

# Q3 Fiscal 2017 Earnings Call

## January 25, 2017

### 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 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

## Q3 and Year-to-Date (YTD) Fiscal 2017 Results

<b>Q3 Fiscal 2017</b>	<b>As Reported GAAP</b>	<b>Adjusted Earnings Non-GAAP</b>	<b>CAP Charges/ Credits</b>	<b>Foreign Exchange Effect</b>	<b>Adj. Earnings ex Items Non-GAAP<sup>1</sup></b>	<b>YoY Change Constant Currency<sup>2</sup></b>
Consolidated Gross Profit (in millions USD)	\$2,812	\$2,657	-\$1	+\$71	\$2,727	-6%

<b>YTD Fiscal 2017</b>	<b>As Reported GAAP</b>	<b>Adjusted Earnings Non-GAAP</b>	<b>CAP Charges/ Credits</b>	<b>Foreign Exchange Effect</b>	<b>Adj. Earnings ex Items Non-GAAP<sup>1</sup></b>	<b>YoY Change Constant Currency<sup>2</sup></b>
Consolidated Gross Profit (in millions USD)	\$8,475	\$8,328	-\$4	+\$149	\$8,473	-4%

<sup>1</sup>Adjusted Earnings excluding Unusual Items ("Adj. Earnings ex Items (Non-GAAP)") excludes from Adjusted Earnings (Non-GAAP) one or more of the following as applicable: charges/credits related to the Cost Alignment Plan as disclosed in March 2016 ("CAP"); gains on the sale of two businesses recorded in FY16; and foreign currency exchange effects. <sup>2</sup>YoY Change Constant Currency is calculated by comparing the Q3 and year-to-date (YTD) FY17 Adj. Earnings ex Items (Non-GAAP) to the Q3 and YTD FY16 Adj. Earnings ex Items (Non-GAAP) values of \$2,906 million and \$8,784 million, respectively. A reconciliation of Adjusted Earnings (Non-GAAP) to GAAP is available in the tables attached to the press release dated January 25, 2017, which is available on the Company's website under the "Investors" tab.

# Consolidated Operating Expense Summary

## Q3 and YTD Fiscal 2017 Results

<b>Q3 Fiscal 2017</b>	<b>As Reported GAAP</b>	<b>Adjusted Earnings Non-GAAP</b>	<b>CAP Charges/Credits</b>	<b>EIS Goodwill Impairment</b>	<b>Foreign Exchange Effect</b>	<b>Adj. Earnings ex Items Non-GAAP<sup>1</sup></b>	<b>YoY Change Constant Currency<sup>2</sup></b>
Consolidated Operating Expense (in millions USD)	\$1,981	\$1,807	-\$6	--	+\$62	\$1,863	+2%
<b>YTD Fiscal 2017</b>	<b>As Reported GAAP</b>	<b>Adjusted Earnings Non-GAAP</b>	<b>CAP Charges/Credits</b>	<b>EIS Goodwill Impairment</b>	<b>Foreign Exchange Effect</b>	<b>Adj. Earnings ex Items Non-GAAP<sup>1</sup></b>	<b>YoY Change Constant Currency<sup>2</sup></b>
Consolidated Operating Expense (in millions USD)	\$6,092	\$5,613	-\$8	-\$290	+\$130	\$5,445	--

<sup>1</sup>Adj. Earnings ex Items (Non-GAAP) excludes from Adjusted Earnings (Non-GAAP) one or more of the following as applicable: charges/credits related to the CAP as disclosed in March 2016; EIS goodwill impairment charge; gains on the sale of two businesses recorded in FY16; and foreign currency exchange effects. <sup>2</sup>YoY Change Constant Currency is calculated by comparing the Q3 and year-to-date (YTD) FY17 Adj. Earnings ex Items (Non-GAAP) to the Q3 and YTD FY16 Adj. Earnings ex Items (Non-GAAP) values of \$1,823 million and \$5,455 million, respectively, which excludes the \$51 million gain on the sale of the nurse triage business recorded in Q1FY16 and the \$52 million gain on the sale of Zee Medical in Q2FY16. A reconciliation of Adjusted Earnings (Non-GAAP) to GAAP is available in the tables attached to the press release dated January 25, 2017, which is available on the Company's website under the "Investors" tab.

# Consolidated Earnings Summary

## Q3 and YTD Fiscal 2017 Results

<b>Q3 Fiscal 2017</b>	<b>As Reported GAAP</b>	<b>Adjusted Earnings Non-GAAP</b>	<b>CAP Charges/ Credits</b>	<b>EIS Goodwill Impairment</b>	<b>Adj. Earnings ex Items Non-GAAP<sup>1</sup></b>
Earnings per diluted share from continuing operations <sup>2</sup>	\$2.86	\$3.03	+\$0.02	--	\$3.05

<b>YTD Fiscal 2017</b>	<b>As Reported GAAP</b>	<b>Adjusted Earnings Non-GAAP</b>	<b>CAP Charges/ Credits</b>	<b>EIS Goodwill Impairment</b>	<b>Adj. Earnings ex Items Non-GAAP<sup>1</sup></b>
Earnings per diluted share from continuing operations <sup>2</sup>	\$7.07	\$8.24	+\$0.02	+\$1.25	\$9.51

<sup>1</sup>Adj. Earnings ex Items (Non-GAAP) excludes from Adjusted Earnings (Non-GAAP) charges/credits related to the CAP and the EIS goodwill impairment charge. <sup>2</sup>Earnings per diluted share from continuing operations is calculated using 222 million weighted average shares outstanding for Q3 and 226 million weighted average shares outstanding for YTD FY17.

# Distribution Solutions Gross Profit Summary

## Q3 and YTD Fiscal 2017 Results

<b>Q3 Fiscal 2017</b>	<b>As Reported GAAP</b>	<b>Adjusted Earnings Non-GAAP</b>	<b>CAP Charges/ Credits</b>	<b>Foreign Exchange Effect</b>	<b>Adj. Earnings ex Items Non-GAAP<sup>1</sup></b>	<b>YoY Change Constant Currency<sup>2</sup></b>
Distribution Solutions Gross Profit (in millions USD)	\$2,424	\$2,269	-\$1	+\$71	\$2,339	-8%

<b>YTD Fiscal 2017</b>	<b>As Reported GAAP</b>	<b>Adjusted Earnings Non-GAAP</b>	<b>CAP Charges/ Credits</b>	<b>Foreign Exchange Effect</b>	<b>Adj. Earnings ex Items Non-GAAP<sup>1</sup></b>	<b>YoY Change Constant Currency<sup>2</sup></b>
Distribution Solutions Gross Profit (in millions USD)	\$7,333	\$7,183	-\$1	+\$150	\$7,332	-4%

<sup>1</sup>Adj. Earnings ex Items (Non-GAAP) excludes from Adjusted Earnings (Non-GAAP) one or more of the following as applicable: charges/credits related to the CAP as disclosed in March 2016; gain on the sale of one business recorded in FY16; and foreign currency exchange effects. <sup>2</sup>YoY Change Constant Currency is calculated by comparing the Q3 and year-to-date (YTD) FY17 Adj. Earnings ex Items (Non-GAAP) to the Q3 and YTD FY16 Adj. Earnings ex Items (Non-GAAP) values of \$2,543 million and \$7,677 million, respectively. A reconciliation of Adjusted Earnings (Non-GAAP) to GAAP is available in the tables attached to the press release dated January 25, 2017, which is available on the Company's website under the "Investors" tab.

# Distribution Solutions Operating Expense Summary

## Q3 and YTD Fiscal 2017 Results

<b>Q3 Fiscal 2017</b>	<b>As Reported GAAP</b>	<b>Adjusted Earnings Non-GAAP</b>	<b>CAP Charges/ Credits</b>	<b>Foreign Exchange Effect</b>	<b>Adj. Earnings ex Items Non-GAAP<sup>1</sup></b>	<b>YoY Change Constant Currency<sup>2</sup></b>
Distribution Solutions Operating Expense (in millions USD)	\$1,628	\$1,488	-\$6	+\$62	\$1,544	<b>+3%</b>

  

<b>YTD Fiscal 2017</b>	<b>As Reported GAAP</b>	<b>Adjusted Earnings Non-GAAP</b>	<b>CAP Charges/ Credits</b>	<b>Foreign Exchange Effect</b>	<b>Adj. Earnings ex Items Non-GAAP<sup>1</sup></b>	<b>YoY Change Constant Currency<sup>2</sup></b>
Distribution Solutions Operating Expense (in millions USD)	\$4,784	\$4,385	-\$14	+\$131	\$4,502	<b>+2%</b>

<sup>1</sup>Adj. Earnings ex Items (Non-GAAP) excludes from Adjusted Earnings (Non-GAAP) one or more of the following as applicable: charges/credits related to the CAP as disclosed in March 2016 ("CAP"); gain on the sale of one business recorded in FY16; and foreign currency exchange effects. <sup>2</sup>YoY Change Constant Currency is calculated by comparing the Q3 and year-to-date (YTD) FY17 Adj. Earnings ex Items (Non-GAAP) to the Q3 and YTD FY16 Adj. Earnings ex Items (Non-GAAP) values of \$1,494 million and \$4,423 million, respectively. A reconciliation of Adjusted Earnings (Non-GAAP) to GAAP is available in the tables attached to the press release dated January 25, 2017, which is available on the Company's website under the "Investors" tab.

# Distribution Solutions Operating Profit Summary

## Q3 and YTD Fiscal 2017 Results and Fiscal FY17 Outlook

Q3 Fiscal 2017	As Reported GAAP	Adjusted Earnings Non-GAAP	CAP Charges/Credits	Foreign Exchange Effect	Adj. Earnings ex Items Non-GAAP <sup>1</sup>	YoY Change Constant Currency <sup>2</sup>
Distribution Solutions Operating Profit (in millions USD)	\$813	\$801	+\$5	+\$9	\$815	-23%
Distribution Solutions Operating Profit Margin	1.64%	1.62%			1.63%	-61 bps
YTD Fiscal 2017	As Reported GAAP	Adjusted Earnings Non-GAAP	CAP Charges/Credits	Foreign Exchange Effect	Adj. Earnings ex Items Non-GAAP <sup>1</sup>	YoY Change Constant Currency <sup>2</sup>
Distribution Solutions Operating Profit (in millions USD)	\$2,592	\$2,850	+\$13	+\$20	\$2,883	-12%
Distribution Solutions Operating Profit Margin	1.75%	1.93%			1.94%	-37 bps

**FY17 Adj. Earnings ex Items Operating Margin<sup>3</sup> expected to be down approximately 35 to 40 bps from FY16 Adj. Earnings ex Items**

<sup>1</sup>Adj. Earnings ex Items (Non-GAAP) excludes from Adjusted Earnings (Non-GAAP) one or more of the following as applicable: charges/credits related to the CAP as disclosed in March 2016; gain on the sale of one business recorded in FY16; and foreign currency exchange effects. <sup>2</sup>YoY Change Constant Currency is calculated by comparing the Q3 and year-to-date (YTD) FY17 Adj. Earnings ex Items (Non-GAAP) to the Q3 and YTD FY16 Adj. Earnings ex Items (Non-GAAP) values of \$1,058 million and \$3,287 million, respectively. A reconciliation of Adjusted Earnings (Non-GAAP) to GAAP is available in the tables attached to the press release dated January 25, 2017, which is available on the Company's website under the "Investors" tab. <sup>3</sup>FY17 Adj. Earnings ex Items (Non-GAAP) Operating Margin excludes from Adjusted Earnings (Non-GAAP) operating margin, the full-year anticipated charges of approximately \$15-\$20 million related to the CAP.



# Technology Solutions Gross Profit Summary

## Q3 and YTD Fiscal 2017 Results

<b>Q3 Fiscal 2017</b>	<b>As Reported GAAP</b>	<b>Adjusted Earnings Non-GAAP</b>	<b>CAP Charges/ Credits</b>	<b>Foreign Exchange Effect</b>	<b>Adj. Earnings ex Items Non-GAAP<sup>1</sup></b>	<b>YoY Change Constant Currency<sup>2</sup></b>
Technology Solutions Gross Profit (in millions USD)	\$388	\$388	--	--	\$388	+7%

<b>YTD Fiscal 2017</b>	<b>As Reported GAAP</b>	<b>Adjusted Earnings Non-GAAP</b>	<b>CAP Charges/ Credits</b>	<b>Foreign Exchange Effect</b>	<b>Adj. Earnings ex Items Non-GAAP<sup>1</sup></b>	<b>YoY Change Constant Currency<sup>2</sup></b>
Technology Solutions Gross Profit (in millions USD)	\$1,142	\$1,145	-\$3	-\$1	\$1,141	+3%

<sup>1</sup>Adj. Earnings ex Items (Non-GAAP) excludes from Adjusted Earnings (Non-GAAP) one or more of the following as applicable: charges/credits related to the CAP as disclosed in March 2016; gain on the sale of one business recorded in FY16; and foreign currency exchange effects. <sup>2</sup>YoY Change Constant Currency is calculated by comparing the Q3 and year-to-date (YTD) FY17 Adj. Earnings ex Items (Non-GAAP) to the Q3 and YTD FY16 Adj. Earnings ex Items (Non-GAAP) values of \$363 million and \$1,107 million, respectively. A reconciliation of Adjusted Earnings (Non-GAAP) to GAAP is available in the tables attached to the press release dated January 25, 2017, which is available on the Company's website under the "Investors" tab.

# Technology Solutions Operating Expense Summary

## Q3 and YTD Fiscal 2017 Results

<b>Q3 Fiscal 2017</b>	<b>As Reported GAAP</b>	<b>Adjusted Earnings Non-GAAP</b>	<b>CAP Charges/ Credits</b>	<b>EIS Goodwill Impairment</b>	<b>Foreign Exchange Effect</b>	<b>Adj. Earnings ex Items Non-GAAP<sup>1</sup></b>	<b>YoY Change Constant Currency<sup>2</sup></b>
Technology Solutions Operating Expense (in millions USD)	\$256	\$221	+\$1	--	--	\$222	-4%

  

<b>YTD Fiscal 2017</b>	<b>As Reported GAAP</b>	<b>Adjusted Earnings Non-GAAP</b>	<b>CAP Charges/ Credits</b>	<b>EIS Goodwill Impairment</b>	<b>Foreign Exchange Effect</b>	<b>Adj. Earnings ex Items Non-GAAP<sup>1</sup></b>	<b>YoY Change Constant Currency<sup>2</sup></b>
Technology Solutions Operating Expense (in millions USD)	\$1,017	\$941	+\$5	-\$290	--	\$656	-7%

<sup>1</sup>Adj. Earnings ex Items (Non-GAAP) excludes from Adjusted Earnings (Non-GAAP) one or more of the following as applicable: charges/credits related to the CAP as disclosed in March 2016; EIS goodwill impairment charge; gain on the sale of one business recorded in FY16; and foreign currency exchange effects. <sup>2</sup>YoY Change Constant Currency is calculated by comparing the Q3 and year-to-date (YTD) FY17 Adj. Earnings ex Items (Non-GAAP) to the Q3 and YTD FY16 Adj. Earnings ex Items (Non-GAAP) values of \$231 million and \$703 million, respectively. A reconciliation of Adjusted Earnings (Non-GAAP) to GAAP is available in the tables attached to the press release dated January 25, 2017, which is available on the Company's website under the "Investors" tab.

# Technology Solutions Operating Profit Summary

## Q3 and YTD Fiscal 2017 Results and Fiscal 2017 Outlook

<b>Q3 Fiscal 2017</b>	<b>As Reported GAAP</b>	<b>Adjusted Earnings Non-GAAP</b>	<b>CAP Charges/ Credits</b>	<b>EIS Goodwill Impairment</b>	<b>Foreign Exchange Effect</b>	<b>Adj. Earnings ex Items Non-GAAP<sup>1</sup></b>	<b>YoY Change Constant Currency<sup>2</sup></b>
Technology Solutions Operating Profit (in millions USD)	\$132	\$167	-\$1	--	--	\$166	<b>+25%</b>
Technology Solutions Operating Profit Margin	<b>19.02%</b>	<b>24.06%</b>				<b>23.92%</b>	<b>+476 bps</b>
<b>YTD Fiscal 2017</b>	<b>As Reported GAAP</b>	<b>Adjusted Earnings Non-GAAP</b>	<b>CAP Charges/ Credits</b>	<b>EIS Goodwill Impairment</b>	<b>Foreign Exchange Effect</b>	<b>Adj. Earnings ex Items Non-GAAP<sup>1</sup></b>	<b>YoY Change Constant Currency<sup>2</sup></b>
Technology Solutions Operating Profit (in millions USD)	\$126	\$205	-\$8	+\$290	-\$1	\$486	<b>+20%</b>
Technology Solutions Operating Profit Margin	<b>6.01%</b>	<b>9.77%</b>				<b>23.16%</b>	<b>+429 bps</b>

***FY17 Adj. Earnings ex Items Operating Margin<sup>3</sup> expected in low 20 percentage range***

<sup>1</sup>Adj. Earnings ex Items (Non-GAAP) excludes from Adjusted Earnings (Non-GAAP) one or more of the following as applicable: charges/credits related to the CAP as disclosed in March 2016; EIS goodwill impairment charge; gain on the sale of one business recorded in FY16; and foreign currency exchange effects. <sup>2</sup>YoY Change Constant Currency is calculated by comparing the Q3 and year-to-date (YTD) FY17 Adj. Earnings ex Items (Non-GAAP) to the Q3 and YTD FY16 Adj. Earnings ex Items (Non-GAAP) values of \$133 million and \$406 million, respectively. A reconciliation of Adjusted Earnings (Non-GAAP) to GAAP is available in the tables attached to the press release dated January 25, 2017, which is available on the Company's website under the "Investors" tab. <sup>3</sup>FY17 Adj. Earnings ex Items (Non-GAAP) Operating Margin excludes from Adjusted Earnings (Non-GAAP) operating margin, the full-year anticipated credits of approximately \$5 million related to the CAP and the second quarter goodwill impairment charge.

# Fiscal 2017 Earnings Outlook

	GAAP	Amortization of Acquisition Related Intangible Assets	Acquisition Expenses and Related Adjustments	LIFO Inventory-Related Charges/Credits	Claim and Litigation Reserve Credits	Adjusted Earnings Non-GAAP
Earnings per diluted share from continuing operations <sup>3</sup>	\$9.80 – \$10.30	+\$1.30 – \$1.45	+\$0.65 – \$0.75	-\$0.60 – \$0.70	-\$0.01	\$11.30 – \$11.62

	Adjusted Earnings Non-GAAP	CAP Charges	EIS Goodwill Impairment	Adj. Earnings ex Items Non-GAAP <sup>1</sup>	YoY Change <sup>2</sup>
Earnings per diluted share from continuing operations <sup>3</sup>	\$11.30 – \$11.62	+\$0.02 – \$0.04	+\$1.26	\$12.60 – \$12.90	+1% – +3%

<sup>1</sup>Adj. Earnings ex Items (Non-GAAP) excludes from Adjusted Earnings (Non-GAAP) anticipated charges of approximately \$10-\$15 million, or \$0.02 to \$0.04 cents per diluted share, related to the CAP and \$1.26 related to the EIS goodwill impairment charge. <sup>2</sup>YoY Change is calculated by comparing FY17 Adj. Earnings ex Items (Non-GAAP) value to the FY16 Adj. Earnings ex Items (Non-GAAP) value of \$12.52, which excludes charges/credits related to the CAP, the EIS goodwill impairment charge recorded in FY17 and gains on the sale of two businesses recorded in FY16. <sup>3</sup>Earnings per diluted share from continuing operations is calculated using an estimated 223 million weighted average shares outstanding for FY17. EPS Figures may not foot due to rounding differences.

# Fiscal 2017 Cost Alignment Plan Charges by Segment

# Cost Alignment Plan (CAP)

## Q3 and YTD Actuals and Full-Year Fiscal 2017 Expected Charges

<b>Q3 Fiscal 2017</b> (In millions USD)	<b>Distribution Solutions</b>	<b>Technology Solutions</b>	<b>Corporate</b>	<b>Total</b>
Gross Profit	-\$1	--	--	-\$1
Operating Expense	+\$6	-\$1	+\$1	+\$6
Total CAP Charges/Credits	+\$5	-\$1	+\$1	+\$5
<b>YTD Fiscal 2017</b> (In millions USD)	<b>Distribution Solutions</b>	<b>Technology Solutions</b>	<b>Corporate</b>	<b>Total</b>
Gross Profit	-\$1	-\$3	--	-\$4
Operating Expense	+\$14	-\$5	-\$1	+\$8
Total CAP Charges/Credits	+\$13	-\$8	-\$1	+\$4
<b>Fiscal 2017 Outlook</b> (In millions USD)	<b>Distribution Solutions</b>	<b>Technology Solutions</b>	<b>Corporate</b>	<b>Total</b>
Total Expected CAP Charges <sup>1</sup>	+\$15 – +\$20	-\$5	nominal	\$10 – \$15

<sup>1</sup>Total Expected CAP Charges as outlined in Q3 FY17 earnings press release dated January 25, 2017. FY17 expected CAP charges will be primarily recorded in operating expense.

# EPS Walk

	EPS GAAP	Adjusted Earnings EPS Non-GAAP	CAP Charges/ Credits	EIS Goodwill Impairment	Adj. Earnings ex Items Non-GAAP <sup>1</sup>
<b>Q1</b>	\$2.88	\$3.50	+\$0.02	--	\$3.52
<b>Q2</b>	\$1.35	\$1.72	-\$0.02	+\$1.24	\$2.94
<b>Q3</b>	\$2.86	\$3.03	+\$0.02	--	\$3.05
<b>Q4</b>	\$2.71 – \$3.21	\$3.05 – \$3.37	+\$0.00 – +\$0.02	--	\$3.09 – \$3.39
<b>Full Year</b>	\$9.80 – \$10.30	\$11.30 – \$11.62	+\$0.02 – +\$0.04	+\$1.26	\$12.60 – \$12.90

<sup>1</sup>Adj. Earnings ex Items (Non-GAAP) excludes from full-year Adjusted Earnings (Non-GAAP) anticipated charges related to the CAP of approximately \$10-\$15 million, or \$0.02 to \$0.04 per diluted share, and \$1.26 related to the EIS goodwill impairment charge. EPS Figures may not foot due to rounding differences.

**MCKESSON**



## We Expect \$12.60 To \$12.90 Per Diluted Share In FY17, Which Excludes Approximately \$1.28 To \$1.30 In Charges To Adjusted Earnings Related To A Goodwill Impairment And The Cost Alignment Plan

The Fiscal 2017 outlook is based on the following key assumptions and is also subject to the Risk Factors outlined below:

- Distribution Solutions revenue growth is expected to increase by mid-single digits driven by market growth and acquisitions.
- We expect North America pharmaceutical distribution and services will deliver mid-single digit revenue growth in Fiscal 2017.
- International pharmaceutical distribution and services revenues are anticipated to grow low-double digits on a constant currency basis in Fiscal 2017.
- Medical-Surgical distribution and services is now expected to deliver low- to mid-single digit revenue growth in Fiscal 2017.
- Fiscal 2017 branded drug price trends in the U.S. market are expected to be in the mid- to high-single digits.
- We expect a nominal contribution to our Fiscal 2017 results from generic pharmaceuticals that increase in price.
- We expect the profit contribution from the launch of new oral generic pharmaceuticals in the U.S. market will decrease year-over-year.
- Expect Distribution Solutions adjusted operating margin, excluding anticipated CAP charges, to be approximately 35 to 40 basis points below the corresponding Fiscal 2016 figure of 234 basis points.
- Technology Solutions revenues are expected to be down slightly year-over-year driven by anticipated revenue decline in our hospital software business.
- Expect Technology Solutions adjusted operating margin, excluding anticipated CAP charges/credits and the second quarter EIS goodwill impairment charge, to be in low 20 percentage range.
- Pre-tax gain of \$142 million, or 38 cents per diluted share, related to cash receipts representing our share of antitrust settlement proceeds. We do not expect additional settlements this fiscal year.
- Fiscal 2017 pre-tax charges associated with our Cost Alignment Plan are expected to be between \$10 million and \$15 million and are excluded from our Fiscal 2017 outlook of \$12.60 to \$12.90 per diluted share.

## We Expect \$12.60 To \$12.90 Per Diluted Share In FY17, Which Excludes Approximately \$1.28 To \$1.30 In Charges To Adjusted Earnings Related To A Goodwill Impairment And The Cost Alignment Plan (continued)

The Fiscal 2017 outlook is based on the following key assumptions and is also subject to the Risk Factors outlined below:

- The guidance range now assumes a full-year adjusted tax rate of approximately 24.5%, which may vary from quarter to quarter.
- We now expect income attributable to non-controlling interests to increase approximately 20 percent from Fiscal 2016.
- Property acquisitions and capitalized software expenditures are expected to be between \$550 million and \$650 million.
- We assume that our ownership position in Celesio will be approximately 76% for Fiscal 2017.
- We anticipate a foreign currency rate headwind of approximately 8 cents during Fiscal 2017.
- Weighted average diluted shares used in the calculation of earnings per share are expected to be approximately 223 million for the year.
- Cash flow from operations is expected to increase approximately 15% year-over-year, excluding approximately \$270 million in cash payments expected in Fiscal 2017 related to the Cost Alignment Plan and a settlement agreement with the U.S. Drug Enforcement Administration and the U.S. Department of Justice as disclosed in April 2015.
- Adjusted Earnings per diluted share excludes the following items:
  - Amortization of acquisition-related intangible assets of \$1.30 to \$1.45 per diluted share;
  - Acquisition expenses and related adjustments of 65 cents to 75 cents per diluted share;
  - LIFO inventory-related credits of 60 cents to 70 cents per diluted share; and
  - Claim and litigation reserve credits of one cent per diluted share for average wholesale price litigation matters.
- The Fiscal 2017 guidance ranges do not include any potential claim or litigation reserve adjustments, or the impact of any potential new acquisitions and divestitures, or impairments and material restructurings beyond those previously publicly disclosed.