

# McKesson Corporation

## Second Quarter Fiscal 2025 Earnings Call

November 6, 2024

# Cautionary Statements

## Cautionary Statements

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

These risk factors include, but are not limited to: we experience costly and disruptive legal disputes and settlements, including regarding our role in distributing controlled substances such as opioids; we might experience losses not covered by insurance or indemnification; we are subject to frequently changing, extensive, complex, and challenging healthcare and other laws; we might be adversely impacted by regulatory delays or other difficulties with acquisitions or divestitures such as the transactions described in the press release; we from time to time record significant charges from impairment to goodwill, intangibles, and other long-lived assets; we experience cybersecurity incidents that might significantly compromise our technology systems or might result in material data breaches; we may be unsuccessful in achieving our strategic growth objectives; we may be unsuccessful in our efforts to implement initiatives to reduce or optimize our costs; we are impacted by customer purchase reductions, contract non-renewals, payment defaults, and bankruptcies; our contracts with government entities involve future funding and compliance risks; we might be harmed by changes in our relationships or contracts with suppliers; our use of third-party data is subject to limitations that could impede the growth of our data services business; we might be adversely impacted by healthcare reform such as changes in pricing and reimbursement models; we might be adversely impacted by competition and industry consolidation; we are adversely impacted by changes or disruptions in product supply and have had difficulties in sourcing or selling products due to a variety of causes; we might be adversely impacted as a result of our distribution of generic pharmaceuticals; we might be adversely impacted by changes in the economic environments in which we operate; changes affecting capital and credit markets might impede access to credit, increase borrowing costs, and disrupt banking services for us and our customers and suppliers and might impair the financial soundness of our customers and suppliers; we might be adversely impacted by changes in tax legislation or challenges to our tax positions; we might be adversely impacted by events outside of our control, such as widespread public health issues, natural disasters, political events and other catastrophic events; we may be adversely affected by global climate change or by legal, regulatory, or market responses to such change; and governance issues and regulations, including those related to social issues, climate change, and sustainability, and stakeholder response thereto may have an adverse effect on our business, financial condition, and results of operations and damage our reputation.

## GAAP / Non-GAAP Reconciliation

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

# Accelerating the Enterprise Sustaining Long-Term Growth and Value

## Our Purpose:

Advancing Health Outcomes for All®



- Integrity & Inclusion
- Customer-first
- Accountability
- Respect
- Excellence

## Our Growth Pillars:

Focus  
on People  
& Culture

Expand Oncology  
& Biopharma  
Platforms

Strengthen  
& Grow  
the Core

Modernize  
& Accelerate  
the Portfolio

**12% - 14%**  
**Long-Term Adjusted EPS Growth Target**

# **Second Quarter Fiscal 2025 Results**

# Strategy and Execution Accelerating and Driving Sustainable Growth

## Business Summary

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- Revenues of **\$93.7 billion** increased 21%
- Earnings per diluted share of \$1.87 decreased \$3.05
- Adjusted Earnings per Diluted Share of **\$7.07** increased 13%
- Raising and narrowing Fiscal 2025 Adjusted Earnings per Diluted Share outlook to **\$32.40 to \$33.00** from \$31.75 to \$32.55

See endnotes for details

## Company Updates

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- Continued to advance the **Oncology platform**
  - Announced an agreement to acquire a controlling interest in Florida Cancer Specialists and Research Institute LLC's Core Ventures<sup>1</sup>
  - The US Oncology Network expanded its footprint with the addition of Tennessee Cancer Specialists and Illinois CancerCare
- Announced an agreement to sell Canada-based Rexall and Well.ca retail businesses<sup>1</sup>
- Launched InspiroGene, a business focused on supporting the commercialization of cell and gene therapies
- Named as a “Best Place to Work for Disability Inclusion” for the ninth consecutive year

# Consolidated adjusted financial information

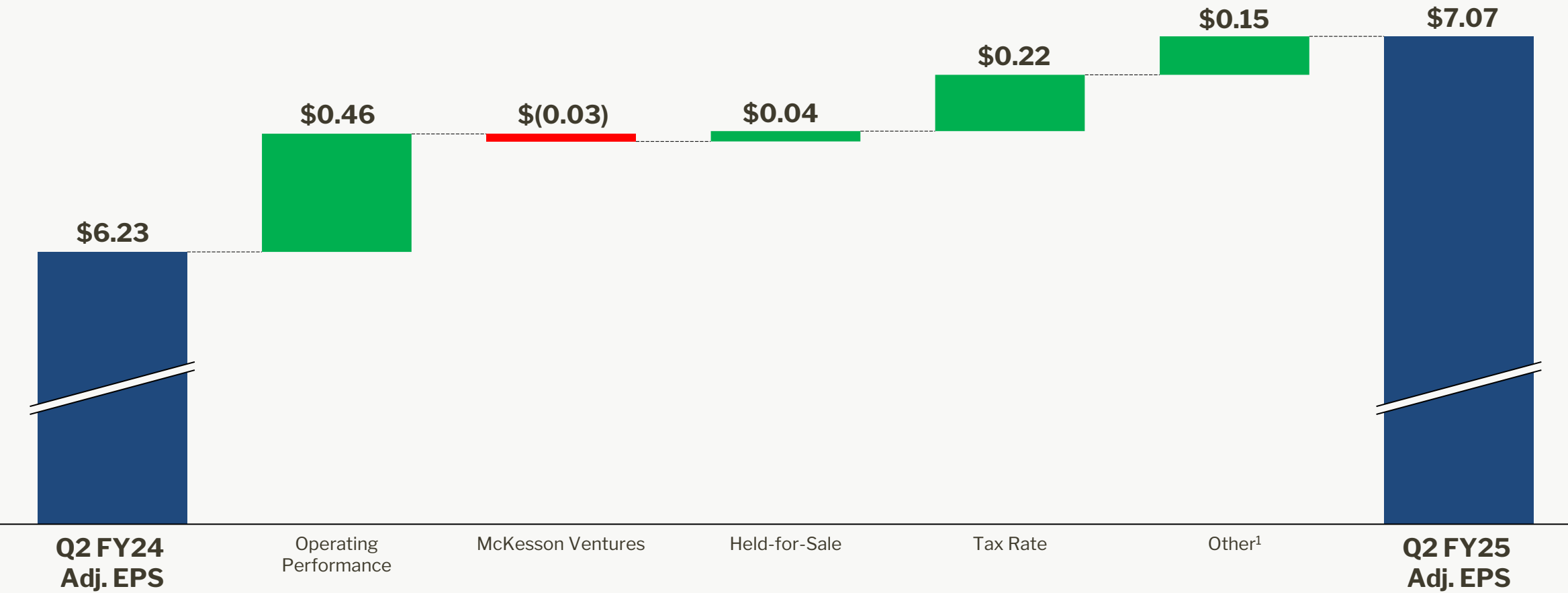
## Q2 and YTD Fiscal 2025 Results

Adjusted Results (\$ and shares in millions, except per share amounts)	Q2 FY 25	YoY Change	YTD Q2 FY 25	YoY Change
GAAP Revenues	\$ 93,651	21 %	\$ 172,934	14 %
Gross Profit	\$ 3,246	7 %	\$ 6,306	5 %
Operating Expenses	\$ (1,989)	7 %	\$ (3,916)	7 %
Operating Profit	\$ 1,291	7 %	\$ 2,596	9 %
Interest Expense	\$ (72)	31 %	\$ (142)	46 %
Income Tax Expense	\$ (256)	(6) %	\$ (416)	14 %
Net Income Attributable to Noncontrolling Interests <sup>1</sup>	\$ (48)	17 %	\$ (94)	16 %
Earnings	\$ 915	9 %	\$ 1,944	6 %
Earnings per Diluted Share	\$ 7.07	13 %	\$ 14.95	11 %
GAAP Diluted weighted-average common shares	129.3	(4) %	130.0	(4) %

See endnotes for details

# Adjusted Earnings Per Share Results

Fiscal 2025 Q2 year-over-year



See endnotes for details

# U.S. Pharmaceutical

## Q2 and YTD Fiscal 2025 Results

Results (\$ in millions)	Q2 FY 25	YoY Change	YTD Q2 FY 25	YoY Change
<b>U.S. Pharmaceutical</b>				
Revenues	\$ 85,726	23 %	\$ 157,441	15 %
Adjusted Segment Operating Profit	\$ 902	11 %	\$ 1,717	8 %
Adjusted Segment Operating Profit Margin	1.05 %	(12) bp	1.09 %	(7) bp

**Q2 revenue** growth driven by increased prescription volumes, including higher volumes from retail national account customers, specialty products, and GLP-1 medications

**Q2 Adjusted Segment Operating Profit** increase driven by growth in the distribution of specialty products to providers and health systems



# Prescription Technology Solutions

## Q2 and YTD Fiscal 2025 Results

Results (\$ in millions)	Q2 FY 25	YoY Change	YTD Q2 FY 25	YoY Change
<b>Prescription Technology Solutions</b>				
Revenues	\$ 1,265	11 %	\$ 2,506	5 %
Adjusted Segment Operating Profit	\$ 218	4 %	\$ 441	2 %
Adjusted Segment Operating Profit Margin	17.23 %	(110) bp	17.60 %	(52) bp

**Q2 revenue** increase driven by increased prescription volumes in our third-party logistics and technology services businesses

**Q2 Adjusted Segment Operating Profit** increase driven by growth in affordability and access solutions, partially offset by increased investments to support future growth

# Medical-Surgical Solutions

## Q2 and YTD Fiscal 2025 Results

Results (\$ in millions)	Q2 FY 25	YoY Change	YTD Q2 FY 25	YoY Change
<b>Medical-Surgical Solutions</b>				
Revenues	\$ 2,948	4 %	\$ 5,584	3 %
Adjusted Segment Operating Profit	\$ 243	(4) %	\$ 443	(9) %
Adjusted Segment Operating Profit Margin	8.24 %	(72) bp	7.93 %	(105) bp

**Q2 revenue** increase driven by higher volumes of specialty pharmaceuticals, including vaccines in the primary care channel

**Q2 Adjusted Segment Operating Profit** decrease driven by lower volumes and customer mix, partially offset by growth in the extended care business

# International

## Q2 and YTD Fiscal 2025 Results

Results (\$ in millions)	Q2 FY 25	YoY Change	YTD Q2 FY 25	YoY Change
<b>International</b>				
Revenues	\$ 3,709	7 %	\$ 7,400	7 %
Adjusted Segment Operating Profit	\$ 100	12 %	\$ 202	13 %
Adjusted Segment Operating Profit Margin	2.70 %	14 bp	2.73 %	15 bp

**Q2 revenue** increase driven by higher pharmaceutical distribution volumes in the Canadian business

**Q2 Adjusted Segment Operating Profit** increase driven by higher pharmaceutical distribution volumes in the Canadian business and discontinued recording of depreciation and amortization on Canada-based Rexall and Well.ca retail businesses, which were classified as held for sale during the quarter

# Corporate

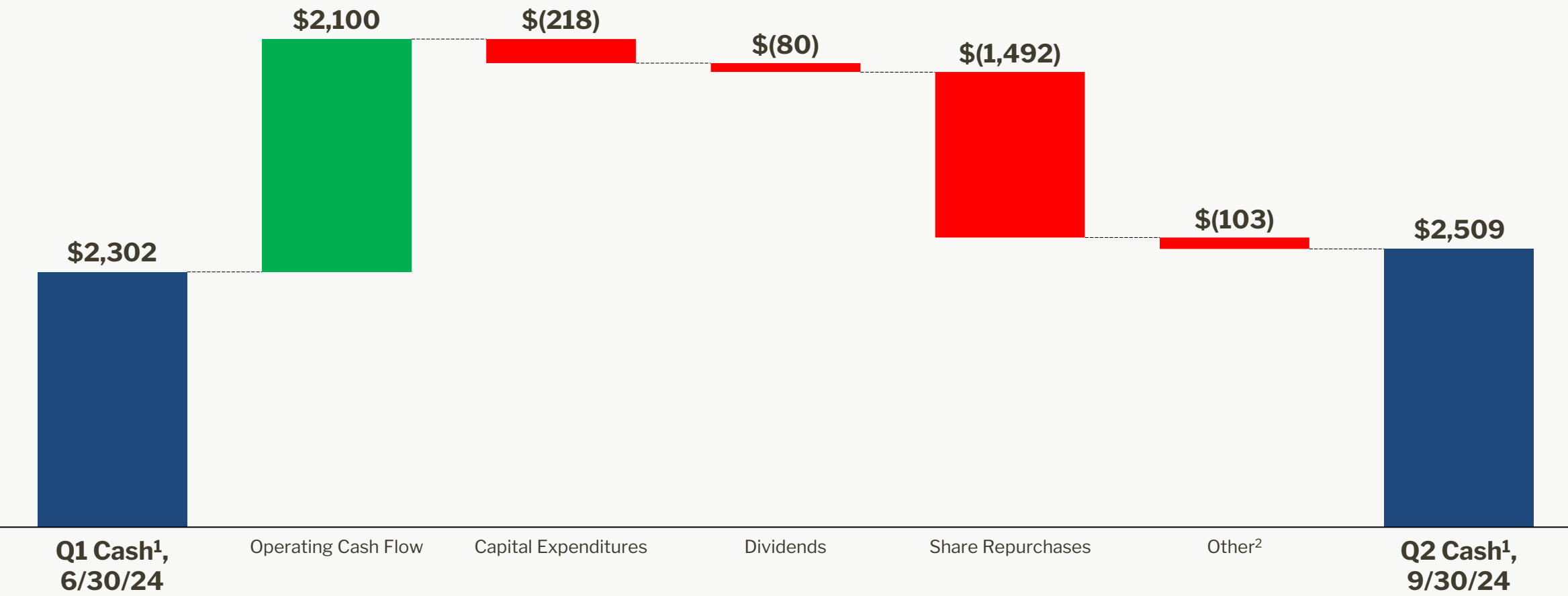
## Q2 and YTD Fiscal 2025 Results

Results (\$ in millions)	Q2 FY 25	YoY Change	YTD Q2 FY 25	YoY Change
<b><u>Corporate</u></b>				
Revenues	\$ 3	— %	\$ 3	— %
Adjusted Corporate Expenses	\$ (172)	8 %	\$ (207)	(33) %

**Q2 Adjusted Corporate Expenses** increase driven by pre-tax losses of \$15 million associated with McKesson Ventures’ equity investments, compared to pre-tax losses of \$10 million in the second quarter of fiscal 2024

# Consistent cash flow + capital allocation driving shareholder value

(\$ in millions)



See endnotes for details

# Fiscal 2025 Outlook

On the following slides, McKesson presents an overview of its fiscal 2025 Outlook and assumptions. The company does not provide forward-looking guidance on a GAAP basis as McKesson is unable to provide a quantitative reconciliation of forward-looking Non-GAAP measures to the most directly comparable forward-looking GAAP measure, without unreasonable effort. McKesson cannot reasonably forecast LIFO inventory-related adjustments, certain litigation loss and gain contingencies, restructuring, impairment and related charges, and other adjustments, which are difficult to predict and estimate. These items are generally uncertain and depend on various factors, many of which are beyond the company's control, and as such, any associated estimate and its impact on GAAP performance could vary materially.

# Raising Fiscal 2025 Adjusted EPS outlook

# \$32.40 to \$33.00

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## Strong Business Performance

Fiscal 2025 **Adjusted Operating Profit** growth of **13% to 15%** compared to the prior year

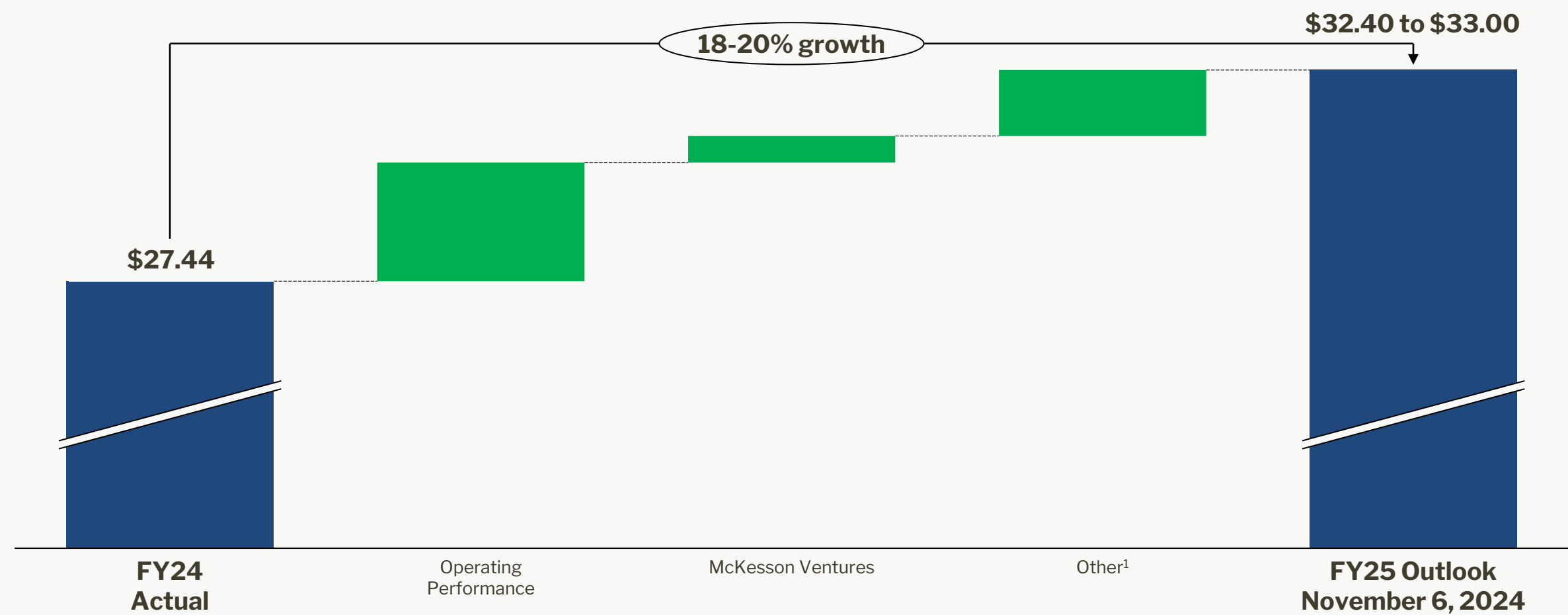
Fiscal 2025 **Adjusted Earnings per Diluted Share** guidance range indicates **18% to 20% growth** compared to the prior year

## Capital Deployment

Raised the full year share repurchases target from approximately \$2.8 billion to **approximately \$3.2 billion**

Focused investments to accelerate the growth of our oncology and biopharma services platforms

# Fiscal 2025 Adjusted EPS outlook



See endnotes for details



# Fiscal 2025 adjusted outlook

## Consolidated metrics

Metric	Fiscal 2025 Outlook	Fiscal 2024 Actual
Earnings per Diluted Share	<b>\$32.40 to \$33.00</b> <i>Previously \$31.75 to \$32.55</i>	\$27.44
GAAP Revenues	<b>15% to 17% growth</b> <i>Previously 13% to 15% growth</i>	12% growth
Operating Profit	<b>13% to 15% growth</b> <i>Previously 10% to 15% growth</i>	2% decline
Corporate Expenses	<b>\$510 to \$560 million</b> <i>Previously \$495 to \$555 million</i>	\$648 million
Interest Expense	<b>\$240 to \$260 million</b> <i>Previously \$245 to \$265 million</i>	\$230 million
Income Attributable to Noncontrolling Interests <sup>1</sup>	<b>\$180 to \$190 million</b> <i>Previously \$175 to \$185 million</i>	\$165 million
Effective Tax Rate	17% to 19%	17.7%
Free Cash Flow	\$4.8 to \$5.2 billion	\$3.6 billion
Share repurchases	<b>Approximately \$3.2 billion</b> <i>Previously Approximately \$2.8 billion</i>	\$3.0 billion
GAAP Diluted weighted average common shares	<b>127 to 129 million</b> <i>Previously 128 to 130 million</i>	134.1 million

See endnotes for details

# Fiscal 2025 adjusted outlook

## Segment metrics

	U.S. Pharmaceutical	Prescription Technology Solutions	Medical-Surgical Solutions	International
Revenue	<b>16% to 19% growth</b> <i>Previously 13% to 16% growth</i>	<b>8% to 12% growth</b> <i>Previously 14% to 18% growth</i>	<b>1% to 5% growth</b> <i>Previously 3% to 7% growth</i>	<b>5% to 9% growth</b> <i>Previously 4% to 8% growth</i>
Adjusted Operating Profit	<b>9% to 11% growth</b> <i>Previously 8% to 10% growth</i>	11% to 15% growth	Low end of 6% to 8% growth	<b>16% to 20% growth</b> <i>Previously 8% to 12% growth</i>

# Appendix

# Endnotes

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

## Slide 3 – Accelerating the Enterprise

1. Long-Term Adjusted EPS Growth Target excludes gains or losses associated with McKesson Venture's portfolio investments

## Slide 5 – Strategy and Execution Accelerating and Driving Sustainable Growth

1. Subject to customary closing conditions, including required regulatory clearance

## Slide 6 – Consolidated adjusted financial information

1. Non-GAAP measure representing Net income attributable to noncontrolling interests adjusted for the proportionate share of acquisition-related intangibles amortization and transaction-related expenses of \$2 million in the second quarter of fiscal 2025 and \$3 million in the first six months of fiscal 2025

## Slide 7 – Adjusted Earnings Per Share Results

1. Includes Adjusted Net Income Attributable to Non-Controlling Interests; Adjusted Interest Rate; and Diluted weighted average common shares

## Slide 13 – Consistent cash flow + capital allocation driving shareholder value

1. Cash comprises cash and cash equivalents
2. Include Other non-capital expenditure investing; net cash movement in Long-Term Debt; Common Stock Issuances, Other Financing, the effect of exchange rate changes on cash, cash equivalents, and restricted; cash classified as Assets held for sale

## Slide 16 – Fiscal 2025 Adjusted EPS outlook

1. Includes Adjusted Effective Tax Rate; Adjusted Net Income Attributable to Non-Controlling Interests; Adjusted Interest Expense; Diluted weighted average common shares; and discontinued recording of depreciation and amortization on Canada based businesses, which were classified as held for sale during the quarter

## Slide 17 – Fiscal 2025 adjusted outlook (Consolidated metrics)

1. Non-GAAP measure representing Net income attributable to noncontrolling interests adjusted for the proportionate share of acquisition-related intangibles amortization and transaction-related expenses

# GAAP to Non-GAAP Reconciliation

## Q2 Fiscal 2025 and Q2 Fiscal 2024

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

**Schedule 2**

	Three Months Ended September 30,			Six Months Ended September 30,		
	2024	2023	Change	2024	2023	Change
Net income (GAAP)	\$ 287	\$ 703	(59)%	\$ 1,247	\$ 1,700	(27)%
Net income attributable to noncontrolling interests (GAAP)	(46)	(39)	18	(91)	(78)	17
<b>Net income attributable to McKesson Corporation (GAAP)</b>	<b>241</b>	<b>664</b>	<b>(64)</b>	<b>1,156</b>	<b>1,622</b>	<b>(29)</b>
Pre-tax adjustments:						
Amortization of acquisition-related intangibles	60	62	(3)	123	124	(1)
Transaction-related expenses and adjustments <sup>(1)</sup>	665	(37)	—	680	(28)	—
LIFO inventory-related adjustments	(2)	55	(104)	(4)	87	(105)
Gains from antitrust legal settlements	(63)	(79)	(20)	(153)	(197)	(22)
Restructuring, impairment, and related charges, net <sup>(2)</sup>	234	28	736	244	80	205
Claims and litigation charges, net <sup>(3)</sup>	(4)	(2)	100	108	(2)	—
Other adjustments, net <sup>(4)(5)</sup>	(205)	210	(198)	(162)	210	(177)
Income tax effect on pre-tax adjustments	(9)	(58)	(84)	(45)	(59)	(24)
Net income attributable to noncontrolling interests effect on pre-tax adjustments	(2)	(2)	—	(3)	(3)	—
<b>Adjusted Earnings (Non-GAAP)</b>	<b>\$ 915</b>	<b>\$ 841</b>	<b>9 %</b>	<b>\$ 1,944</b>	<b>\$ 1,834</b>	<b>6 %</b>

# GAAP to Non-GAAP Reconciliation

## Q2 Fiscal 2025 and Q2 Fiscal 2024

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

**Schedule 2**  
**(Continued)**

	Three Months Ended September 30,			Six Months Ended September 30,		
	2024	2023	Change	2024	2023	Change
<b>Earnings per diluted common share attributable to McKesson Corporation (GAAP) <sup>(a)</sup></b>	\$ 1.87	\$ 4.92	(62)%	\$ 8.89	\$ 11.95	(26)%
After-tax adjustments:						
Amortization of acquisition-related intangibles	0.33	0.35	(6)	0.69	0.70	(1)
Transaction-related expenses and adjustments	5.11	(0.19)	—	5.18	(0.10)	—
LIFO inventory-related adjustments	(0.01)	0.30	(103)	(0.02)	0.47	(104)
Gains from antitrust legal settlements	(0.36)	(0.43)	(16)	(0.87)	(1.07)	(19)
Restructuring, impairment, and related charges, net	1.33	0.16	731	1.39	0.44	216
Claims and litigation charges, net	(0.03)	(0.02)	50	0.61	(0.02)	—
Other adjustments, net	(1.17)	1.14	(203)	(0.92)	1.14	(181)
<b>Adjusted Earnings per Diluted Share (Non-GAAP) <sup>(a)</sup></b>	<u>\$ 7.07</u>	<u>\$ 6.23</u>	13	<u>\$ 14.95</u>	<u>\$ 13.51</u>	11 %
Diluted weighted-average common shares outstanding	<u>129.3</u>	<u>134.8</u>	(4)%	<u>130.0</u>	<u>135.7</u>	(4)%

# GAAP to Non-GAAP Reconciliation

## Q2 Fiscal 2025 and Q2 Fiscal 2024

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

**Schedule 2**  
**(Continued)**

	Three Months Ended September 30,			Six Months Ended September 30,		
	2024	2023	Change	2024	2023	Change
<b>Gross profit (GAAP)</b>	\$ 3,248	\$ 3,069	6 %	\$ 6,400	\$ 6,091	5 %
Pre-tax adjustments:						
LIFO inventory-related adjustments	(2)	55	(104)	(4)	87	(105)
Gains from antitrust legal settlements	(63)	(79)	(20)	(153)	(197)	(22)
Restructuring, impairment, and related charges, net <sup>(2)</sup>	63	—	—	63	—	—
<b>Adjusted Gross Profit (Non-GAAP)</b>	<u>\$ 3,246</u>	<u>\$ 3,045</u>	7 %	<u>\$ 6,306</u>	<u>\$ 5,981</u>	5 %
<b>Total operating expenses (GAAP)</b>	\$ (2,670)	\$ (2,118)	26 %	\$ (4,793)	\$ (4,040)	19 %
Pre-tax adjustments:						
Amortization of acquisition-related intangibles	60	62	(3)	123	124	(1)
Transaction-related expenses and adjustments <sup>(1)</sup>	659	(43)	—	670	(39)	—
Restructuring, impairment, and related charges, net <sup>(2)</sup>	171	28	511	181	80	126
Claims and litigation charges, net <sup>(3)</sup>	(4)	(2)	100	108	(2)	—
Other adjustments, net <sup>(4)</sup>	(205)	210	(198)	(205)	210	(198)
<b>Adjusted Operating Expenses (Non-GAAP)</b>	<u>\$ (1,989)</u>	<u>\$ (1,863)</u>	7 %	<u>\$ (3,916)</u>	<u>\$ (3,667)</u>	7 %
<b>Other income, net (GAAP)</b>	\$ 34	\$ 26	31 %	\$ 164	\$ 64	156 %
Pre-tax adjustments:						
Transaction-related expenses and adjustments	—	—	—	(1)	—	—
Other adjustments, net <sup>(5)</sup>	—	—	—	43	—	—
<b>Adjusted Other Income (Non-GAAP)</b>	<u>\$ 34</u>	<u>\$ 26</u>	31 %	<u>\$ 206</u>	<u>\$ 64</u>	222 %

# GAAP to Non-GAAP Reconciliation

## Q2 Fiscal 2025 and Q2 Fiscal 2024

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

**Schedule 2**  
**(Continued)**

	Three Months Ended September 30,			Six Months Ended September 30,		
	2024	2023	Change	2024	2023	Change
<b>Interest expense (GAAP)</b>	\$ (78)	\$ (61)	28 %	\$ (153)	\$ (108)	42 %
Pre-tax adjustments:						
Transaction-related expenses and adjustments	6	6	—	11	11	—
<b>Adjusted Interest Expense (Non-GAAP)</b>	<u>\$ (72)</u>	<u>\$ (55)</u>	31 %	<u>\$ (142)</u>	<u>\$ (97)</u>	46 %
<b>Income tax expense (GAAP)</b>	\$ (247)	\$ (213)	16 %	\$ (371)	\$ (307)	21 %
Tax adjustments:						
Amortization of acquisition-related intangibles	(15)	(13)	15	(30)	(27)	11
Transaction-related expenses and adjustments <sup>(1)</sup>	(4)	10	(140)	(7)	14	(150)
LIFO inventory-related adjustments	—	(14)	(100)	1	(22)	105
Gains from antitrust legal settlements	17	21	(19)	40	51	(22)
Restructuring, impairment, and related charges, net <sup>(2)</sup>	(62)	(7)	786	(64)	(20)	220
Claims and litigation charges, net <sup>(3)</sup>	—	—	—	(28)	—	—
Other adjustments, net <sup>(4)(5)</sup>	55	(55)	200	43	(55)	178
<b>Adjusted Income Tax Expense (Non-GAAP)</b>	<u>\$ (256)</u>	<u>\$ (271)</u>	(6)%	<u>\$ (416)</u>	<u>\$ (366)</u>	14 %



# GAAP to Non-GAAP Reconciliation

## Q2 Fiscal 2025 and Q2 Fiscal 2024

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

**Schedule 2**  
**(Continued)**

(a) Certain computations may reflect rounding adjustments.  
Any percentage changes displayed which are not meaningful are displayed as zero percent.  
Refer to the section entitled "Financial Statement Notes" of this presentation.

For more information relating to the Adjusted Earnings (Non-GAAP), Adjusted Earnings per Diluted Share (Non-GAAP), Adjusted Gross Profit (Non-GAAP), Adjusted Operating Expenses (Non-GAAP), Adjusted Other income (Non-GAAP), Adjusted Interest Expense (Non-GAAP), and Adjusted Income Tax Expense (Non-GAAP) definitions, refer to the section entitled "Supplemental Non-GAAP Financial Information" of this presentation.

# GAAP to Non-GAAP Reconciliation

## Q2 Fiscal 2025 and Q2 Fiscal 2024

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

**Schedule 3**

	Three Months Ended September 30,							
	2024			2023			Change	
	As reported (GAAP)	Adjustments	As adjusted (Non-GAAP)	As reported (GAAP)	Adjustments	As adjusted (Non-GAAP)	As reported (GAAP)	As adjusted (Non-GAAP)
REVENUES								
U.S. Pharmaceutical	\$ 85,726	\$ —	\$ 85,726	\$ 69,766	\$ —	\$ 69,766	23 %	23 %
Prescription Technology Solutions	1,265	—	1,265	1,140	—	1,140	11	11
Medical-Surgical Solutions	2,948	—	2,948	2,834	—	2,834	4	4
International	3,709	—	3,709	3,475	—	3,475	7	7
Corporate	3	—	3	—	—	—	—	—
Revenues	<u>\$ 93,651</u>	<u>\$ —</u>	<u>\$ 93,651</u>	<u>\$ 77,215</u>	<u>\$ —</u>	<u>\$ 77,215</u>	21 %	21 %
OPERATING PROFIT								
U.S. Pharmaceutical <sup>(2) (4)</sup>	\$ 1,075	\$ (173)	\$ 902	\$ 593	\$ 222	\$ 815	81 %	11 %
Prescription Technology Solutions	205	13	218	238	(29)	209	(14)	4
Medical-Surgical Solutions <sup>(2)</sup>	89	154	243	244	10	254	(64)	(4)
International <sup>(1)</sup>	(508)	608	100	66	23	89	(870)	12
Subtotal	861	602	1,463	1,141	226	1,367	(25)	7
Corporate expenses, net <sup>(1) (2)</sup>	(249)	77	(172)	(164)	5	(159)	52	8
Income before interest expense and income taxes	<u>\$ 612</u>	<u>\$ 679</u>	<u>\$ 1,291</u>	<u>\$ 977</u>	<u>\$ 231</u>	<u>\$ 1,208</u>	(37) %	7 %
OPERATING PROFIT AS A % OF REVENUES								
U.S. Pharmaceutical	1.25 %		1.05 %	0.85 %		1.17 %	40 bp	(12) bp
Prescription Technology Solutions	16.21		17.23	20.88		18.33	(467)	(110)
Medical-Surgical Solutions	3.02		8.24	8.61		8.96	(559)	(72)
International	(13.70)		2.70	1.90		2.56	(1,560)	14

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

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

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

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**MCKESSON**

# GAAP to Non-GAAP Reconciliation

## Q2 Fiscal 2025 and Q2 Fiscal 2024

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

**Schedule 3**  
**(Continued)**

	Six Months Ended September 30,							
	2024			2023			Change	
	As reported (GAAP)	Adjustments	As adjusted (Non-GAAP)	As reported (GAAP)	Adjustments	As adjusted (Non-GAAP)	As reported (GAAP)	As adjusted (Non-GAAP)
REVENUES								
U.S. Pharmaceutical	\$ 157,441	\$ —	\$ 157,441	\$ 136,926	\$ —	\$ 136,926	15 %	15 %
Prescription Technology Solutions	2,506	—	2,506	2,384	—	2,384	5	5
Medical-Surgical Solutions	5,584	—	5,584	5,445	—	5,445	3	3
International	7,400	—	7,400	6,943	—	6,943	7	7
Corporate	3	—	3	—	—	—	—	—
Revenues	\$ 172,934	\$ —	\$ 172,934	\$ 151,698	\$ —	\$ 151,698	14 %	14 %
OPERATING PROFIT								
U.S. Pharmaceutical <sup>(2) (3) (4) (5)</sup>	\$ 1,856	\$ (139)	\$ 1,717	\$ 1,420	\$ 166	\$ 1,586	31 %	8 %
Prescription Technology Solutions	408	33	441	469	(37)	432	(13)	2
Medical-Surgical Solutions <sup>(2)</sup>	277	166	443	471	18	489	(41)	(9)
International <sup>(1)</sup>	(418)	620	202	123	56	179	(440)	13
Subtotal	2,123	680	2,803	2,483	203	2,686	(14)	4
Corporate expenses, net <sup>(1) (2) (3) (6)</sup>	(352)	145	(207)	(368)	60	(308)	(4)	(33)
Income before interest expense and income taxes	\$ 1,771	\$ 825	\$ 2,596	\$ 2,115	\$ 263	\$ 2,378	(16) %	9 %
OPERATING PROFIT AS A % OF REVENUES								
U.S. Pharmaceutical	1.18 %		1.09 %	1.04 %		1.16 %	14 bp	(7) bp
Prescription Technology Solutions	16.28		17.60	19.67		18.12	(339)	(52)
Medical-Surgical Solutions	4.96		7.93	8.65		8.98	(369)	(105)
International	(5.65)		2.73	1.77		2.58	(742)	15

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

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

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

# GAAP to Non-GAAP Reconciliation

## Q2 Fiscal 2025 and Q2 Fiscal 2024

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

**Schedule 6**

	Six Months Ended September 30,		
	2024	2023	Change
<b>GAAP CASH FLOW CATEGORIES</b>			
Net cash provided by (used in) operating activities	\$ 720	\$ (87)	928 %
Net cash used in investing activities	(373)	(315)	18
Net cash used in financing activities	(2,408)	(1,752)	37
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	1	(1)	200
Change in cash, cash equivalents, and restricted cash classified as Assets held for sale	(14)	—	—
Net decrease in cash, cash equivalents, and restricted cash	<u>\$ (2,074)</u>	<u>\$ (2,155)</u>	(4)%
<b>FREE CASH FLOW (NON-GAAP)</b>			
Net cash provided by (used in) operating activities	\$ 720	\$ (87)	928 %
Payments for property, plant, and equipment	(242)	(153)	58
Capitalized software expenditures	(143)	(111)	29
<b>Free Cash Flow (Non-GAAP)</b>	<u>\$ 335</u>	<u>\$ (351)</u>	195 %

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

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

# Financial Statement Notes

## McKESSON CORPORATION FINANCIAL STATEMENT NOTES

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- (1) Transaction-related expenses and adjustments for the three and six months ended September 30, 2024 includes a net loss of \$643 million (pre-tax and after-tax), to remeasure assets and liabilities held for sale to fair value less costs to sell related to an agreement to sell certain of our Canadian businesses. Net charges (pre-tax and after-tax) of \$593 million included within International, and \$50 million included within Corporate expenses, net, for the three and six months ended September 30, 2024. These net charges are primarily to remeasure assets and liabilities held for sale to fair value less costs to sell, including the effect of accumulated other comprehensive income balances associated with the disposal group, and are included under "total operating expenses" in the reconciliation of McKesson's GAAP operating results to adjusted results (Non-GAAP) provided in Schedule 2 of the accompanying financial statement tables.
- (2) Restructuring, impairment, and related charges, net for the three and six months ended September 30, 2024 includes pre-tax charges of \$234 million (\$172 million after-tax) and \$244 million (\$180 million after-tax), respectively, primarily within Medical-Surgical Solutions, U.S. Pharmaceutical, and Corporate expenses, net. The three and six months ended September 30, 2023 includes pre-tax charges of \$28 million (\$21 million after-tax) and \$80 million (\$60 million after-tax), respectively, primarily within Corporate expenses, net. These charges are included under "gross profit" and "total operating expenses" in the reconciliation of McKesson's GAAP operating results to adjusted results (Non-GAAP) provided in Schedule 2 of the accompanying financial statement tables.
- (3) Claims and litigation charges, net for the six months ended September 30, 2024 includes pre-tax charges of \$114 million (\$86 million after-tax) related to our estimated liability for opioid-related claims of a nationwide group of certain third-party payors. We recorded charges of \$57 million (\$43 million after-tax) within Corporate expenses, net and \$57 million (\$43 million after-tax) within U.S. Pharmaceutical. These charges are included under "total operating expenses" in the reconciliation of McKesson's GAAP operating results to adjusted results (Non-GAAP) provided in Schedule 2 of the accompanying financial statement tables.
- (4) Other adjustments, net for the three and six months ended September 30, 2024 includes a pre-tax credit of \$203 million (\$150 million after-tax), and for the three and six months ended September 30, 2023 includes a pre-tax charge of \$210 million (\$155 million after-tax), within U.S. Pharmaceutical related to the bankruptcy petition filing of our customer, Rite Aid Corporation (including certain of its subsidiaries, "Rite Aid") filed in October 2023. The charge within the second quarter of fiscal 2024 represents the remaining uncollected trade accounts receivable balance as of September 30, 2023 due to us from Rite Aid. After Rite Aid successfully emerged from bankruptcy in August 2024, we reassessed our initial estimates made in conjunction with the previously reserved prepetition balances including cash received during the period, resulting in the credit recorded in the second quarter of fiscal 2025. Management believes the credit and charge are not reflective of allowances and estimated recoveries recorded in the normal course of operations and are related to Rite Aid's bankruptcy reorganization, and therefore are excluded from the determination of our adjusted results (Non-GAAP). These amounts are included under "total operating expenses" in the reconciliation of McKesson's GAAP operating results to adjusted results (Non-GAAP) provided in Schedule 2 of the accompanying financial statement tables.

# Financial Statement Notes

## FINANCIAL STATEMENT NOTES (continued)

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- (5) Other adjustments, net for the six months ended September 30, 2024 includes a pre-tax charge of \$43 million (\$31 million after-tax) within U.S. Pharmaceutical related to a loss from one of the Company's investments in equity securities. This charge is included under "other income, net" in the reconciliation of McKesson's GAAP operating results to adjusted results (Non-GAAP) provided in Schedule 2 of the accompanying financial statement tables.
- (6) During the six months ended September 30, 2024, the Company recognized a pre-tax net gain of \$100 million (\$74 million after-tax) within Corporate expenses, net related to a recapitalization event of one of our investments in equity securities, which resulted in an increase to the carrying value of this investment. This gain was recorded in "Other income, net" in the Condensed Consolidated Statements of Operations (GAAP) provided in Schedule 1 of the accompanying financial statement tables.

# Supplemental Non-GAAP Financial Information

## McKESSON CORPORATION SUPPLEMENTAL NON-GAAP FINANCIAL INFORMATION

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

- **Adjusted Gross Profit (Non-GAAP):** We define Adjusted Gross Profit as GAAP gross profit, excluding transaction-related expenses and adjustments, last-in, first-out ("LIFO") inventory-related adjustments, gains from antitrust legal settlements, and other adjustments.
- **Adjusted Operating Expenses (Non-GAAP):** We define Adjusted Operating Expenses as GAAP total operating expenses, excluding amortization of acquisition-related intangibles, transaction-related expenses and adjustments, restructuring, impairment, and related charges, claims and litigation charges, and other adjustments.
- **Adjusted Other Income (Non-GAAP):** We define Adjusted Other Income as GAAP other income (expense), net, excluding amortization of acquisition-related intangibles, transaction-related expenses and adjustments, and other adjustments.
- **Adjusted Interest Expense (Non-GAAP):** We define Adjusted Interest Expense as GAAP interest expense, excluding transaction-related expenses and adjustments related to net interest expense incurred from cross-currency swaps used to hedge the changes in the fair value of the Company's foreign currency-denominated notes resulting from changes in benchmark interest rates and foreign currency exchange rates. The foreign currency-denominated notes were previously designated as non-derivative net investment hedges of portions of the Company's net investments in its now-divested European businesses against the effect of exchange rate fluctuations on the translation of foreign currency balances to the U.S. dollar.
- **Adjusted Income Tax Expense (Non-GAAP):** We define Adjusted Income Tax Expense as GAAP income tax benefit (expense), excluding the income tax effects of amortization of acquisition-related intangibles, transaction-related expenses and adjustments, LIFO inventory-related adjustments, gains from antitrust legal settlements, restructuring, impairment, and related charges, claims and litigation charges, and other adjustments. Income tax effects are calculated in accordance with Accounting Standards Codification ("ASC") 740, "Income Taxes," which is the same accounting principle used by the Company when presenting its GAAP financial results.
- **Adjusted Earnings (Non-GAAP):** We define Adjusted Earnings as GAAP income from continuing operations attributable to McKesson, excluding amortization of acquisition-related intangibles, transaction-related expenses and adjustments, LIFO inventory-related adjustments, gains from antitrust legal settlements, restructuring, impairment, and related charges, claims and litigation charges, other adjustments, as well as the related income tax effects for each of these items, as applicable.
- **Adjusted Earnings per Diluted Share (Non-GAAP):** We define Adjusted Earnings per Diluted Share as GAAP earnings per diluted common share from continuing operations attributable to McKesson, excluding per share impacts of amortization of acquisition-related intangibles, transaction-related expenses and adjustments, LIFO inventory-related adjustments, gains from antitrust legal settlements, restructuring, impairment, and related charges, claims and litigation charges, other adjustments, as well as the related income tax effects for each of these items, as applicable, divided by diluted weighted-average shares outstanding.

# Supplemental Non-GAAP Financial Information

## SUPPLEMENTAL NON-GAAP FINANCIAL INFORMATION (continued)

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- **Adjusted Segment Operating Profit (Non-GAAP) and Adjusted Segment Operating Profit Margin (Non-GAAP):** We define Adjusted Segment Operating Profit as GAAP segment operating profit, excluding amortization of acquisition-related intangibles, transaction-related expenses and adjustments, LIFO inventory-related adjustments, gains from antitrust legal settlements, restructuring, impairment, and related charges, and other adjustments. We define Adjusted Segment Operating Profit Margin as Adjusted Segment Operating Profit (Non-GAAP) divided by GAAP segment revenues.
- **Adjusted Corporate Expenses (Non-GAAP):** We define Adjusted Corporate Expenses as GAAP corporate expenses, net, excluding transaction-related expenses and adjustments, restructuring, impairment, and related charges, claims and litigation charges, and other adjustments.
- **Adjusted Operating Profit (Non-GAAP):** We define Adjusted Operating Profit as GAAP income from continuing operations before interest expense and income taxes, excluding amortization of acquisition-related intangibles, transaction-related expenses and adjustments, LIFO inventory-related adjustments, gains from antitrust legal settlements, restructuring, impairment, and related charges, claims and litigation charges, and other adjustments.

The following provides further details regarding the adjustments made to our GAAP financial results to arrive at our Non-GAAP measures as defined above:

Amortization of acquisition-related intangibles - Amortization charges for intangible assets directly related to business combinations and the formation of joint ventures.

Transaction-related expenses and adjustments - Transaction, integration, and other expenses that are directly related to business combinations, the formation of joint ventures, divestitures, and other transaction-related costs including initial public offering costs. Examples include transaction closing costs, professional service fees, legal fees, severance charges, retention payments and employee relocation expenses, facility or other exit-related expenses, certain fair value adjustments including deferred revenues, contingent consideration and inventory, recoveries of acquisition-related expenses or post-closing expenses, net interest expense impact of hedging foreign currency-denominated notes, bridge loan fees and gains or losses on business combinations, and divestitures of businesses that do not qualify as discontinued operations.

LIFO inventory-related adjustments - LIFO inventory-related non-cash charges or credit adjustments.

Gains from antitrust legal settlements - Net cash proceeds representing the Company's share of antitrust legal settlements.

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

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



# Supplemental Non-GAAP Financial Information

## SUPPLEMENTAL NON-GAAP FINANCIAL INFORMATION (continued)

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

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

- **Free Cash Flow (Non-GAAP):** We define free cash flow as net cash provided by (used in) operating activities less payments for property, plant, and equipment and capitalized software expenditures, as disclosed in our condensed consolidated statements of cash flows. A reconciliation of McKesson's GAAP financial results to Free Cash Flow (Non-GAAP) is provided in Schedule 6 of the financial statement tables included with this presentation.

The Company believes the presentation of Non-GAAP measures provides useful supplemental information to investors with regard to its operating performance, as well as assists with the comparison of its past financial performance to the Company's future financial results. Moreover, the Company believes that the presentation of Non-GAAP measures assists investors' ability to compare its financial results to those of other companies in the same industry. However, the Company's Non-GAAP measures used in this presentation may be defined and calculated differently by other companies in the same industry.

The Company internally uses both GAAP and Non-GAAP financial measures in connection with its own financial planning and reporting processes. Management utilizes Non-GAAP financial measures when allocating resources, deploying capital, as well as assessing business performance, and determining employee incentive compensation. The Company conducts its businesses internationally in local currencies, including Canadian dollars, Euro, and British pound sterling. As a result, the comparability of our results reported in U.S. dollars can be affected by changes in foreign currency exchange rates. We believe free cash flow is important to management and useful to investors as a supplemental measure as it indicates the cash flow available for working capital needs, re-investment opportunities, strategic acquisitions, share repurchases, dividend payments, or other strategic uses of cash. Nonetheless, Non-GAAP adjusted results and related Non-GAAP measures disclosed by the Company should not be considered a substitute for, nor superior to, financial results and measures as determined or calculated in accordance with GAAP.