strategies creating an opportunity for us to help reshape complex care and address critical needs in our communities. McKesson is delivering more personalized support programs for patients while strengthening our partnerships with hospitals and healthcare providers. At the same time, pharmacists and nurses are stepping into expanded roles, enabling greater access to healthcare and supporting patients directly within their own neighborhoods. These trends indicate a dynamic and evolving market landscape, and McKesson is well-positioned to provide solutions that create value for our customers, our partners, and our patients.

So who are we and what do we do? Our extensive portfolio equips us to address the changing market trends and evolving needs of the Canadian healthcare system. McKesson is proud to be the part of the largest pharmaceutical distributor in Canada. We have unmatched distribution reach serving communities from coast to coast, even in the most remote areas and we're investing heavily in our DC infrastructure, technology and capacity to meet the needs of an aging population and the demands of a fast-growing specialty drug market and therapies. But our impact goes far beyond distribution. We support community pharmacies, facilitate specialized care, and served some of Canada's most vulnerable patients. From children facing cancer to elderly patients who can't get to their therapy appointments.

Our retail segment supports independent pharmacies through multiple banners and franchises backed by a stable supply chain and partnerships with over 700 manufacturers including a broad portfolio of generic drugs. In specialty health, we offer patient support programs, community infusion clinics and specialty pharmacies across Canada that help accelerate access to complex therapies and support sustained treatment adherence for patients. Simply put, we are helping Canadians experience healthcare the way it should be simple, connected and supportive. How do we do that? By streamlining distribution, increasing access to specialized services and reaching patients where they live. With 2,700 total stores and more than 6 million patients, we are proud to operate the fastest growing and largest independent pharmacy network in Canada. Through our retail banner pharmacies, we're expanding access to affordable healthcare, bringing care closer to home, and helping bridge the gaps caused by provider shortages and strained healthcare resources.

This network is a cornerstone of our value proposition. Independent pharmacies can benefit from our wide range of solutions, including pharmacy support programs, professional advocacy, dedicated business support, robust private label products and an easy to use ordering platform, all of which reach them no matter where they are. We know firsthand the important role that the pharmacist plays as the most accessible healthcare provider in the community. With our turnkey solutions, we enable independent pharmacies to maximize their store growth, capitalize on efficiencies, and dedicate more time to prescribing and direct patient care as their roles expand within the Canadian healthcare system.

In the specialty healthcare space, we invest in keeping patients healthier longer by getting new drugs to market more quickly and ensuring patients have access to those drugs when and where they need them. McKesson is built to help our partners succeed with our digitally enabled support programs to our best in class logistics and market access expertise. And as the pharmaceutical world changes, we're changing with it. Investing in data, analytics and real world insights so our partners can reach patients more effectively and keep treatments working longer. And what sets us apart, our truly integrated solutions. With the largest network of INVIVA clinics, our specialty pharmacies and specialized distribution centers, we provide seamless support at every level of care. Our resources and reach mean that patients and manufacturers alike benefit from a dedicated partner focused on transforming the future of specialty health.

One critical component of ours is our community infusion capability. Our INVIVA network plays an important role in supporting healthcare delivery across Canada. As the first national infusion Clinic to achieve national accreditation in oncology, INVIVA demonstrates a commitment to maintaining high standards of care comparable to those found in a hospital setting. This recognition gives patients and providers added confidence in the quality and safety of services that we provide. INVIVA has also contributed to expanding access to treatment by being the first in Ontario to offer radiology and therapy outside of a hospital environment. Every year, the network administers more than 139,000 infusions and injections in community clinics through 42 managed programs, it serves 23,000 patients annually. By offering infusion services in community settings INVIVA helps make specialized therapies more accessible and convenient for patients living in chronic and complex conditions.

Before I turn it over to Jason to share more about specialty care within the Oncology & Multispecialty business I just want to close by saying how proud I am to have led the Canadian business for the past three years. We are a market leader offering end-to-end services to all of Canada, from pharmaceutical and specialty distribution to our specialty solutions clinics and our pharmacy network, we offer a breadth of services that are unmatched. I'm excited to continue to lead this business along with our outstanding US pharmaceutical business. Thank you.

Jason Hammonds

President-Oncology & Multispecialty, McKesson Corp.

Thank you, Joan, and good morning, everyone. It's great to be here and I'm excited to share more with you about how our portfolio of solutions is supporting cancer patients through their journey and improving their experience every step along the way. Before we dived into our business and strategy, let me just take a brief minute to introduce myself. I've been with McKesson for over 17 years, spending all of my tenure within our Oncology & Multispecialty businesses. My first decade focused on strategy, development, partnering with our community practices to help expand our network and enable strategic priorities. For the last seven years, I've held various leadership roles, including serving as President of our US Oncology network and now as President of our broader Oncology & Multispecialty business.

Throughout my tenure, I've had the privilege to interact with providers, patients and biopharma directly witnessing transformation of cancer care firsthand and the progress that we're making. For today's discussion, I want to focus on four key themes. One, I'm going to walk you through our journey in building our Oncology & Multispecialty platform. Second, I'm going to take a deep dive into our assets and capabilities, highlighting how we bring value to the customers that we serve. Third, I'm going to touch on our expansion of our offerings. And fourth, discuss our partnership with biopharma and why I'm excited about the growth ahead including our expansion into other multispecialty areas beyond oncology. Core to our offerings is how we partner with community providers, empowering them with a range of services and state-of-the-art tools to help them navigate today's complex healthcare landscape. But at the same time, we're also partnering with biopharma, help them commercialize therapies and help accelerate drug development, bringing novel new treatments directly into the community.

So how do we drive value for providers and our biopharma partners? Let me start on the left side here with our providers. While patients are always our North Star, community providers have always been at the center of what we do. With our best in class platform we support our providers through a comprehensive suite of services including practice management, enable of clinical trials and industry leading technology solutions that empower them to deliver world class care. And with our providers at the center of our focus, we've created a flywheel that leverages the learnings we observe from the opportunities and challenges to develop and deliver solutions that enable business across our platform.

And for our biopharma companies, there are significant opportunities today in oncology, require them to innovate at an unprecedented speed and bring these therapies to patients in an efficient manner. And our suite of solutions including real world data and insights, physician education and clinical trial support, help patients when and where they need it. And the reality is cancer care is evolving at a rapid pace. Some of the emerging trends we see like precision medicine have quickly become the standard of care. And this creates hope and progress for patients, but it also brings exciting opportunities for us to help better support patient outcomes.

So foundational to our Oncology & Multispecialty platform is our unparalleled distribution breath. Today, we serve more than 14,000 providers across a wide range of specialties and through our group purchasing organizations focused on Oncology & Multispecialty we help members save significantly on drug purchases. We also help support in-office dispensing so providers can fill and manage prescriptions directly, creating a smoother, more coordinated care experience for patients. And by learning from our partnership with the US Oncology Network, we're continually evolving and expanding, improving our services, so providers can thrive in a fast changing healthcare landscape. To provide four examples of services we provide around our distribution capabilities, we offer comprehensive technology services including revenue cycle management and AI enable technology platforms. We support infusion management services for more than 100 multispecialty practices.

Biologics, our specialty pharmacy specializes in cancer and rare disease areas with the goal of simplifying access to therapies and delivering personalized care. And InspiroGene is our newest service focused on delivering complex cell and gene therapies directly to patients and providers, positioning us at the forefront of innovative treatment delivery. These four tools are examples of many and how we empower providers so they can focus on what matters the most delivering exceptional patient care.

So the growth of our Oncology & Multispecialty platform has been nearly two decades in the making. It started in 2007 with distribution capabilities through our acquisition of Oncology Therapeutics Network, and then we quickly added GPO capabilities thereafter with the acquisition of Onmark. But in 2010 we made a pivotal move by acquiring the US Oncology Network. This was an important milestone for us because it really positioned us as a true partner to providers, giving us deep insights into clinical care and strengthening our ability to be able to collaborate closely with care teams. And in return, it really helped inform our strategies of where to go next and invest in our new capabilities.

Over the years, our network has grown into the largest organization of its kind, dedicated to advancing local cancer care. And every year we're pleased to welcome new providers and practices joining the network. Following the integration of US Oncology, we followed with additional moves that added services, capabilities and scale. Biologics established our specialty pharmacy offering. We launched Ontada, which plays a central role in connecting community providers and biopharma through technology that's core to running a clinical practice and improving health outcomes. And it's built on the foundation of iKnowMed Electronic Health Record, our technology platform that's leveraged across the US Oncology Network. And the value of the real-world data and insights this platform is especially relevant for providers participating in clinical research or adopting personalized medicine allowing them to tailor care delivery for individual patients. But it's equally important for biopharma companies as well as the first-hand data and insights help accelerate drug development and maximize commercial success.

Following Ontada, we expanded our clinical services through the establishment of the Sarah Cannon Research Institute joint venture, creating a fully integrated oncology research organization aimed at expanding clinical research and increasing availability. And then just recently in June, as we referenced earlier, we welcomed Florida Cancer Specialists further expanding the reach of our network and gaining additional insights through their platform of Core Ventures. And within multispecialty, we completed the [ph] USRetina (01:12:50) acquisition in 2024 creating Onmark Vision GPO, which we followed quickly thereafter with the acquisition of PRISM Vision setting out to develop a leading retina and ophthalmology platform.

So what differentiates us? If you look across our expansive platform, you'll see the interconnectivity of services and while there's companies that support different elements of care delivery and biopharma commercialization and clinical research, very few have all of these elements into one connected platform, supporting the continuum of care all the way from drug development to the last mile of care delivery. And there's significant market opportunity within the community setting. It represents $115 billion of addressable market and growing. The four areas and how we think about it are drug distribution, practice management, commercial services and clinical research and we developed in aligned assets under each one of these areas. And through our GPOs, we have a market leading capability we're proud of in drug distribution in the community setting. And our scale and success within these provider businesses has enabled us to invest in new services in commercial and clinical research, an area with higher margins and faster growth thereby expanding our impact and value.

And when you think about the growing complexity within oncology, these businesses are becoming more complementary than ever as key initiatives such as personalized medicine, clinical research and new therapies all have interdependencies. This year alone over 2 million people will be diagnosed with cancer and like me, many of you probably know someone personally. And for these patients, oncology drugs and therapies continue to be the most prevalent treatment approach, leading to significant opportunity for drug innovation and a strong drug pipeline. And while cancer incidence continue to grow, there is exciting progress being made in how we treat cancer. The advancement of precision medicine ensures therapies and treatment plans will be tailored to each individual patients' molecular profile of their tumor and unlike traditional approaches that treat cancer solely by their tumor origin precision oncology uses biomarker driven therapies to identify the most effective treatment for each individual patient. And these therapies have demonstrated high response rates and lower toxicity, further leading to advancements in how we treat patients, but also fueling further development of target therapies. In fact, today over 425 oncology drugs are currently on the market and approximately 41% of all clinical trials are focused on oncology.

Within this subset, a majority of those therapies under development are biomarker driven, underscoring the promise and the rise of precision medicine. When we take that into account and look ahead we anticipate, as Kirk referenced, oncology drug spend continue to grow at 60%. And in the meantime, innovation of therapeutics and diagnostics coupled with care enhancements have driven better outcomes for patients. This has led to better survival rates and more patients than ever receiving care. Today, over 18 million patients, roughly 5% of the US population are living with cancer. And for these patients, the cancer care journey from initial diagnosis to survivorship is a complex process. For McKesson, we have a portfolio of solutions spanning across their entire journey, removing the frictions and providing value throughout the cancer care continuum.

Now when we look at the total oncology market, community oncology is becoming increasingly important setting for patients to receive care as patients don't want to travel far for treatments over weeks, and many don't have access to large institutions or academic centers. Today, more than half of Americans diagnosed with cancer choose to receive treatment in a community setting. And these community settings provide more accessible care options and ensure everyone regardless of their location can receive top tier cancer care closer to their support network. And these community based practices are well-equipped to deliver integrated high quality state-of-the-art care. And as healthcare shifts towards more cost effective high quality settings, community oncology is key. Enabling community oncology is about accessibility, convenience and affordability. But it's also about bringing care closer to home, supporting patients holistically, and driving a more sustainable healthcare future.

We bring over 25 years of expertise in oncology practice management and are the partner of choice. Within our US Oncology Network, we do everything for practices other than treatment of patients. We focus on removing administrative burdens and helping to manage the complexity of a practice so providers can focus on what they do best providing exceptional care for patients. So what makes us the best partner? It's our capital, tools, resources, technologies such as our electronic health record and decision support software, all of these together enable practices to operate with efficiency while maximizing performance, unlocking growth potential, and allowing them to maintain their autonomy.

US Oncology Network has been leading cancer care transformation for more than 15 years. And while this slide highlights a lot of the many offerings we offer through our management services. Let me just highlight one around value-based care and how we've helped practices perform well in programs focused on quality and outcomes, not just services provided. Our track record speaks for itself. If you look at CMS as initial value-based care program, the oncology care model, our practices save Medicare over $300 million and with 80% of our participating practices earning shared savings compared to 66% nationally.

And when you look at the current program, the enhanced oncology model, we've further increased our impact. Our providers now make up 50% of all participants delivering more shared savings per performance period. In fact, so far, 92% of our participating practices have earned shared savings compared to 58% across all practices nationally. This success comes from strong partnerships, streamline workforce and a proven operating model that power sustainable high quality care.

Over the years, our US Oncology Network has continued to grow. And today the US Oncology Network is supporting nearly 3,300 providers across more than 700 sites of service across the country. Today, we stand as the largest network of independent community oncology providers in the country, and since 2007, the number of providers have increased by 119%, and the number of patient visits have more than doubled now to 2.4 million annually. This is significant scale and we are reaching more cancer patients than ever before. In fact, nearly 45% of the US population now lives within 20 miles of a practice location that's part of our US Oncology Network.

And while we're proud on the scale that we're building with the US Oncology Network, we're just as focused on how we can bring even more value, especially within clinical research. And McKesson research just isn't about running trials. It's about using the full power of our Oncology & Multispecialty businesses to speed innovation and improve patient care. At the heart of this is our joint venture with the Sarah Cannon Research Institute, a core part of McKesson's oncology ecosystem. Together, we've created a connected research infrastructure. For example, when a patient visits one of our practices, doctors can quickly order molecular test through iKnowMed, get these results back in time and use Genospace space to find potential clinical trial matches automatically in real time. This cuts down workload for care teams and gets patients on treatment faster.

And with Sarah Cannon and Genospace we're bringing the latest, often complex precision medicine trials into the community, giving more patients access while helping to solve one of biopharma's biggest problems enabling research at scale. Together, our platform enables faster trial activation, accelerated patient enrollment and real time access to data all under one roof. This is how we're transforming community based clinical research by connecting people, technology and insights to develop better therapies faster. And last year, we saw significant growth in clinical trial accruals across our US Oncology Network practices, underscoring the continued momentum we're seeing in the business. This is the patient experience that is happening across the US Oncology Network today. Our portfolio solutions are supporting cancer patients through their journey and improving their experiences every step along the way.

So the past 20 years has given us invaluable experiences building under a shared vision. So what's next? We continue to evaluate opportunities in other multispecialty areas and believe retina and ophthalmology represent a unique opportunity given the innovation in drug development and treatment. And as I referenced earlier, in 2024, we acquired certain assets from [ph] USRetina (01:21:55) and established Onmark Vision, thereby extending our GPO services and technology to community retina practices. And then earlier this year, we completed the acquisition of PRISM Vision, expanding our reach to managed services and setting the foundation for further growth.

Similar to our oncology journey, we have quickly developed assets that can meet our customers' need, whether that's starting with GPO, distribution and technology services or looking for full management services capabilities to streamline administrative activities so providers can focus on caring for patients. And while we're early in our journey in retina and ophthalmology, we're excited about all that we can provide to providers and patients through an integrated platform. As you can see, we are incredibly proud of the platform that we've built and the partnerships that enable it. But I want to make sure to leave you with five key takeaways today.

One, our focus on empowering community providers is improving access to state of the art care in a lower cost setting. Two, we are harnessing technology to help enable the transformation of care to better manage the growing complexity in these specialties. Three, we provide unique value propositions to biopharma companies that help enable commercialization of existing therapies. But four we're not stopping there, we're advancing the next generation of therapies by enabling clinical trials directly in the community. And five, when you bring all this together, it allows us to provide solutions that support the acceleration of drug development. We're excited to continue our journey on Oncology & Multispecialty and through our differentiated capabilities McKesson is committed to improving healthcare for each and every patient.

With that, let me hand it back to Kirk.

Kirk Kaminsky

Executive Vice President, Group President, North American Pharmaceutical Services, McKesson Corp.

You can feel the excitement that Joan, Jason and I have about our shared businesses, as well as a great sense of pride on the impact we are having on patient care in the communities we serve. A few final points as we close this section of the day. Eight years ago we established the US pharmaceutical segment in a move that's been truly foundational to our success. We believe our next chapter, the creation of our North America Pharmaceutical Services Organization will allow us to continue to build off that foundation while accelerating the focus and ultimately the progress of our higher margin, higher growth areas.

Our top tier distribution businesses are not only well diversified but also uniquely positioned to drive earnings and cash flow generation to support future growth in both the US and Canada. And our expansive oncology platform is delivering best in class patient care in the communities while accelerating biopharma development and commercialization offering McKesson a significant growth opportunity. Underlying all of this and what makes us so unique is that we are buoyed by the best team in healthcare. In an increasingly dynamic environment with both change and opportunity, we believe we are well-positioned to continue to create significant value for our customers, patients, partners and shareholders. Thank you for your time.

Unverified Participant>

Thank you. We'll take a brief 15-minute break before continuing our program.

[Break] (01:25:24-01:40:24)

[Video Presentation] (01:40:25-01:41:35)

Unverified Participant

Please welcome to the stage Executive Vice President and President of Prescription Technology Solutions, Kevin Kettler.

Kevin Richard Kettler

Executive Vice President & President-Prescription Technology Solutions, McKesson Corp.

Good morning, and welcome back. I'm Kevin Kettler, the President of our Prescription Technology Solutions business. Over the past 20 plus years at McKesson, I've had the honor of serving in a variety of diverse leadership roles from US based strategy and operating roles to guiding our Global Procurement and Sourcing organization to leading our International businesses. Every step of this journey has deepened my passion for what we do and the difference we make for patients Today, I'm proud to lead the Prescription Technology Solutions business, where our mission is simple but powerful. We help patients get the medicines they need to live healthier lives. And we accomplish this by transforming patient access and affordability through technology driven solutions. Today, I'm excited to share how our biopharma platform is harnessing technology to make medicine accessible and affordable for everyone.

Let's start with a quick reflection. Imagine if you're diagnosed with an illness. An illness that requires medication to treat. And then imagine you can't get the medicines you need. Maybe it's too costly. Maybe you don't have the right insurance or maybe you don't have insurance at all. Maybe the pharmacy is just too far away or just physically unable to get there. Maybe this has happened to you or a loved one. Each year millions of patients in the US face significant barriers like the ones I just described as they try to access the medication they need. Our Prescription Technology Solution segment is purpose built to solve these challenges, helping biopharma support patients' ability to access, afford and stay on prescribed medications.

So how much of an opportunity is this business? It's a $19 billion market opportunity with continued expected growth driven by expanding indications and novel therapies. Our business is a proven leader in this market and is positioned for future growth as a result of our innovation network scale and the proven value we deliver to biopharma. The market we serve is ultimately aligned to support the large and growing $812 billion US biopharmaceutical market. And the pace of innovation in biopharma is truly remarkable. Across the industry, companies are developing new therapies in areas like obesity, oncology, immunology, neurology and rare diseases, bringing real hope to patients. The fundamentals of this market are strong, US medicine spend has seen robust historical growth including a 9% compounded annual growth rate since 2019.

As you can see in the green box, the future growth pipeline is strong with more than 50 novel substances expected to launch each year through 2029. That's a steady stream of new options for patients who need them most and as a result of this innovation, spend is projected to reach $1.16 trillion by 2029. One of the areas not highlighted on the slide is GLP-1 spend. GLP-1s have been a strong driver of recent growth and sales are expected to more than double from 2024 levels and approach $200 billion by 2029. Now that's a lot of numbers. But behind every one of those numbers is a patient, a family, a story.

Our platform is designed to help biopharma companies deliver these innovations to the market, so breakthroughs reach the people who need them. That is why we're passionate about accelerating our biopharma platform. We help turn scientific advances into real world impact for patients. So what is our strategy? Well, simply put, it's to build strong networks that tear down barriers for patients and biopharma, to make medicines more affordable and more accessible and how we execute on this is clear. We're focused on enhancing and expanding our core capabilities by leveraging innovation to drive growth. And we are modernizing our technology, allowing us to automate tasks and embed AI and advanced technologies into products. And yet the biggest opportunities are ahead of us. We have the technology, experience and network to deliver leading access and affordability solutions for specialty medications in the same way we have for retail medications for the last two decades.

Specialty medications are still slowed by complex manual processes that create friction for patients. By using our scale and technology, we're automating these steps, speeding up therapy, making the system work better for patients, partners, and shareholders now and into the future. You can see on the next slide the progression of capabilities we built over nearly two decades to align to this strategy. We have thoughtfully expanded these capabilities to support biopharma commercialization strategies and intentionally advance our platform. As a result, we now have a leading set of solutions that uniquely deliver scaled networks connecting healthcare partners to solve the industry's most complex problems. Our technologies allow us to digitize and scale processes that were once manual increasing speed to therapy and reducing barriers for patients.

We started this journey by launching affordability programs, helping patients save at the pharmacy counter, and reducing out-of-pocket cost to drive initial dispenses and refills. As the market evolved, we acquired and expanded access programs supporting the prior authorization or PA process, navigating complex submissions and appeals, increasing adherence and prescription dispensing for patient assistance program. Lately, we've taken our access program to the next level. We've had the field reimbursement managers who directly interact with providers to help their patients navigate payer complexities.

Our biopharma partners can also tap into richer data, to help better engage providers and design flexible programs to help cut through the complex formulary requirements. Earlier this calendar year, we acquired two new powerful solutions RxLightning, which speeds up electronic patient enrollment and FastAuth, which helps digitize medical prior authorizations. Both clearly demonstrate our commitment to modernize and expand the services we offer our biopharma partners. Today our platform supports a wide range of brands, including GLP-1 therapies, and we're moving deeper into specialty medicines, selling gene therapies and direct to patient dispensing solutions. This reach in connectivity mean we can deliver real value, help our partners adapt and guide patients every step of the way. We also know that breaking down barriers to medication, access and affordability requires more than just off the shelf programs. That's why we take a consultative approach, grounded in deep industry knowledge and advanced technology to deliver targeted programs to biopharma.

Combining our flexibility and scale solutions with specialized expertise and data-driven insights, we help biopharma transform growth that is tailored to each stage of the product lifecycle. From product launch to loss of exclusivity, we provide support to our biopharma partners as they address complex challenges like competition, payer dynamics and budget pressures and with the right strategies at the right time. At product launch, we help create awareness and build early momentum through strategic guidance and a mix of robust solutions. As an example, patients have been shown to pick up their therapy up to two days faster on average when notified of approved prior authorization.

From market education to patient affordability programs, we ensure a strong and successful entry into the market. And as they grow, we support products with precise solutions. Our data-driven insights and targeted strategies adapt to market shifts and expand access among key population. When brands reach maturity, staying competitive becomes critical. We refine programs continuously and offer solutions that are flexible and support evolving budgets, helping maintain market share and relevance. And when facing loss of exclusivity, we help navigate the challenge with thoughtful approaches that retain patient and provider loyalty. Supporting shifts in payer landscape and creating direct to patient channels even as generics enter the market [ph] thought to bring this to life (01:51:24) I would share an example of how we're advancing our business by continually evolving to meet one of our biopharma customer's needs. In this case, we've chosen a top five biopharma manufacturer relationship that started back in 2008. With one program for one brand [ph] and now (01:51:45) grown to include 35 programs across 19 brands. It started with us supporting a single cash card affordability program for one brand. Over time, we've expanded our affordability footprint by adding new solutions like coupons that were aligned to support additional brand needs.

In 2015, we started supporting our patient access needs with our [ph] core PA (01:52:09) solutions. Since then, we've steadily improved it, using modular approach to keep delivering value, while adding new services like appeals management and electronic enrollment. Within the past year, this manufacturer has also begun leveraging our direct to patient fulfillment solution. This customer, like many others, was attracted by our leading solutions and has continued to partner with us to drive innovation and utilize new solutions to grow the impact on patients and drive our joint business.

So, what's the point? As a result of our innovation and solutions, we continue to grow and diversify with our biopharma partners. For this fiscal year, we now serve more than 700 programs across nearly 200 biopharma partners, with no single biopharma customer representing more than 15% of our non-3PL revenue. We talked a lot about biopharma solutions, but our business begins with putting the patient at the center of everything we do. We support these patients by making scaled critical connections across an otherwise unconnected healthcare ecosystem. By connecting approximately 1 million providers, more than 50,000 pharmacies and nearly every payer through electronic interactions, our unmatched platform helps patients get access to the medication they need and at lower costs. The scale and demonstrated value of our networks give us a durable foundation for continued growth and innovation.

Let's now take a look at how our solutions support patients at every step in their cycle. We've designed the platform of integrated data-driven solutions to deliver access and affordability throughout the entire patient journey. And where does the patient journey begin? When a patient gets a prescription. Frequently, they face the challenge of getting started on their medication and we give providers the tools that help patients start treatment faster from prior authorization and benefit checks to electronic enrollment and medication alert. The journey often continues with patient concerns about affordability. We help remove those barriers [ph] for patients (01:54:37) through programs like copay cards and pharmacy claim rejection support.

We're here to help patients achieve positive health outcomes with patient support programs such as support from case managers, field reimbursement services, free drug programs and drug dispensing solutions. As patients adapt to their life after diagnosis, we're actively removing barriers to treatment. We understand that the patient journey never truly ends. Our adherence and patient outreach programs compassionately help patients stay on therapy and confidently manage their health.

So to bring this to life, I thought I'd share just a quick patient story that came directly from a handwritten note that we received from one of our patients this summer. I'll call the patient [ph] Ben (01:55:32) not his real name, but [ph] Ben (01:55:33) was unfortunately diagnosed with stage 4 prostate cancer and our patient support team began supporting him through one of our biopharma partners patient assistance program, back in July of last year. And you can imagine this has been a tough time for [ph] Ben (01:55:50) and his loved ones. But here are a few of [ph] Ben's (01:55:55) own words that he shared in his letter about the appreciation for his experience over the past year.

So his quote was "the amount of support based on your awesome generosity with much grace and love, can't be expressed in a million words. Your delivery has always been on or ahead of schedule. How awesome these have been. With all that, my fourth stage prostate cancer has been drastically fading out of my body. I'd like to express my deep gratitude toward all you wonderful people". A tough situation, but I'm so proud of how we're helping [ph] Ben (01:56:36) get the medication that he needs to live a healthier life.

So let me now bring it home. Shifting to the way that we organize around the three pillars of this business [ph] our (01:56:50) access, affordability and other and 3PL. Our first set of solutions, access helps simplify the process for patients as they navigate getting started on prescribed medicines.

These solutions focus on providers, pharmacies and payers and deliver support for complex processes like checking real-time benefits, prior authorizations and patient enrollment. Our access portfolio also includes tech-driven hub services that are designed to improve access to complex specialty medications.

As an example, once a patient is approved for the medication, our technology can seamlessly enroll them in a hub program that provides them with a range of support services, including fulfilling insurance requirements and coordinating financial assistance. Our solutions integrate a streamline electronic platform with human interaction, ensuring patients' needs are supported in a timely and efficient manner.

Second, our affordability and other solutions help patients overcome financial hurdles associated with affording medications with co-pay cards, voucher programs and employer sponsored applications. As part of our affordability offerings, we also provide direct to patient dispensing solutions which drive patient choice and support emerging channels.

And finally, our third area, our third-party logistics team helps biopharma handle the tough parts of getting medicines where they need to go, from licensing and storage, to temperature controlled shipping, we help ensure a safe, scaled and [ph] compliant supply chain (01:58:36). This comprehensive approach sets McKesson apart in the market and our solutions help patients start, stay on and afford medications. So what's the impact from all this? Well, with the story of [ph] Ben (01:58:57), you're able to hear about how the incredible impact we're having on a single patient. Well, some of the stats on the slide and what Brian referenced earlier, you can see the tremendous scale of the impact that we have on so many patients. There are literally millions more examples like [ph] Ben (01:59:15). Where we help get a patient, get access or afford critical medication at a time when they need it most.

And our financial impact is also strong and our framework is built for sustainable growth with a broad set of well-positioned capabilities across a spectrum of margin profiles. Our 3PL business represents about 55% of the revenue and less than 5% of the adjusted operating profit or AOP. With our scaled infrastructure delivering distribution like margins for the segment. Our affordability and other solutions represents another 20% of revenue and 30% of our AOP. These solutions primarily leverage our scaled pharmacy connections to drive tangible benefits to patients and prevent an estimated 12 million prescriptions from being abandoned due to affordability challenges.

And lastly, our access solutions represent about 25% of our revenue and 65% of our AOP for the segment. Offering the highest margins with growth driven by technology-enabled solutions across scaled networks. This scale helps patients access their medicines more than 100 million times annually. [ph] Note of (02:00:37) GLP-1s they have also driven increased demand for access and affordability solutions. These GLP-1 related solutions represent approximately 11% of our total segment revenue in fiscal 2025 and contribute to the overall growth of the segment. So what does this tell you? We're focused on delivering smart growth, driving margin expansion, disciplined capital allocation and investing in our technology platform and AI advancements to drive innovation. And we're aligned to capture future growth opportunities like specialty medications.

So as I bring this to a wrap and pause, what I want you to take away? Well, first I want to emphasize McKesson's position as a leader in a Biopharma Services market, serving a large and growing market with significant unmet needs. Our platforms unmatched scale and connectivity links pharmacies, providers, payers and biopharma manufacturers. We built a unified network that streamlines processes, reduces friction and empower stakeholders to deliver timely, affordable care. The trust our partners place in us is built on a long-track record of innovation, operational excellence, measurable impact and a relentless focus on delivering patient care.

We're not just solving today's challenges for our partners, we're investing in the future. Looking ahead, we see increased opportunities to drive value for all stakeholders, patients, customers and shareholders by continuing to innovate, scale and deepen our relationships across the healthcare landscape. To advance our mission to improve health outcomes for all. Thank you.

Unverified Participant

Please welcome back the Executive Vice President and Chief Financial Officer, Britt Vitalone.

Britt J. Vitalone

Executive Vice President & Chief Financial Officer, McKesson Corp.

Okay. Well, I'll try to bring this home. But first I want to say, its music to CFO ears, when a business unit president talks about shareholder value creation. It just really perked me up. I hope that the presentations that you've heard this morning give you incremental insight into the power of McKesson. Power of our differentiated assets and capabilities, our scale, our leadership positions and the diverse footprint that we have across healthcare.

Earlier, I walked you through our value creation framework, I talked about the capital allocation strategy, being at the center of that framework. Again anchored in the two core principles of strategic relevance and financial performance. Brian and our leadership team, I thought, did an outstanding job of providing some incremental insights into the strategy and what I'd like to do now is connect the strategic relevance that you heard here this morning to our financial performance and the updated outlook that we're presenting to you today, which I believe will demonstrate the disciplined execution that we've shown you over the last several years, how that's translated into tangible results and sustained value creation.

As you heard from the speakers this morning, McKesson has leadership positions across healthcare. We have scale, reach that is really unprecedented. As you heard here today, I hope you picked up that this is an exciting time at McKesson. And I'm certainly energized by the potential that the organization has in front of it, we highlighted our long track record of consistent, leading financial performance, driven by the clarity and the consistency of our strategy and the execution against that strategy and our execution in areas where we have a right to win.

Just summarize a few things that I think are really important here that I've talked about today, but I want to emphasize. We deliver with focus and intention. We execute with discipline. And we remain committed to driving shareholder returns and sustained value creation. We're confident in our ability to continue to execute against our strategy. And create compelling value creation opportunities for all of our shareholders. This morning I'm going to cover briefly for topics for you to wrap this section up. I'm going to cover a brief overview of our segmentation, which I know you've all had a chance to dig into. Our updated fiscal 2026 guidance that we outlined this morning in our press release. I'll talk a little bit about our track record of success and the results that we've had since the last Investor Day. And then I'll bring altogether with an update on our long-term financial outlook.

So let me start with our new segments. Again, I hope that you've had a chance to really dig through the disclosures that we've provided you in advance and we hope that was certainly helpful to you. We wanted to provide that and give you some additional clarity and time to dig through that and understand why we made the changes that we did and I hope that it's pretty evident. But let me talk about that here this morning.

Again, a pretty simple set of changes that have really powerful impacts. As noted in the 8-K, we provided the disclosure on this new segment structure. I just want to highlight a couple of things today for you this morning. Again you can see on the left, this is our prior reporting structure, the US pharmaceutical business, which had our US Pharmaceutical Distribution of assets as well as the Oncology & Multispecialty businesses.

Kevin talked about our Biopharma Services capabilities within Prescription Technology Solutions. Our Medical Surgical Solutions business and we had an international component to that which had our Canadian assets as well as our Norway based operations. Couple of changes that we made and I'm sure you've been able to glean on already. But I just want to emphasize these.

We created a new segment called North American Pharmaceutical, which continues to have our US Pharmaceutical Distribution business as well as our Canadian distribution businesses that Joan talked about this morning. We created a new segment that highlights one of the key growth pillars in the company our Oncology & Multispecialty platform, pulling that out of the US Pharmaceutical segment. Our Prescription Technology Solutions and Medical Surgical Solution segments remain unchanged. We took our Norway-based operations and put them in other and that is a reflection of the definitive agreement that we signed to sell that business and now it is in held for sale category. We no longer have an International segment. We believe that this is a refined, simplified and it is focused and hopefully provides you additional transparency and clarity.

Again this is just a side by side. But I just want to make a quick point that I'm sure all of you picked up on. If you look at the top of this slide here, the top three segments. Again our North American Pharmaceutical business, our Oncology & Multispecialty segment and our Prescription Technology Solutions segment. These are the core three segments of McKesson going forward once we have exited our Norway-based operations and our Medical Surgical operations. And what you can see here, 2024 to 2025 and the long-term targets that I'll talk about here later on, is high growth, high margin opportunities with strong assets aligned against these and strong performance.

Again this is the heart of the organization going forward. We'll talk a little bit more about that here in a few minutes. Kirk, Joan, Jason, Kevin, they did an outstanding job this morning talking about our key segments and the assets in those segments. I just wanted to bring it altogether on one slide for you. Again these are the – this is the core of the business going forward. And what you can see here is that we are in large growing markets and we are exceedingly well positioned to continue to execute and succeed in those markets. Again, we have differentiated assets and capabilities in each of these segments and they're underpinned by our discipline, our focus and the clarity and how we're going to win in each of these markets.

And what you can see here is the underpinning of these markets strong brands and capabilities and assets. [ph] Thought I would (02:09:54) turn to specialty for a moment. Again, Kirk talked about this earlier, but specialty continues to be a key growth engine for McKesson and for the broader pharmaceutical market. Specialty pharmaceuticals are growing faster than traditional therapies and that reflects the pace of innovation and the advancement in complex medications and targeted treatments. As Kirk talked about earlier, McKesson is well positioned with a diverse footprint, broad capabilities and deep expertise across the specialty landscape.

In fiscal 2025, McKesson had total specialty revenues across all of these channels, including wholesale distribution that totaled approximately $180 billion. But on the right side, I want to unpack that a little bit further. Our specialty distribution, which we deemed the more complex higher dollar specialty medications, which include plasma and biologic medications that are primarily distributed through community provider and large healthcare settings, delivered approximately $90 billion of revenue in fiscal 2025. And our specialty distribution has grown at a compound annual growth rate of 18% since fiscal 2021. The growth of these therapies, combined with McKesson's scale and reach, has strengthened our offerings and meaningfully contributed to our overall performance. With continued innovation in specialty medications, McKesson is well positioned to support and accelerate further growth in this critical part of the market.

Moving onto guidance. As highlighted in our press release this morning we are pleased to provide an updated fiscal 2026 outlook that reflects the continued momentum and the strong operating performance of McKesson. Let me start with a few updates on our consolidated results.

Again as a result of continued momentum in business operating performance, we are increasing our outlook for adjusted operating profit to 10% to 14% versus the prior year. We're also – there are a couple other small changes in here. We're reducing interest expense target. As a result of really strong treasury management, portfolio management of our debt and we're also making a modest change to weighted average shares outstanding and that's a result of slightly higher share repurchases in the first half of the year versus what was anticipated. Due to the strong operating performance and our capital deployment we're raising and narrowing adjusted earnings per share to $38.05 to $38.55. That represents 15% to 17% growth over the prior year and when you exclude venture gains that we had in fiscal 2025, this new range represents 17% to 19% growth versus the prior year.

Let me turn to our segment-level outlook. Again, we're pleased to introduce guidance that is aligned to our new segment structure, starting with North American Pharmaceutical. We anticipate revenues will grow at 10% to 14%. This is driven by the continued strong specialty growth and of course one quarter of contribution from strategic customer that we on-boarded at the beginning of Q2 in fiscal 2025. We anticipate adjusted operating profit of 3% to 7%. And this is a reflection of continued strong specialty growth, partially offset by our fiscal 2025 second half held for sale benefit in our Rexall business in Canada. Again Canada is now part of North American Pharmaceutical.

In the Oncology & Multispecialty segment, we anticipate revenue growth of 27% to 31% and adjusted operating profit growth of 49% to 53%. This is due to strong organic volumes in our Oncology & Multispecialty provider businesses as well as the contribution from the acquisitions of Florida Cancer and PRISM, which commenced in our first quarter of fiscal 2026. Due to continued strong momentum within our portfolio of access and affordability solutions and products that Kevin just talked about, we're raising the revenue guide by 1% in that segment to a new range of 9% to 13%. And we're increasing the outlook for adjusted operating profit growth from 9% to 13% to 11% to 15%. These increases reflect the breadth of our products and services across access, affordability and adherence solutions and the strength of the connected technology offerings that we have in this segment.

Finally we're providing an update to the adjusted operating profit guidance for our Medical Surgical Solutions business. And we're updating our adjusted operating profit guidance and now anticipating growth to be at the low end of the previous range of 2% to 6% growth versus the prior year. That's largely due to early illness season softness. While we're pleased with the continued focus on capturing cost synergies in this business, from the initiatives that we set off in the second half of fiscal 2025, the soft start to the illness season accounts for roughly half of the lowered outlook. Overall, we see very strong momentum across the entire enterprise and we're pleased to be raising guidance again this time this year.

I want to take a minute and again, just highlight our new segment structure. These are businesses that as I mentioned before will sustain and carry McKesson going forward, following the planned exits of our Medical Surgical Solutions business as well as our Norway-based operations. These businesses represent the core of McKesson's future, each with leading positions in large growing markets with differentiated capabilities that align directly to our strategic priorities. With our updated fiscal 2026 outlook, we anticipate these three enduring segments will generate approximately $5.7 billion to $5.9 billion in adjusted operating profit. That represents an increase of approximately $650 million to $850 million versus fiscal 2025 [ph] we believe that's clear (02:16:57) evidence of the earnings power that is embedded in these businesses and these strategies.

These are scaled strategically aligned platforms with accelerating growth profiles and we're going to continue to invest in them adding capabilities, expanding reach and driving momentum to sustain and grow earnings over time. Talk a little bit about our results since the previous Investor Day. We continue to deliver consistent and outstanding results. That's a result of the execution of our strategy, operational excellence, strong growing free cash flow and a disciplined capital deployment strategy. One thing I would like to remind you of, if you go back to that Investor Day, at that Investor Day, I provided a fiscal 2022 outlook for adjusted EPS that had a midpoint of $22.65. You may also recall that I outlined that this $22.65, it included contributions from our COVID programs with US government as well as our European operations. And I outlined for you at that time that our COVID programs and our European operations accounted for about $5 of adjusted EPS within that range. You can see over the last five years, not only have we exited our European operations and exited our Rexall operations and we've now closed down our government programs to support COVID, we've grown right through that [ph] It was very important this again (02:18:46) this is our focus on aligning assets and resources against businesses where we have clear differentiation and leadership. This demonstrates that we have a long track record of performance. One that is the outcome of this clear strategy, consistently year-to-year which you can see here is consistent performance year-to-year. And it's this rigor and intention that we apply to this disciplined approach supported by our strong balance sheet. That gives us the confidence and our confidence in the ability to continue to simplify and refine our portfolio and maximize the differentiated assets and capabilities for further financial success, growth and value creation.

The outcome of all of this wonderful work and operational excellence and capital deployment in a very disciplined way is on the screen. Over the last five years our share price has increased 357%, a lot of hard work that goes into that. Brian talked about the 45,000 employees across McKesson, they're all rowing in the same direction against the same consistent strategy and this performance is obviously significantly higher than the change in the S&P 500 health index. We managed the business with a long-term orientation. The outcome of our strong operating performance combined with efficient and disciplined capital allocation is reflected in the slide behind me. The management team believes deeply in our strategy and we have the confidence in our ability to execute and we're confident that we can continue this momentum delivering compelling value for shareholders over the next several years.

I am not going to spend a lot of time on this slide, I think Brian did a great job earlier talking about this. But again, consistent, strong financial performance. Double-digit compound annual growth rate in adjusted operating profit and adjusted earnings per diluted share that comes along with outstanding consistent free cash flow generation and significant return of capital to our shareholders. This is the value creation framework at its best. Again, a disciplined model that translates strategic clarity into sustained performance and long-term shareholder value.

One of the hallmarks of McKesson's performance and I heard this over and over in my 20 years and Brian's 29 years with the company is a foundational element of that, not only is our strategy and execution, but it's ability to consistently deliver operating expense leverage. We achieve this through a set of disciplined tactics, a couple of them that I put on this slide here. Again, operational excellent, increased automation and technology across our distribution network, strategic sourcing initiatives and deep partnerships that Kirk and others talked about this morning. Modernization of our technology landscape including acceleration of news of AI, not only across functional areas, but also customer facing capabilities, which enhance customer centricity.

We also have lean and efficient centers of excellence that scale best practices across the enterprise. These tactics to deliver durable operating expense leverage. One way that we measure this leverage is the ratio of operating expense to gross profit dollars. Since fiscal 2021, we have driven approximately 1,200 basis points of operating expense leverage improvement. Importantly, we've achieved this leverage while continuing to invest in the business. Consistent investment, developing foundational and growth capabilities, infrastructure enhancements, including our distribution network and ongoing technology modernization to improve enterprise-wide efficiency and effectiveness. Our investments in technology are strategic [ph] and prioritize to unlock (02:23:12) growth, improve scalability and enhance enterprise performance.

One of the historical strengths of McKesson is our proven ability to consistently generate strong free cash flow. Free cash flow is projected to increase from $3.9 billion in fiscal 2021 to a range of $4.4 billion to $4.8 billion in fiscal 2026 with consistent and strong free cash flow conversion rates. Our leverage ratios remain stable and continue to improve and that reflects our robust balance sheet. Our solid operating performance combined with working capital efficiency provides ample liquidity and financial flexibility. And we have strengthened our financial position, reducing leverage and optimizing our debt portfolio over time. This is at the heart of the McKesson's performance, our ability to execute consistently generating robust cash flow and allocating that in a very disciplined way.

McKesson's clear and consistent capital allocation strategy is outlined here on the slide. I talked about it many times, but I want to highlight a few things here this morning. We're focused on operational execution, growth and returning capital to our shareholders. From fiscal 2021 through our outlook for fiscal 2026, we anticipate the deployment of approximately $4.2 billion in organic initiatives and $6.3 billion in strategic M&A. And you heard about some of those acquisitions this morning. We also anticipate $1.9 billion in dividends and $16.6 billion in accretive share repurchases. This disciplined approach supports maximizing return on invested capital and delivering sustainable shareholder value. We have and we will continue to take a disciplined approach, we strategically think about capital allocation and we think about it in three broad categories. I talked about these earlier, but let me hit on them again. We prioritize growth investments, investing internally as well as through M&A. And we're accelerating our growth in our strategic priority areas of oncology, multispecialty and biopharma services as we believe we have differentiated assets, scale and network capabilities.

From an M&A standpoint, we consider both tactical acquisitions that will accelerate growth and strategy and we also consider bolt-on acquisitions. Those acquisitions that can add scale, speed and capability to further expand our value proposition and our leadership positions. The acquisition of Florida of Cancer and PRISM are good examples of this and how we prioritize growth through strategic M&A. The second piece of our framework is returning capital to our shareholders through a combination of a growing dividend and share repurchases. And then the third piece, of course, is the maintenance of a strong balance sheet and maintaining our strong investment grade credit ratings.

Again this highlights, one of the aspects of how we return capital to our shareholders. Over the last several years, we have continued to grow our dividend in alignment with earnings. In July, we raised our dividend for the ninth consecutive year, increasing the quarterly amount by 15%. And since fiscal 2021, our annual dividend has grown at a compound annual rate of 13%. Consistent growth reflects our confidence in McKesson's cash flow generation, financial stability and our commitment to delivering reliable, value accretive returns aligned with earnings growth and long-term shareholder value.

And finally [ph] our return of (02:27:21) capital to shareholders includes consistent value accreting share repurchases. The success of our share repurchase program exemplifies, the guiding principles that I have talked about here today. From fiscal 2021 through our updated fiscal 2026 outlook, we have strategically repurchased approximately [ph] $13 million in shares (02:27:41) sorry $17 billion in shares. Reducing total shares outstanding by 19%, importantly we achieved this at weighted average purchase price that's approximately 54% below yesterday's closing trading price. A testament to our disciplined execution and long-term value orientation, it's probably bigger than 54% right now.

I want to take a moment and remind you, what our approach is on share repurchases. I think this is really important and again it speaks to the discipline that we have. We combine share repurchases with our growing dividend, we believe that the combination delivers attractive returns for our shareholders, our philosophy and principles regarding share repurchases have remained consistent. Subject to market conditions and other factors which we consider, we repurchase shares on a consistent quarterly basis, we limit share repurchases to excess cash that can't be profitably invested in the business or used to make prudent acquisitions. We apply financial rigor to this process by measuring various repurchase price levels against the intrinsic value of the stock with a goal of exceeding our cost of capital on average, which we have done consistently. At a minimum, we expect to offset dilution from stock-based compensation. We believe that this disciplined approach has delivered outstanding value for our shareholders and will remain a key part of our value creation equation.

Okay. Now, to wrap this up with our long-term financial outlook. You heard all of our speakers today talk about you heard all of our speakers today talk about how exciting [ph] of time (02:29:31) this is at McKesson. We continue to successfully execute against our strategies, it's one of the key principles of how we run the business. And this is the framework for how we create shareholder value. It's consistent and we're disciplined in executing against it. I've touched on all of this today, but let me just make a couple of comments. Again, we focus on delivering revenue growth at or above the market levels in each of our operating segments. We convert this revenue into solid gross margin growth through disciplined margin tactics, portfolio management and strategic investments in higher growth, higher margin opportunities which lever our differentiated assets and capabilities. This margin efficiency is combined with our ongoing cost management focus and operating leverage focus, resulting in increased levels of operating expense leverage.

Our businesses generate consistent, stable free cash flow and when combined with the strength of our balance sheet, provides us with the financial flexibility to deploy capital in a disciplined manner. This framework is not just some fancy PowerPoint that I put together this morning to show you. Rather it's an important part of our value creation framework and one that we execute on consistently. This framework has and will continue to deliver sustainable adjusted earnings per share growth and increasing levels of invested capital and returns on invested capital. [ph] Oops I come the wrong way (02:31:11) sorry. This is why they shouldn't give me the clicker.

So let me try to bring this altogether. Our scaled, efficient and differentiated assets and capabilities anchored in large and growing markets are driving increasing levels of adjusted operating profit and free cash flow. We combine this with our strong balance sheet [ph] with (02:31:36) financial flexibility. What we get are these updated long-term guidance ranges. In our North American Pharmaceutical segment, we anticipate 5% to 8% adjusted operating profit growth. In Oncology & Multispecialty, we anticipate 13% to 16% long-term adjusted operating profit growth.

In Prescription Technology Solutions, we've made a modest adjustment from 11% to 12% growth to 10% to 13% growth. And we remain committed, as you see on the right side here, to investing in the business, accelerating technology and automation, expanding our capabilities, and as Brian talked about, continuing to drive innovation.

As a result of these actions and this combination of factors and tactics, we are updating our long-term adjusted EPS growth target to 13% to 16%. We're pleased to be well positioned to deliver on these elevated targets and it reflects the confidence that we have not only in our strategy, but our disciplined execution and the conviction that we have and our ability to create enduring shareholder value.

So, in closing. We're really excited about the future of McKesson and the growth prospects that we have in front of us, over the last several years. McKesson has delivered and we have exceeded the targets that we have put out there. And as we've discussed this morning, as you heard from all of our speakers, the future is very bright. We are successfully executing against our strategy. We are well positioned to win in the growing markets of oncology, multispecialty and biopharma services. We have a strong financial outlook and our financial framework and execution, it positions us to deliver sustainable profit growth, cash flows and shareholder value creation. We continue to focus on the things that matter most to our customers, patients, partners and shareholders. As we've talked about this morning, we are modernizing, accelerating the technology platforms and capabilities in the company to deliver accelerated durable core growth.

When I reflect on where McKesson was when I joined the company 20 years ago and the first person that I saw when I entered the company was huddled off to my new desk was Brian Tyler. So, when I reflect on where we were 20 years ago, when I joined the company, to where we were four years ago when we came here at Investor Day, to where we were eight years ago when I became the CFO, the results are remarkable. Where we are today, these results are remarkable and it's the execution and consistent focus and clarity that we have in our strategy. We have developed clarified vision and purpose.

We have implemented a clear, focused and consistent strategy delivering against our operational framework and executing. We've transformed the portfolio. We've made a number of strategic and intentional decisions in the portfolio, strengthening the balance sheet and our financial position. All of this has led to increasing levels of earnings growth, higher returns on invested capital and the momentum to deliver strong long-term earnings execution. We're very optimistic about the future of McKesson. We believe the investment thesis for McKesson is compelling and attractive and our operating financial momentum continue to accelerate. And I hope that based on what you heard today and what the results that you've seen consistently that you share with me the enthusiasm that I have, the optimism that I have for the growth and the innovation that lies ahead of McKesson.

With that, we're going to transition now to a question-and-answer session. Give us a couple of minutes to get that set up. Thank you.

Unidentified Participant

Thank you. We'll continue with our Q&A session in just a few moments. Please welcome back to the stage, Chief Executive Officer, Brian Tyler and Executive Vice President, Chief Financial Officer, Brett Vitalone.

QUESTION AND ANSWER SECTION

Britt J. Vitalone
Executive Vice President & Chief Financial Officer, McKesson Corp.

A

I think [ph] we've suck (02:36:55) the enthusiasm.

Brian Scott Tyler
Chief Executive Officer & Director, McKesson Corp.

A

I know a 102 slides, I'm not sure there could be any questions left. Look at the hands go up. We have mics somewhere here I think. We have mics. Here's the first hand that was up. Okay, thank you.

Lisa C. Gill
Analyst, JPMorgan Securities LLC

Q

Good morning.

Brian Scott Tyler
Chief Executive Officer & Director, McKesson Corp.

A

Good morning.

Britt J. Vitalone
Executive Vice President & Chief Financial Officer, McKesson Corp.

A

Good morning.

Lisa C. Gill
Analyst, JPMorgan Securities LLC

Q

Lisa Gill at JPMorgan. I really want to focus on capital strategy and two questions. Brett, if I look at the numbers you gave, you didn't give a number specifically for capital allocation [ph] I'm coming to about (02:37:24) 5% for your long-term growth rate. So one, is that correct? And then secondly, when I think about the strategy, you talk about multispecialty now, right? So the focus previously was really oncology. Should I think about the areas that you're going to be most focused on are going to be tied to some type of big drug innovation cycle? Is there certain, kind of key components of things that we should think about from a multispecialty standpoint?

Brian Scott Tyler
Chief Executive Officer & Director, McKesson Corp.

A

I'll start with the last question. So I mean, first-off. We've been in multispecialty for a long time in our distribution business. So, specialty has been part of the algorithm for a long time. Obviously, oncology we focused on 15 years ago and really built a really strong platform and expanded it continuously over the years. And I think, we've always looking for what is the next therapeutic area that we think we can add value to providers and biopharma services for. And that's a combination of a few things, that's seeing scale effects of having a platform, that's seeing drug innovation pipeline. So [ph] that distribution GPO (02:38:30) underlying core services give you the scale that you can then launch and innovate off. And then it's finding therapeutic areas that have complexity.

So we can help use all the tools you saw today to continue to solve those problems. So we saw – we've been tracking retina and ophthalmology for a long time. We thought looking at the pipeline, looking at the nature of the fragmentation of the practices, it was a good time. It was a good time, we found the right platform to expand into that and that's the algorithm [ph] we'll continue to bring (02:38:58). So – but it's got to meet those criteria, benefits from scale. We have the tools to address the challenges and the practice [ph] and its got to (02:39:07) have innovation in the funnel.

Britt J. Vitalone
Executive Vice President & Chief Financial Officer, McKesson Corp.
A

[ph] Address your question (02:39:11) Lisa, thank you for that. I'm not surprised that we got that question. The first one out. Look, what we wanted to do here is clarify for you what the future of McKesson was, that's part of the re-segmentation, that's part of this – the presentation that we gave you today. We feel very comfortable with the long-term growth rates that we provided for those three segments. We wanted to give you a sense that we are committed to returning capital to our shareholders, as we have consistently done for several years. As we go through the process of exiting our Norway-based operations and our medical business, I'll try to give you some [ph] contextualize that for you (02:39:51) today, in terms of how we might do that, what the timeframe might be for that. And we don't necessarily control that timeframe, you're going to have some market conditions [ph] you're going to some customer (02:40:02) regulatory approvals.

We gave you the timeframe that we intend to complete this exit. Not giving you a specific capital allocation number though, that is related to the uncertainty of the timing, is it 20 months? Is it 24 months? Certainly, one of the things that we will do, as we exit these businesses is redeploy capital. As we've done with Europe, as we've done with the exit [ph] with change healthcare (02:40:28). So what we feel very comfortable in, is the adjusted operating profit growth targets that we gave for each of those three segments and the adjusted earnings per share potential of the company, because we will get there through either the adjusted operating profit of the segments, but more likely through deployment of capital. Again, the timing of that, we will continue to give you updates as we go through the process of separating medical business.

Brian Scott Tyler
Chief Executive Officer & Director, McKesson Corp.
A

Let's get a mic right here.

George Hill
Analyst, Deutsche Bank Securities, Inc.
Q

Good morning, guys. George Hill from DB. Britt, you talked about $90 billion of total specialty spend that McKesson touches. You guys recognize about $36 billion of spending, what I'll just call your specialty segment, which is a gap of [indiscernible] (02:41:14) $55 billion. The margins in your specialty segment are about 1.5 times the margins in your North American drug distribution segment. Can you talk about – and is there the opportunity to migrate some of that specialty spend that's not in the specialty segment into the specialty segment? And talk about the margin implications for the composite business if there's an ability to do that [indiscernible] (02:41:40).

Britt J. Vitalone
Executive Vice President & Chief Financial Officer, McKesson Corp.
A

Yeah, that's a great question, George. I think I'll make a couple of comments here. First of all, the Oncology & Multispecialty platform, while it is primarily drug distribution related and GPO services. There are other capabilities in there. And Jason, I think did a great job of highlighting what that is. So that entire segment is not all drug distribution. Obviously, specialty distribution. We wanted to frame for you what we call specialty distribution again, these complex therapies, high dollar volumes that are going through community providers as well as in the health system.

We thought that was important to contextualize for you, the size of that business. Certainly we serve the customers where they are. So, Kirk laid out the diverse footprint that we have. Health systems certainly will have a set of products that they will purchase through community oncology, community retina. They'll all have their certain therapies and medications that will go through those settings. So a lot of this will be mix dependent, certainly within the platform that we laid out for you today, a part of that is drug distribution. But there are other capabilities like clinical research and site management practice management that Jason laid out for you.

Brian Tanquilut
Analyst, Jefferies LLC

Q

Britt. Brian Tanquilut from Jefferies. Maybe just the question on ROIC and biopharma – biosimilar assumptions [indiscernible] (02:43:09) part of the goal is to continue to grow our ROIC, right? But at 29%, I mean, how are you thinking about the runway for ROIC? And then second, just curious how you guys are thinking about biosimilars and what you've baked into the LRP as it relates to how that all plays out, especially with KEYTRUDA in 2028? Thanks.

Britt J. Vitalone
Executive Vice President & Chief Financial Officer, McKesson Corp.

A

So as I answer your first question, I'm going not look over here, but the path that we see is to increase return on invested capital. That's the path that we've been down now for several years. That's why we've made some of the portfolio moves that we've done. Obviously, part of the portfolio moves are the strategic relevance [ph] and they tie into (02:43:45) the strategy. But the other part of it that I talked about is that financial performance and we believe that as we have continued to improve the strategic tie as well as the financial relevance that increasing returns on invested capital, there is a tight tie between ROIC increases and shareholder returns. We're very focused on making sure that those two things are hand in hand and that they're delivering the financial outcomes that we want. We believe that the further focus that we have on the three segments that we laid out for you today gives us the opportunity to continue to improve that, which, again, should lead to more shareholder value creation.

Brian Scott Tyler
Chief Executive Officer & Director, McKesson Corp.

A

And of course, we always weigh the trade-offs between current day return on invested capital [ph] we don't let (02:44:31) stop us from making strategic investments, which we think are going to fuel growth, that are going to allow return on invested capital ultimately to expand. And to your question on biosimilars, what our assumptions around biosimilars are baked into the guidance we gave you for FY 2026, as well as the new long run targets we've established for those segments. We still think it's fairly early that biosimilars as a market should have a lot of runway. Frankly the adoption has probably been a little bit slower than we would have guessed four years ago when we were here, which isn't necessarily a bad thing because that means the growth is still ahead of us. Who has the mic?

Charles Rhyee
Analyst, TD Cowen

Q

Thank you. Charles Rhyee with TD Cowen. Britt, maybe just to follow-up on, Lisa's earlier question about capital allocation, right? On the slide, the dollar value of money – funds [ph] return back to shareholders heavily weighs

(02:45:24) towards share repurchase. Any thoughts on, in terms of maybe shifting a little towards the dividend, given where shares are and how do you kind of evaluate that decision. And then secondly when you guys announced and this is of the Oncology Multispecialty segment, when you announced Florida Cancer and PRISM, you provided sort of 12-month EPS contributions I think combined [ph] was it that $0.60 to $0.90 (02:45:48) for the first 12 months, assuming there is integration, start-up costs related to that. Maybe give us a sense on within the long-term guide. How much is coming maybe from synergies either cost or revenue synergies from those? Thanks.

Brian Scott Tyler
Chief Executive Officer & Director, McKesson Corp.
A

It's a lot to unpack.

Brian Scott Tyler
Chief Executive Officer & Director, McKesson Corp.
A

It's a long question.

Brian Scott Tyler
Chief Executive Officer & Director, McKesson Corp.
A

So let me start with the last piece, because I just start to forget these things at my age. But to answer your question, we provide, when we made those acquisitions, we provided you an initial year one accretion for each of those acquisitions and we provided you year three. So of course, embedded in that is continued performance and execution against some of the synergies that were part of the business case for buying both of those businesses. And that certainly included in the long-term growth rate.

Let me talk really quickly about the Oncology Multispecialty growth rate though, because I think it's important that primarily in that range that we provided you is organic growth. Over the last several years and I think Jason talked about this, we have been evolving and growing the oncology footprint. We've been – we've gone from a 1,000 providers roughly in 2010 to 3,300 providers today. So, part of the algorithm in that business is to continue to add providers that fit the footprint and fit some of the capabilities that we are looking for to be part of our US Oncology Network. That's just part of the algorithm. Certainly, we would look to continue to – organically we see growth there. But again, adding providers over time has been part of that algorithm.

Brian Scott Tyler
Chief Executive Officer & Director, McKesson Corp.
A

And growth is our first capital deployment priority.

Britt J. Vitalone
Executive Vice President & Chief Financial Officer, McKesson Corp.
A

Yeah.

Brian Scott Tyler
Chief Executive Officer & Director, McKesson Corp.
A

We want to invest in growth. We went through a phase early – earlier in my tenure in this role where you saw us not really deploying a lot of growth capital and that, frankly, in the first days was as we got a strategy together and made sure the organization was aligned around that strategy. So we knew where and how we wanted to make those investments. And then there was a window where we had lots of things we were interested in, but valuations, we just didn't feel like we could make work for the company. And so it's always that balance of your strategic desire, but there's got to be a financial return. Fortunately, we're excited to be able to deploy some growth capital, some – over the last couple of years and we hope the environment will continue to support that.

Britt J. Vitalone
Executive Vice President & Chief Financial Officer, McKesson Corp.

A

Yeah. And to really address that Charles, I think what you've seen in the last 18 months to 24 months is we have sharpened our focus on M&A tightly aligned to strategy, Florida Cancer, PRISM, those are good examples of that as well as some of the tuck in provider acquisitions that we've done within that segment. So of course, growth is our priority. You're starting to see us put some more money towards that growth. But we like to be balanced because we think that there's a value accretive manner to returning capital to shareholders as well. And so that balance is what we strive for in any one particular year that balance may be more to growth or more to shareholder returns.

Brian Scott Tyler
Chief Executive Officer & Director, McKesson Corp.

A

I think Elizabeth has a question here.

Elizabeth Anderson
Analyst, Evercore Group LLC

Q

Hi, Elizabeth Anderson from Evercore. Could you talk a little bit about the North American pharma business because obviously the LRP for that business and AOI is very similar to what the LRP was for the combined business previously at the long-term target, so maybe double click on that? And then regarding the FY 2026 guidance can you talk about what's driving the step up in the RxTS guidance? Thank you so much.

Britt J. Vitalone
Executive Vice President & Chief Financial Officer, McKesson Corp.

A

Why don't I start and I'll talk about the North American pharmaceutical business. Again, we've added to that our Canadian business, and Joan Eliasek did a really wonderful job, talking about the strength of our Canadian business, and really the diversity and breadth of those assets in that business. Kirk also talked about the deepening partnerships that we have within that business. He talked about our Walmart partnership and how that has expanded over time, and our HCA partnership, how that has moved from one aspect around the Sarah Canon Research joint venture, and is continue to expand and added distribution. I think that's a good example. Within that segment, those are two good examples of how we continue to deepen, broaden and grow partnership over time. The business also has a very diverse footprint across many different channels, and we talked about our specialty footprint and the growth that we're seeing in specialty. Kirk talked about specialty represent roughly 54% and growing of the market. And certainly our customers are winning and we're growing with that as well. So I think within North American pharmaceutical, we're really pleased to provide you that that long-term growth rate. But it is really based in the performance, the assets and the growing partnerships that we have within the segment.

Brian Scott Tyler
Chief Executive Officer & Director, McKesson Corp.

A

Yeah. And I would actually add on top of that, you shared the 1,200 basis points of operating expense leverage...

Britt J. Vitalone
Executive Vice President & Chief Financial Officer, McKesson Corp.

A

Yeah.

Brian Scott Tyler
Chief Executive Officer & Director, McKesson Corp.

A

...I mean that's a part of the growth algorithm too is to continue to get more efficient, more productive, lever the scale and the growth in the business. As it relates to RxTS or Technology Solutions segment, we raised the guidance for FY 2026 based on the performance we've seen through the year at this point and the momentum we feel through the back half. Right here.

Daniel Grosslight
Analyst, Citigroup Global Markets, Inc.

Q

Hi. Daniel Grosslight with Citi. I'll ask a question that seems to come up every time we talk and hopefully there is a little more clarity but drug pricing policy I think is one of the major macro overhangs on the sector more broadly. So, I think it's pretty clear that in your core distribution business, you're largely insulated from large swings now. But in your GPO and MSO businesses, I think there is a little bit more uncertainty, so I was curious if you have any updated thoughts on how some of these policies may impact the profitability of those businesses and then just from an advocacy perspective, I'm curious what steps you guys are taking in DC to make sure everyone understands the importance of community oncologists and community providers and what impacts reduction in ASP might have on those practices.

Brian Scott Tyler
Chief Executive Officer & Director, McKesson Corp.

A

Yeah. Well, I'd start right there. I mean we are highly engaged, I mean we have resources on the ground full time in Washington and we want to make sure that we insert our voice into these conversations, because you heard multiple times today our belief that the community setting is the lowest cost to care. It is the most accessible and it is high quality. And anything that we would – would happen on the pharma pricing reform that incentivize care to leave the community, we think the extra cost of delivering that care in higher cost settings would overwhelm whatever benefit you're getting on the drug pricing. So that's our story. We advocate for patients for access, for transparency, but we also think about the total cost of the healthcare system. And we comment very actively on all of these, there's multiple things floating around. But quite frankly, I've got this question probably every quarter for six years, and I've probably listened to it every quarter for the 21 years before that as well.

One of the things that I really feel good about this company is we talk about the breadth and the diversity of our assets. That gives us great opportunity to navigate these kinds of changes and to be part of the solution. So just like we've taken the friction out of prior authorization in pharmaceutical products, we're now saying, well, how do we deploy some of these tools to think about taking the friction out of other parts. So we don't really participate heavily in today like medical prior authorizations. So I think our toolset gives us great confidence in our ability to navigate that and also the scale of the infrastructure we have and the key services we deliver are difficult to replicate. And so in our conversations with various players in industry, we're just clear we need to get a fair value for the services that we provide. We think we have done that historically and we will continue to do that into the future.

Erin Wilson Wright
Analyst, Morgan Stanley & Co. LLC

Q

Hi. Erin Wright, Morgan Stanley. First, GLP-1s have represented a notable growth opportunity across the RxTS segment but across I guess can you speak to the durability of that and the broader prior auth business. And on the distribution side, it hasn't been as meaningful of a profit dollar driver for you. But as we see evolving competition, oral solids could that be an actual tailwind for you? And then just lastly a clarification, just given the resegmentation of that North American business, is anything changed in terms of your fiscal 2026 expectations, in terms of your underlying assumptions there or just continued kind of broad based strength that you're seeing across North America distribution? Thanks.

Britt J. Vitalone
Executive Vice President & Chief Financial Officer, McKesson Corp.

A

Yeah. I think I touched on a couple of really one-time issues that we had year-over-year, not issues but just events, if you will. We continue to see very strong performance in that segment, again that is based on the diversity of the footprint that we have, the strong utilization, consistent utilization growth that we've seen, the strength of specialty and really the diversity that we have in terms of capabilities and Part D partnerships that we have. We are still seeing strong GLP-1 distribution growth. I think I referenced $41 billion of GLP-1 distribution on our last earnings call that's still growing above 30% range. So yeah, there's still a high demand for those products. We continue to deliver those products. They are not the highest margin products that we have within the portfolio, but they're part of a larger basket that our customers offer. And so it's part of the overall solution that we deliver.

Brian Scott Tyler
Chief Executive Officer & Director, McKesson Corp.

A

Well, I mean, and I would just say if you look at the investment that's going into the GLP-1s across multiple players, not just the two primer players today, I mean I think the general feeling is this market has a lot of growth left at it and whether that's oral solids or some other formulation McKesson plays in every channel if those products are going to be required. And so I don't see this slowdown in the near term for sure.

Eric Percher
Analyst, Nephron Research LLC

Q

[indiscernible] (02:56:01) Percher from Nephron Research. If we follow the pipeline, the cell and gene and the opportunity there, I'd welcome your view on how developed that is today and what it looks like for distributors. Is it distribution centric in the future? We know you talked about Inspiro and RxTS playing a role, maybe interested also to hear do you think there are significant investments you have to make in order to create an ecosystem for cell and gene?

Brian Scott Tyler
Chief Executive Officer & Director, McKesson Corp.

A

Great question. So cell and gene is, in my view, very much in the early stages. And we, in fact, just within the last 12 months, shipped the first successful product through the infrastructure that we have built. I think we largely have the right components. You saw on the slide investment in cold chain all the way through cryo, the ability to do that. But it's a different distribution model. I mean, I don't think it's going to leverage the existing, whether it's McKesson or other, infrastructure. I mean, these are highly specialized, very complicated, not large volume, and so – and very high cost. So, the manufacturers want a very high touch and it requires, frankly, a very, very high touch. And it's not just the physical distribution, right.

You've also got to think about the financials that go along with it, the information, the coordination with patients and hospitals and providers to make sure this stuff all gets to the right place at the right time for the right person. So, we are convinced that it's, while early days, when you look at the pipeline, it's fairly robust and we think it's important now, and the reason we've made the investments now is to establish a reputation as a trusted partner in the space. So, probably not next year's growth, but just think over the next decade, we want to make sure, we're well-positioned to grow with that market.

Britt J. Vitalone
Executive Vice President & Chief Financial Officer, McKesson Corp.
A

Yeah. Just to emphasize what Brian said, and I think Kirk did a nice job laying it out, we have been making significant investments in cold chain and other capabilities to support that well ahead of the development of the market that we see as a future growth driver. So, the investments are significant. We will continue to make them.

Brian Scott Tyler
Chief Executive Officer & Director, McKesson Corp.
A

Steve?

Steven Valiquette
Analyst, Mizuho Securities USA LLC
Q

Yeah. Hi. Steve Valiquette from Mizuho. One of the earlier slides alluded to transition service agreements, or TSAs, as one of the next steps to finalize for MedSurg. Just one or two quick questions around that. First, can you just remind us on the one or two biggest operational areas, where TSAs will go into place for MedSurg. And then, just preliminarily, from a mechanical standpoint, will the RemainCo McKesson directionally benefit from providing services to MedSurg or is that fairly neutral from RemainCo, just any preliminary read on how that would might flow would help. Thanks.

Brian Scott Tyler
Chief Executive Officer & Director, McKesson Corp.
A

Yeah. Great question, Steve. I think if – as we've experienced in prior events like this, and certainly, we're going through that now, the primary services that we will transact for around IT that could be cyber security, it could be network, it could be whole host of IT capabilities, and usually, those take longer to transition over to the new company than you would think, and I know we went through that with Change Healthcare. So, there are a number of other transition services that the parent will provide, it's – again as I mentioned, there is manageable complexity, it's not no complexity, but it's manageable. IT will be the large piece of the transition service agreements.

Yeah. So, one of the things that we are evaluating as we go through this, there are costs that are allocated for us today from RemainCo to support the Medical Surgical business. We believe there is a tremendous opportunity to gain more efficiency as we separate these businesses. So, we don't look to make money on these services, between McKesson and MedSurg, and – I am staring right at Stanton.

Britt J. Vitalone
Executive Vice President & Chief Financial Officer, McKesson Corp.
A

He's smiling now.

Brian Scott Tyler
Chief Executive Officer & Director, McKesson Corp.
A

He'll keep us honest. We don't want to do that. We want to create value by separating these. And so, what is really important to us is, as we're going through the separation, how can we create more efficiency. In many ways, what Stanton is thinking about now is, are there different ways to do things than McKesson has done today, can we use more automation, can we use more technology. And so, I think that there will be opportunities that we will find as we go through this process that could gain more efficiency for both entities. Right here.

Stephen Baxter
Analyst, Wells Fargo Securities LLC

Q

Yeah. Hi. Thanks. Steve Baxter, Wells Fargo. Just wanted to ask about the inorganic contribution that you previously had sized. I think, previously, you gave us some help with what that meant for the US Pharma business. I guess, is it fair to migrate that entire dollar impact over to the new oncology and multispecialty business. I'm trying to get a sense of what the organic growth rate is there, and if I'm doing the math right, I think it could be a good deal higher than the targets that you set. We're trying to understand that dynamic a little bit better. Thank you.

Britt J. Vitalone
Executive Vice President & Chief Financial Officer, McKesson Corp.

A

Yeah. So, again, I'll guide you that our capital allocation specifically around M&A is going to be tied directly to strategies and our growth pillars. There's two areas where we will hone in our capital allocation for M&A and that's going to be oncology and multispecialty. As I talked about earlier, that's been a part of the equation over the last several year as we've been adding provides to the USON network, as we've been adding capabilities like SCRI, building out Ontada, and the other area is our biopharma services. We'll invest internally for capabilities in the North American Pharmaceutical business, but our primary M&A is going to be in oncology, multispecialty as well biopharma services.

Now, I would tell you that of the range that we provided today for the long-term AOP growth rate, it is primarily organic. There will be tuck-ins and providers that are added along the way, but the bulk of that growth rate is going to be organic. We've got Florida Cancer behind us. We've got PRISM behind us. Those are pretty large acquisitions. I know Jason and his team have a significant amount of integration work to do. We'll continue to add to that, but the organic rate for that segment is quite strong.

Brian Scott Tyler
Chief Executive Officer & Director, McKesson Corp.

A

Who has the mic? Oh, you have a question?

Q

No, just kidding.

Brian Scott Tyler
Chief Executive Officer & Director, McKesson Corp.

A

Are you kidding?

Britt J. Vitalone
Executive Vice President & Chief Financial Officer, McKesson Corp.

A

Have we exhausted you?

Brian Scott Tyler
Chief Executive Officer & Director, McKesson Corp.

A

Not even a softball? [ph] Eric (03:02:46).

Britt J. Vitalone

Executive Vice President & Chief Financial Officer, McKesson Corp.

A

[ph] Eric (03:02:47), I was waiting for you. You've been staring at me.

Q

All right. I'll ask two. I'll give you a fun one and then a fun with numbers. This deal with US Antibiotics. It's kind of interesting you're partnered with Walmart on that, and I know that's the only US producer of amoxicillin. They say they can produce enough for the entire country, just could cut out the international supply chain. Does this just go to McKesson and Walmart or are you in a position where you could partner with manufacturers like this, and also somehow, whether it's through 3PL or some other source, distribute to the other distributors?

Brian Scott Tyler

Chief Executive Officer & Director, McKesson Corp.

A

So, first off, I think of this partnership is an outcrop of 30 years, last 10 years in ClarusONE, working together strategically with Walmart. I think part of our goal in sourcing is always to make sure we have diversified sources of product, and we know this has been a pain point historically. And so, I mean, this is just an innovative way for us and Walmart to partner together. It's a secure – for us, it secure supply; for them, it secures a projected volume to make sure they can make investments and continue the capacity that they need to do. Today, it's primarily as discussed for Walmart pharmacies and then through McKesson's distribution. There's nothing that would preclude us from expanding that partnership in the future or pursuing additional partnerships like this. Obviously, we'll watch the success of this rollout and take our cues from that.

Britt J. Vitalone

Executive Vice President & Chief Financial Officer, McKesson Corp.

A

Yeah. I would just say, as it is early days, we have not assigned any specific numbers to that. We're going to continue to evaluate it. If it becomes a material growth driver for us, certainly, we'll give you some indication of that.

Brian Scott Tyler

Chief Executive Officer & Director, McKesson Corp.

A

All right. The fun with numbers question now.

Q

Fun with numbers. Yeah. One of the reasons I was hesitating, I was looking through my old notes and I couldn't find it. So, I'll probably have egg on my face. At one point in the recent past and, call it, within the last year, Britt, you broke out for us the PTS segment, the 3PL, the access, the affordability and other. You gave us rough revenue, rough AOI, those numbers changed a little bit today. At one point in the past, you went further and gave us within access, what percent of access was GLP-1 versus all others? I may have missed it today I think...

Britt J. Vitalone

Executive Vice President & Chief Financial Officer, McKesson Corp.

A

You did.

Q

I did? Okay. Great.

Britt J. Vitalone
Executive Vice President & Chief Financial Officer, McKesson Corp.

A

You did. But I'm happy to answer the question.

Q

All right. Thank you.

Britt J. Vitalone
Executive Vice President & Chief Financial Officer, McKesson Corp.

A

Kevin had a slide that showed the three pillars, and on the bottom, it had the revenue contribution and the percentage that each of those aspects contributed to AOI. The numbers will change, because what we gave you is, we gave you the FY 2025 number at that time. So, as we update, what we don't want to do is try to guide that on a long-term as it's chasing a rabbit. But what we do want to do is, give you an indication in each particular year, how much of that business is represented by 3PL, access or affordability. Kevin also mentioned today that roughly 11% of the segment's total revenues related to GLP-1 services.

Brian Scott Tyler
Chief Executive Officer & Director, McKesson Corp.

Okay. We're a little bit over time, so my apologies for that. Before we wrap today, though, I want to thank all of you for giving us your first half of your day today and for your support of McKesson. We really value your questions and your insights and appreciate your support. I also want to thank the leadership team of McKesson and the 45,000 employees of McKesson that they fearlessly lead every single day. It truly takes a village of 45,000 to deliver the story that we share with you this morning. We're incredibly excited about the future. We hope you share that optimism, and I wish you all a great rest of the day. Thank you very much.

Unverified Participant

This concludes the McKesson Investor Day. Thank you for joining us.