

Q1 Fiscal 2017 Earnings Call

July 27, 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 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 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 under the “Investors” tab.

Consolidated Gross Profit Summary

Q1 Fiscal 2017 Results

Q1 Fiscal 2017	As Reported GAAP	Adjusted Earnings Non-GAAP	CAP Charges	Foreign Exchange Effect	Baseline Non-GAAP ¹	YoY Change Constant Currency ²
Consolidated Gross Profit (in millions USD)	\$2,907	\$2,956	-\$1	+\$24	\$2,979	+1%

¹**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 in FY16; and foreign currency exchange effects. ²**YoY Change Constant Currency** is calculated by comparing the FY17 period Baseline (Non-GAAP) to the FY16 period Baseline (Non-GAAP) value of \$2,940 million. A reconciliation of Adjusted Earnings (Non-GAAP) to GAAP is available in the tables attached to the press release dated July 27, 2016, which is available on the Company's website under the "Investors" tab.

Consolidated Operating Expense Summary

Q1 Fiscal 2017 Results

Q1 Fiscal 2017	As Reported GAAP	Adjusted Earnings Non-GAAP	CAP Charges	Foreign Exchange Effect	Baseline Non-GAAP ¹	YoY Change Constant Currency ²
Consolidated Operating Expense (in millions USD)	\$1,935	\$1,782	-\$10	+\$19	\$1,791	-2%

¹Baseline (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 in FY16; and foreign currency exchange effects. ²YoY Change Constant Currency is calculated by comparing the FY17 period Baseline (Non-GAAP) to the FY16 period Baseline (Non-GAAP) value of \$1,829 million, which excludes the \$51 million gain on the sale of the nurse triage business recorded in Q1FY16. A reconciliation of Adjusted Earnings (Non-GAAP) to GAAP is available in the tables attached to the press release dated July 27, 2016, which is available on the Company's website under the "Investors" tab.

Consolidated Earnings Summary

Q1 Fiscal 2017 Results

Q1 Fiscal 2017	As Reported GAAP	Adjusted Earnings Non-GAAP	CAP Charges	Foreign Exchange Effect	Baseline Non-GAAP ¹	YoY Change Constant Currency ²
Earnings per diluted share from continuing operations ³	\$2.88	\$3.50	+\$0.02	+\$0.01	\$3.53	+18%

¹Baseline (Non-GAAP) in constant currency excludes from Adjusted Earnings (Non-GAAP) charges related to the CAP and foreign exchange effect. ²YoY Change Constant Currency is calculated by comparing the FY17 period Baseline (Non-GAAP) to the FY16 period Baseline (Non-GAAP) value of \$2.98, which excludes the \$51 million gain on the sale of the nurse triage business recorded in Q1FY16. ³Earnings per diluted share from continuing operations is calculated using 228 million weighted average shares outstanding for Q1 FY17.

Distribution Solutions Gross Profit Summary

Q1 Fiscal 2017 Results

Q1 Fiscal 2017	As Reported GAAP	Adjusted Earnings Non-GAAP	CAP Charges	Foreign Exchange Effect	Baseline Non-GAAP ¹	YoY Change Constant Currency ²
Distribution Solutions Gross Profit (in millions USD)	\$2,513	\$2,560	--	+\$25	\$2,585	--%

¹**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 in FY16; and foreign currency exchange effects. ²**YoY Change Constant Currency** is calculated by comparing the FY17 period Baseline (Non-GAAP) to the FY16 period Baseline (Non-GAAP) value of \$2,584 million. A reconciliation of Adjusted Earnings (Non-GAAP) to GAAP is available in the tables attached to the press release dated July 27, 2016, which is available on the Company's website under the "Investors" tab.

Distribution Solutions Operating Expense Summary

Q1 Fiscal 2017 Results

Q1 Fiscal 2017	As Reported GAAP	Adjusted Earnings Non-GAAP	CAP Charges	Foreign Exchange Effect	Baseline Non-GAAP¹	YoY Change Constant Currency²
Distribution Solutions Operating Expense (in millions USD)	\$1,599	\$1,459	-\$10	+\$19	\$1,468	--%

¹**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 in FY16; and foreign currency exchange effects. ²**YoY Change Constant Currency** is calculated by comparing the FY17 period Baseline (Non-GAAP) to the FY16 period Baseline (Non-GAAP) value of \$1,462 million. A reconciliation of Adjusted Earnings (Non-GAAP) to GAAP is available in the tables attached to the press release dated July 27, 2016, which is available on the Company's website under the "Investors" tab.

Distribution Solutions Operating Profit Summary

Q1 Fiscal 2017 Results and Fiscal 2017 Outlook

Q1 Fiscal 2017	As Reported GAAP	Adjusted Earnings Non-GAAP	CAP Charges	Foreign Exchange Effect	Baseline Non-GAAP ¹	YoY Change Constant Currency ²
Distribution Solutions Operating Profit (in millions USD)	\$928	\$1,119	+\$10	+\$6	\$1,135	--%
Distribution Solutions Operating Profit Margin	1.89%	2.28%			2.31%	-11 bps

FY17 Baseline Operating Margin³ expected to approximate FY16 Baseline

¹Baseline (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 in FY16; and foreign currency exchange effects. ²YoY Change Constant Currency is calculated by comparing the FY17 period Baseline (Non-GAAP) to the FY16 period Baseline (Non-GAAP) value of \$1,133 million. A reconciliation of Adjusted Earnings (Non-GAAP) to GAAP is available in the tables attached to the press release dated July 27, 2016, which is available on the Company's website under the "Investors" tab. ³FY17 Baseline Operating Margin excludes from Adjusted Earnings (Non-GAAP) operating margin, the full-year anticipated charges of approximately \$30-\$40 million related to the CAP.

Technology Solutions Gross Profit Summary

Q1 Fiscal 2017 Results

Q1 Fiscal 2017	As Reported GAAP	Adjusted Earnings Non-GAAP	CAP Charges	Foreign Exchange Effect	Baseline Non-GAAP ¹	YoY Change Constant Currency ²
Technology Solutions Gross Profit (in millions USD)	\$394	\$396	-\$1	-\$1	\$394	+11%

¹**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 in FY16; and foreign currency exchange effects. ²**YoY Change Constant Currency** is calculated by comparing the FY17 period Baseline (Non-GAAP) to the FY16 period Baseline (Non-GAAP) value of \$356 million. A reconciliation of Adjusted Earnings (Non-GAAP) to GAAP is available in the tables attached to the press release dated July 27, 2016, which is available on the Company's website under the "Investors" tab.

Technology Solutions Operating Expense Summary

Q1 Fiscal 2017 Results

Q1 Fiscal 2017	As Reported GAAP	Adjusted Earnings Non-GAAP	CAP Charges	Foreign Exchange Effect	Baseline Non-GAAP¹	YoY Change Constant Currency²
Technology Solutions Operating Expense (in millions USD)	\$226	\$215	--	+\$1	\$216	-10%

¹**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 in FY16; and foreign currency exchange effects. ²**YoY Change Constant Currency** is calculated by comparing the FY17 period Baseline (Non-GAAP) to the FY16 period Baseline (Non-GAAP) value of \$241 million, which excludes the \$51 million gain on the sale of the nurse triage business recorded in Q1FY16. A reconciliation of Adjusted Earnings (Non-GAAP) to GAAP is available in the tables attached to the press release dated July 27, 2016, which is available on the Company's website under the "Investors" tab.

Technology Solutions Operating Profit Summary

Q1 Fiscal 2017 Results and Fiscal 2017 Outlook

Q1 Fiscal 2017	As Reported GAAP	Adjusted Earnings Non-GAAP	CAP Charges	Foreign Exchange Effect	Baseline Non-GAAP ¹	YoY Change Constant Currency ²
Technology Solutions Operating Profit (in millions USD)	\$168	\$181	-\$1	-\$2	\$178	+53%
Technology Solutions Operating Profit Margin	23.20%	25.00%			24.55%	+879 bps

FY17 Baseline Operating Margin³ expected in low 20 percentage range

¹Baseline (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 in FY16; and foreign currency exchange effects. ²YoY Change Constant Currency is calculated by comparing the FY17 period Baseline (Non-GAAP) to the FY16 period Baseline (Non-GAAP) value of \$116 million, which excludes the \$51 million gain on the sale of the nurse triage business recorded in Q1FY16. A reconciliation of Adjusted Earnings (Non-GAAP) to GAAP is available in the tables attached to the press release dated July 27, 2016, which is available on the Company's website under the "Investors" tab. ³FY17 Baseline Operating Margin excludes from Adjusted Earnings (Non-GAAP) operating margin, the full-year anticipated charges of approximately \$5 million related to the CAP.

Fiscal 2017 Earnings Outlook

	GAAP	Amortization of Acquisition Related Intangible Assets	Acquisition Expenses and Related Adjustments	LIFO Inventory-Related Charges	Claim and Litigation Reserve Credits	Adjusted Earnings Non-GAAP
Earnings per diluted share from continuing operations ³	\$10.70 – \$11.60	+\$1.25 – \$1.35	+\$0.50 – \$0.65	+\$0.40 – \$0.60	-\$0.02	\$13.28 – \$13.81

	Adjusted Earnings Non-GAAP	CAP Charges	Baseline Non-GAAP¹	YoY Change²
Earnings per diluted share from continuing operations ³	\$13.28 – \$13.81	+\$0.12 – \$0.15	\$13.43 – \$13.93	7% – 11%

¹**Baseline** (Non-GAAP) excludes from Adjusted Earnings (Non-GAAP) anticipated charges of approximately \$40-\$50 million, or 12 to 15 cents per diluted share, related to the CAP. ²**YoY Change** is calculated by comparing FY17 period Baseline (Non-GAAP) value to the FY16 period Baseline (Non-GAAP) value of \$12.52, which excludes charges related to the CAP and gains on the sale of two businesses recorded in FY16. ³**Earnings per diluted share from continuing operations** is calculated using an estimated 228 million weighted average shares outstanding for FY17.

Fiscal 2017 Cost Alignment Plan Charges by Segment

Cost Alignment Plan

Q1 Actual and Full Year Fiscal 2017 Expected Charges

Q1 Fiscal 2017 (In millions USD)	Total	Distribution Solutions	Technology Solutions	Corporate
Gross Profit	-\$1	--	-\$1	--
Operating Expense	+\$10	+\$10	--	--
Total CAP Charges	+\$9	+\$10	-\$1	--

Fiscal 2017 Outlook (In millions USD)	Total	Distribution Solutions	Technology Solutions	Corporate
Total Expected CAP Charges ¹	\$40 – \$50	~\$30 – \$40	~\$5	~\$5

¹Total Expected CAP Charges as outlined in Q4 Fiscal 2016 earnings press release dated 5/4/2016. FY17 expected CAP charges will be primarily recorded in operating expense.

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