

# Q4 Fiscal 2016 Earnings Call

## May 4, 2016

### Supplemental Slides

## Forward-Looking Statements

Some of the information in this presentation is not historical in nature and may constitute forward-looking statements, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements may be identified by the use of forward-looking terminology such as “believes,” “expects,” “anticipates,” “may,” “will,” “should,” “seeks,” “approximately,” “intends,” “plans,” “estimates,” or the negative of these words or other comparable terminology. The discussion of financial trends, strategy, plans or intentions may also include forward-looking statements. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those projected, anticipated or implied by such statements. Although it is not possible to predict or identify all such risks and uncertainties, they may include, but are not limited to, those described in the Company’s annual, quarterly and current reports (i.e., Form 10-K, Form 10-Q and Form 8-K) as filed or furnished with the Securities and Exchange Commission (SEC). You are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date such statements were first made. To the degree financial information is included in this presentation, it is in summary form only and must be considered in the context of the full details provided in the Company’s most recent annual, quarterly or current report as filed or furnished with the SEC. The Company’s SEC reports are available at [www.mckesson.com](http://www.mckesson.com) under the “Investors” tab. Except to the extent required by law, the Company undertakes no obligation to publicly release the result of any revisions to these forward-looking statements to reflect events or circumstances after the date hereof, or to reflect the occurrence of unanticipated events.

## 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. McKesson also presents its financial results on a constant currency basis. The Company conducts business worldwide in local currencies, including Euro, British pound and Canadian dollar. As a result, the comparability of the financial results reported in U.S. dollars can be affected by changes in foreign currency exchange rates. The Company believes the presentation of non-GAAP measures provides useful supplemental information to investors with regard to its core 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 tables accompanying each period’s earnings press release, materials furnished to the SEC, and posted to [www.mckesson.com](http://www.mckesson.com) under the “Investors” tab.

# Consolidated Gross Profit Summary

## Q4 and Fiscal 2016 Results

<b>Q4 Fiscal 2016</b>	<b>As Reported GAAP</b>	<b>Adjusted Earnings Non-GAAP</b>	<b>CAP Charges</b>	<b>Foreign Exchange Effect</b>	<b>Baseline Non-GAAP<sup>1</sup></b>	<b>YoY Change Constant Currency<sup>2</sup></b>
Consolidated Gross Profit (in millions USD)	\$2,852	\$2,883	+\$26	+\$46	\$2,955	--%

  

<b>Fiscal 2016</b>	<b>As Reported GAAP</b>	<b>Adjusted Earnings Non-GAAP</b>	<b>CAP Charges</b>	<b>Foreign Exchange Effect</b>	<b>Baseline Non-GAAP<sup>1</sup></b>	<b>YoY Change Constant Currency<sup>2</sup></b>
Consolidated Gross Profit (in millions USD)	\$11,416	\$11,667	+\$26	+\$414	\$12,107	+3%

<sup>1</sup>**Baseline** (Non-GAAP) excludes from Adjusted Earnings (Non-GAAP) one or more of the following as applicable: charges related to the cost alignment plan as disclosed in March 2016 ("CAP"); gain on the sale of a business recorded earlier in FY16; and foreign currency exchange effects. <sup>2</sup>**YoY Change Constant Currency** is calculated by comparing the FY16 period Baseline (Non-GAAP) to the FY15 period Adjusted Earnings (Non-GAAP). A reconciliation of Adjusted Earnings (Non-GAAP) to GAAP is available in the tables attached to the press release dated May 4, 2016, which is available on the Company's website under the "Investors" tab.

# Consolidated Operating Expense Summary

## Q4 and Fiscal 2016 Results

<b>Q4 Fiscal 2016</b>	<b>As Reported GAAP</b>	<b>Adjusted Earnings Non-GAAP</b>	<b>CAP Charges</b>	<b>Foreign Exchange Effect</b>	<b>Baseline Non-GAAP<sup>1</sup></b>	<b>YoY Change Constant Currency<sup>2</sup></b>
Consolidated Operating Expense (in millions USD)	\$2,112	\$1,986	-\$203	+\$38	\$1,821	-4%

<b>Fiscal 2016</b>	<b>As Reported GAAP</b>	<b>Adjusted Earnings Non-GAAP</b>	<b>CAP Charges</b>	<b>Foreign Exchange Effect</b>	<b>Business Sale Gains</b>	<b>Baseline Non-GAAP<sup>1</sup></b>	<b>YoY Change Constant Currency<sup>2</sup></b>
Consolidated Operating Expense (in millions USD)	\$7,871	\$7,338	-\$203	+\$350	+\$103	\$7,588	--%

<sup>1</sup>**Baseline** (Non-GAAP) excludes from Adjusted Earnings (Non-GAAP) one or more of the following as applicable: charges related to the CAP; gain on the sale of a business recorded earlier in FY16; and foreign currency exchange effects. <sup>2</sup>**YoY Change Constant Currency** is calculated by comparing the FY16 period Baseline (Non-GAAP) to the FY15 period Adjusted Earnings (Non-GAAP). A reconciliation of Adjusted Earnings (Non-GAAP) to GAAP is available in the tables attached to the press release dated May 4, 2016, which is available on the Company's website under the "Investors" tab.

# Consolidated Earnings Summary

## Q4 and Fiscal 2016 Results

<b>Q4 Fiscal 2016</b>	<b>As Reported GAAP</b>	<b>Adjusted Earnings Non-GAAP</b>	<b>CAP Charges</b>	<b>Baseline Non-GAAP<sup>1</sup></b>	<b>YoY Change<sup>2</sup></b>	<b>YoY Change Constant Currency<sup>3</sup></b>
Earnings per diluted share from continuing operations <sup>4</sup>	\$1.97	\$2.44	+\$0.74	\$3.18	+8%	+9%

<b>Fiscal 2016</b>	<b>As Reported GAAP</b>	<b>Adjusted Earnings Non-GAAP</b>	<b>CAP Charges</b>	<b>Business Sale Gains</b>	<b>Baseline Non-GAAP<sup>1</sup></b>	<b>YoY Change<sup>2</sup></b>	<b>YoY Change Constant Currency<sup>3</sup></b>
Earnings per diluted share from continuing operations <sup>4</sup>	\$9.84	\$12.08	+\$0.73	-\$0.29	\$12.52	+13%	+14%

<sup>1</sup>**Baseline** (Non-GAAP) excludes from Adjusted Earnings (Non-GAAP) charges related to the CAP and gains on the sale of two businesses recorded earlier in FY16. <sup>2</sup>**YoY Change** is calculated by comparing FY16 period Baseline (Non-GAAP) value to the FY15 period Adjusted Earnings (Non-GAAP) value. <sup>3</sup>**YoY Change Constant Currency** is calculated by comparing the FY16 period Baseline (Non-GAAP) to the FY15 period Adjusted Earnings (Non-GAAP), and specifically excluding from the FY16 period results the unfavorable foreign currency exchange effects of 2 cents and 13 cents for the fourth quarter and the full year, respectively, primarily driven by movements in the Euro/USD currency rates. <sup>4</sup>**Earnings per diluted share from continuing operations** is calculated using 229 million and 233 million weighted average shares outstanding for Q4 and full-year FY16, respectively.

# Distribution Solutions Gross Profit Summary

## Q4 and Fiscal 2016 Results

<b>Q4 Fiscal 2016</b>	<b>As Reported GAAP</b>	<b>Adjusted Earnings Non-GAAP</b>	<b>CAP Charges</b>	<b>Foreign Exchange Effect</b>	<b>Baseline Non-GAAP<sup>1</sup></b>	<b>YoY Change Constant Currency<sup>2</sup></b>
Distribution Solutions Gross Profit (in millions USD)	\$2,486	\$2,516	+\$5	+\$48	\$2,569	-1%

  

<b>Fiscal 2016</b>	<b>As Reported GAAP</b>	<b>Adjusted Earnings Non-GAAP</b>	<b>CAP Charges</b>	<b>Foreign Exchange Effect</b>	<b>Baseline Non-GAAP<sup>1</sup></b>	<b>YoY Change Constant Currency<sup>2</sup></b>
Distribution Solutions Gross Profit (in millions USD)	\$9,948	\$10,193	+\$5	+\$422	\$10,620	+3%

<sup>1</sup>**Baseline** (Non-GAAP) excludes from Adjusted Earnings (Non-GAAP) one or more of the following as applicable: charges related to the CAP; gain on the sale of a business recorded earlier in FY16; and foreign currency exchange effects. <sup>2</sup>**YoY Change Constant Currency** is calculated by comparing the FY16 period Baseline (Non-GAAP) to the FY15 period Adjusted Earnings (Non-GAAP). A reconciliation of Adjusted Earnings (Non-GAAP) to GAAP is available in the tables attached to the press release dated May 4, 2016, which is available on the Company's website under the "Investors" tab.

# Distribution Solutions Operating Expense Summary

## Q4 and Fiscal 2016 Results

<b>Q4 Fiscal 2016</b>	<b>As Reported GAAP</b>	<b>Adjusted Earnings Non-GAAP</b>	<b>CAP Charges</b>	<b>Foreign Exchange Effect</b>	<b>Baseline Non-GAAP<sup>1</sup></b>	<b>YoY Change Constant Currency<sup>2</sup></b>
Distribution Solutions Operating Expense (in millions USD)	\$1,686	\$1,568	-\$156	+\$37	\$1,449	-5%

<b>Fiscal 2016</b>	<b>As Reported GAAP</b>	<b>Adjusted Earnings Non-GAAP</b>	<b>CAP Charges</b>	<b>Foreign Exchange Effect</b>	<b>ZEE Medical Business Sale Gain</b>	<b>Baseline Non-GAAP<sup>1</sup></b>	<b>YoY Change Constant Currency<sup>2</sup></b>
Distribution Solutions Operating Expense (in millions USD)	\$6,436	\$5,939	-\$156	+\$340	+\$52	\$6,175	+1%

<sup>1</sup>**Baseline** (Non-GAAP) excludes from Adjusted Earnings (Non-GAAP) one or more of the following as applicable: charges related to the CAP; gain on the sale of a business recorded earlier in FY16; and foreign currency exchange effects. <sup>2</sup>**YoY Change Constant Currency** is calculated by comparing the FY16 period Baseline (Non-GAAP) to the FY15 period Adjusted Earnings (Non-GAAP). A reconciliation of Adjusted Earnings (Non-GAAP) to GAAP is available in the tables attached to the press release dated May 4, 2016, which is available on the Company's website under the "Investors" tab.

# Distribution Solutions Operating Profit Summary

## Q4 and Fiscal 2016 Results and Fiscal 2017 Outlook

<b>Q4 Fiscal 2016</b>	<b>As Reported GAAP</b>	<b>Adjusted Earnings Non-GAAP</b>	<b>CAP Charges</b>	<b>Foreign Exchange Effect</b>	<b>Baseline Non-GAAP<sup>1</sup></b>	<b>YoY Change Constant Currency<sup>2</sup></b>
Distribution Solutions Operating Profit (in millions USD)	\$811	\$961	+\$161	+\$11	\$1,133	+5%
Distribution Solutions Operating Profit Margin	1.77%	2.09%			2.44%	+1 bps

<b>Fiscal 2016</b>	<b>As Reported GAAP</b>	<b>Adjusted Earnings Non-GAAP</b>	<b>CAP Charges</b>	<b>Foreign Exchange Effect</b>	<b>ZEE Medical Business Sale Gain</b>	<b>Baseline Non-GAAP<sup>1</sup></b>	<b>YoY Change Constant Currency<sup>2</sup></b>
Distribution Solutions Operating Profit (in millions USD)	\$3,553	\$4,300	+\$161	+\$87	-\$52	\$4,496	+7%
Distribution Solutions Operating Profit Margin	1.89%	2.29%				2.34%	-4 bps

***FY17 Adjusted Operating Margin<sup>3</sup> expected to approximate FY16 Baseline***

<sup>1</sup>Baseline (Non-GAAP) excludes from Adjusted Earnings (Non-GAAP) one or more of the following as applicable: charges related to the CAP; gain on the sale of a business recorded earlier in FY16; and foreign currency exchange effects. <sup>2</sup>YoY Change Constant Currency is calculated by comparing the FY16 period Baseline (Non-GAAP) to the FY15 period Adjusted Earnings (Non-GAAP). A reconciliation of Adjusted Earnings (Non-GAAP) to GAAP is available in the tables attached to the press release dated May 4, 2016, which is available on the Company's website under the "Investors" tab. <sup>3</sup>FY17 Adjusted Operating Margin excludes anticipated charges of approximately \$30-\$40 million related to the CAP.



# Technology Solutions Gross Profit Summary

## Q4 and Fiscal 2016 Results

<b>Q4 Fiscal 2016</b>	<b>As Reported GAAP</b>	<b>Adjusted Earnings Non-GAAP</b>	<b>CAP Charges</b>	<b>Foreign Exchange Effect</b>	<b>Baseline Non-GAAP<sup>1</sup></b>	<b>YoY Change Constant Currency<sup>2</sup></b>
Technology Solutions Gross Profit (in millions USD)	\$366	\$367	+\$21	-\$2	\$386	+1%

<b>Fiscal 2016</b>	<b>As Reported GAAP</b>	<b>Adjusted Earnings Non-GAAP</b>	<b>CAP Charges</b>	<b>Foreign Exchange Effect</b>	<b>Baseline Non-GAAP<sup>1</sup></b>	<b>YoY Change Constant Currency<sup>2</sup></b>
Technology Solutions Gross Profit (in millions USD)	\$1,468	\$1,474	+\$21	-\$8	\$1,487	--%

<sup>1</sup>**Baseline** (Non-GAAP) excludes from Adjusted Earnings (Non-GAAP) one or more of the following as applicable: charges related to the CAP; gain on the sale of a business recorded earlier in FY16; and foreign currency exchange effects. <sup>2</sup>**YoY Change Constant Currency** is calculated by comparing the FY16 period Baseline (Non-GAAP) to the FY15 period Adjusted Earnings (Non-GAAP). A reconciliation of Adjusted Earnings (Non-GAAP) to GAAP is available in the tables attached to the press release dated May 4, 2016, which is available on the Company's website under the "Investors" tab.

# Technology Solutions Operating Expense Summary

## Q4 and Fiscal 2016 Results

<b>Q4 Fiscal 2016</b>	<b>As Reported GAAP</b>	<b>Adjusted Earnings Non-GAAP</b>	<b>CAP Charges</b>	<b>Foreign Exchange Effect</b>	<b>Baseline Non-GAAP<sup>1</sup></b>	<b>YoY Change Constant Currency<sup>2</sup></b>
Technology Solutions Operating Expense (in millions USD)	\$273	\$265	-\$30	+\$1	\$236	-2%

<b>Fiscal 2016</b>	<b>As Reported GAAP</b>	<b>Adjusted Earnings Non-GAAP</b>	<b>CAP Charges</b>	<b>Foreign Exchange Effect</b>	<b>Nurse Triage Business Sale Gain</b>	<b>Baseline Non-GAAP<sup>1</sup></b>	<b>YoY Change Constant Currency<sup>2</sup></b>
Technology Solutions Operating Expense (in millions USD)	\$951	\$917	-\$30	+\$9	+\$51	\$947	-5%

<sup>1</sup>**Baseline** (Non-GAAP) excludes from Adjusted Earnings (Non-GAAP) one or more of the following as applicable: charges related to the CAP; gain on the sale of a business recorded earlier in FY16; and foreign currency exchange effects. <sup>2</sup>**YoY Change Constant Currency** is calculated by comparing the FY16 period Baseline (Non-GAAP) to the FY15 period Adjusted Earnings (Non-GAAP). A reconciliation of Adjusted Earnings (Non-GAAP) to GAAP is available in the tables attached to the press release dated May 4, 2016, which is available on the Company's website under the "Investors" tab.

# Technology Solutions Operating Profit Summary

## Q4 and Fiscal 2016 Results and Fiscal 2017 Outlook

<b>Q4 Fiscal 2016</b>	<b>As Reported GAAP</b>	<b>Adjusted Earnings Non-GAAP</b>	<b>CAP Charges</b>	<b>Foreign Exchange Effect</b>	<b>Baseline Non-GAAP<sup>1</sup></b>	<b>YoY Change Constant Currency<sup>2</sup></b>
Technology Solutions Operating Profit (in millions USD)	\$93	\$102	+\$51	-\$3	\$150	+5%
Technology Solutions Operating Profit Margin	<b>12.67%</b>	<b>13.90%</b>			<b>20.38%</b>	<b>+195 bps</b>

<b>Fiscal 2016</b>	<b>As Reported GAAP</b>	<b>Adjusted Earnings Non-GAAP</b>	<b>CAP Charges</b>	<b>Foreign Exchange Effect</b>	<b>Nurse Triage Business Sale Gain</b>	<b>Baseline Non- GAAP<sup>1</sup></b>	<b>YoY Change Constant Currency<sup>2</sup></b>
Technology Solutions Operating Profit (in millions USD)	\$519	\$559	+\$51	-\$17	-\$51	\$542	+12%
Technology Solutions Operating Profit Margin	<b>17.99%</b>	<b>19.38%</b>				<b>18.72%</b>	<b>+288 bps</b>

### ***FY17 Adjusted Operating Margin<sup>3</sup> expected in low 20 percentage range***

<sup>1</sup>**Baseline** (Non-GAAP) excludes from Adjusted Earnings (Non-GAAP) one or more of the following as applicable: charges related to the CAP; gain on the sale of a business recorded earlier in FY16; and foreign currency exchange effects. <sup>2</sup>**YoY Change Constant Currency** is calculated by comparing the FY16 period Baseline (Non-GAAP) to the FY15 period Adjusted Earnings (Non-GAAP). A reconciliation of Adjusted Earnings (Non-GAAP) to GAAP is available in the tables attached to the press release dated May 4, 2016, which is available on the Company's website under the "Investors" tab. <sup>3</sup>**FY17 Adjusted Operating Margin** excludes anticipated charges of approximately \$5 million related to the CAP.

# Fiscal 2017 Earnings Outlook

	<b><i>FY16</i></b>						
	<b>As Reported GAAP</b>	<b>Adjusted Earnings Non-GAAP</b>	<b>CAP Charges</b>	<b>Business Sale Gains</b>	<b>Baseline Non- GAAP<sup>1</sup></b>	<b>FY17 Outlook<sup>2</sup> <i>Excluding</i> CAP charges</b>	<b>YoY Change<sup>3</sup></b>
Earnings per diluted share from continuing operations <sup>4</sup>	\$9.84	\$12.08	+\$0.73	-\$0.29	\$12.52	\$13.30 – \$13.80	<b>6 – 10%</b>

<sup>1</sup>**Baseline** (Non-GAAP) excludes from Adjusted Earnings (Non-GAAP) charges related to the CAP and gains on the sale of two businesses recorded earlier in FY16. <sup>2</sup>**FY17 Outlook** excludes anticipated charges of approximately \$40-\$50 million, or 12 to 15 cents per diluted share, related to the CAP. <sup>3</sup>**YoY Change** is calculated by comparing FY16 period Baseline (Non-GAAP) value to the FY15 period Adjusted Earnings (Non-GAAP) value. <sup>4</sup>**Earnings per diluted share from continuing operations** is calculated using 233 million weighted average shares outstanding for FY16 and an estimated 228 million weighted average shares outstanding for FY17.

# Fiscal 2016 and Fiscal 2017 Cost Alignment Plan Charges by Segment

# Cost Alignment Plan

## Q4 and Full Year Fiscal 2016 Charges

(In millions USD)	Total	Distribution Solutions	Technology Solutions	Corporate
Gross Profit	\$26	\$5	\$21	-
Operating Expense	\$203	\$156	\$30	\$17
Total Expected CAP Charges <sup>1</sup>	\$229	\$161	\$51	\$17

<sup>1</sup>As outlined in Q4 Fiscal 2016 earnings press release table Schedule 3B dated 5/4/2016.

# Cost Alignment Plan

## Fiscal 2017 Expected Charges

(In millions USD)	Total	Distribution Solutions	Technology Solutions	Corporate
Total Expected CAP Charges <sup>1</sup>	\$40 – \$50	~\$30 – \$40	~\$5	~\$5

<sup>1</sup>As outlined in Q4 Fiscal 2016 earnings press release dated 5/4/2016. FY17 expected CAP charges will be primarily recorded in operating expense.

**MCKESSON**