



McKesson Reports Fiscal 2021 First-Quarter Results

First-Quarter Highlights, Year-over-Year:

- Total revenues of \$55.7 billion, flat year-over-year.
- Earnings per diluted share increased 20% to \$2.72.
- Adjusted Earnings per diluted share decreased 16% to \$2.77.
- Board of Directors increased the quarterly dividend to 42 cents per share.

Fiscal 2021 Guidance:

- Increased fiscal 2021 Adjusted Earnings per diluted share guidance range to \$14.70 to \$15.50, from the previous range of \$13.95 to \$14.75.
- McKesson continues to expect Adjusted Earnings per diluted share growth in the second half of fiscal 2021.

IRVING, Texas, August 3, 2020 - McKesson Corporation (NYSE:MCK) today reported results for the first quarter ended June 30, 2020.

Fiscal 2021 First-Quarter Result Summary

(\$ in millions, except per share amounts)	First-Quarter		
	FY21	FY20	Change
Revenues	\$ 55,679	\$ 55,728	— %
Income from Continuing Operations¹	445	429	4
Adjusted Earnings^{1,2}	453	625	(28)
Earnings per Diluted Share¹	2.72	2.27	20
Adjusted Earnings per Diluted Share^{1,2}	2.77	3.31	(16)

¹Reflects continuing operations attributable to McKesson, net of tax

²Represents a non-GAAP financial measure; refer to the reconciliations of non-GAAP financial measures included in accompanying schedules

“I am proud of the dedication and discipline of McKesson’s employees as we navigate the complexities and uncertainties of the COVID-19 pandemic while continuing to serve our customers and our communities” said Brian Tyler, chief executive officer. “Thanks to the strong execution of our employees around the world, McKesson delivered first-quarter results ahead of our original expectations, as volumes across the business improved earlier than anticipated. Based on our first-quarter performance and current outlook for the remainder of the year, we are raising our previous guidance range for fiscal 2021 and now expect Adjusted Earnings per diluted share of \$14.70 to \$15.50”.

First-quarter revenues were \$55.7 billion, flat year-over-year, as market growth and higher volumes from retail national account customers within the U.S Pharmaceutical and Specialty Solutions segment were largely offset by the impact of lower prescription volumes and primary care patient visits across the enterprise.

First-quarter Earnings per diluted share of \$2.72 included an after-tax net gain of \$97 million for insurance proceeds received in connection with the settlement of the shareholder derivative action related to McKesson's controlled substances monitoring program.

First-quarter Adjusted Earnings per diluted share was \$2.77 compared to \$3.31 a year ago, a decrease of 16%, driven by the impact of lower prescription volumes and primary care patient visits and the lapping of the prior year contribution from the company's now separated investment in Change Healthcare LLC ("Change Healthcare"), partially offset by a lower share count.

For the first quarter, McKesson used cash from operations of \$1.1 billion, returned \$74 million to shareholders via dividend payments, and invested \$117 million internally, resulting in negative Free Cash Flow of \$1.2 billion.

U.S. Pharmaceutical and Specialty Solutions Segment

- First-quarter revenues were \$45.1 billion, up 2%, driven by market growth and higher volumes from retail national account customers, partially offset by branded to generic conversions and lower prescription volumes in the quarter.
- First-quarter Segment Operating Profit was \$608 million and operating margin was 1.35%. Adjusted Segment Operating Profit was \$589 million, down 2% from a year ago, driven by lower prescription volumes, partially offset by growth in the specialty provider business. Adjusted operating margin was 1.31%, down 5 basis points.

European Pharmaceutical Solutions Segment

- First-quarter revenues were \$6.2 billion, down 7% on a reported basis and down 4% on an FX-Adjusted basis, primarily driven by lower volumes in the pharmaceutical distribution business.
- First-quarter Segment Operating Loss was (\$10) million and operating margin was (0.16%), and included restructuring charges related to our business in the U.K. Adjusted Segment Operating Profit was \$35 million, flat on a reported basis. On an FX-Adjusted basis, Adjusted Segment Operating Profit was \$36 million, up 3%, driven by lower operating expenses, partially offset by lower volumes in the pharmaceutical distribution and retail pharmacy businesses. On both a reported and FX-Adjusted basis, adjusted operating margin was 0.56%, up 4 basis points.

Medical-Surgical Solutions Segment

- First-quarter revenues were \$1.8 billion, down 5%, driven by declines in primary care patient visits, partially offset by higher volumes of personal protective equipment.
- First-quarter Segment Operating Profit was \$89 million and operating margin was 4.94%. Adjusted Segment Operating Profit was \$124 million, down 22%, driven by declines in primary care patient visits. Adjusted operating margin was 6.89%, down from 8.36% in the prior year.

Other remaining businesses

- First-quarter revenues were \$2.6 billion, down 13% on a reported basis and down 10% on an FX-Adjusted basis, driven by lower pharmaceutical volumes in the Canadian business.
- First-quarter Segment Operating Profit was \$98 million, down 30%. Adjusted Segment Operating Profit was \$137 million, down 50% on both a reported and FX-Adjusted basis, driven by the lapping of the prior year contribution of \$108 million from the company's investment in Change Healthcare and the negative impact of lower prescription volume trends within the Canadian and MRxTS businesses.

Company Updates

- On July 29, 2020, McKesson's Board of Directors declared an increase in the regular quarterly dividend to 42 cents per share of common stock, demonstrating McKesson's commitment to returning cash to shareholders and confidence in its outlook.
- On July 1, 2020, McKesson announced the realignment of its reportable segments commencing in the second quarter of fiscal 2021.
- McKesson appointed Tom Rodgers as Executive Vice President and Chief Strategy and Business Development Officer effective June 5, 2020.
- For the fifth year in a row, McKesson was named a 'Best Place to Work' for Disability Inclusion. McKesson earned a top-ranking score of 100 on the 2020 Disability Equality Index® (DEI), a joint initiative of the American Association of People with Disabilities (AAPD) and Disability:IN.

Fiscal 2021 Outlook

McKesson raised fiscal 2021 Adjusted Earnings per diluted share guidance to \$14.70 to \$15.50 from the previous range of \$13.95 to \$14.75 to reflect earlier improvement in volumes relative to original expectations. McKesson continues to expect Adjusted Earnings per diluted share growth in the second half of fiscal 2021.

Conference Call Details

The company has scheduled a conference call for today, Monday, August 3rd at 8:00 AM ET to discuss the company's financial results. A live audio webcast of the conference call will be available on McKesson's Investor Relations website at <http://investor.mckesson.com>. An archive of the conference call will also be available on the company's Investor Relations website at <http://investor.mckesson.com>.

Upcoming Investor Events

McKesson management will be participating in the following investor conferences:

- Baird Global Healthcare Conference, September 9, 2020
- Morgan Stanley 18th Annual Global Healthcare Conference, September 15, 2020

Webcasts will be available live and archived on the company's Investor Relations website at <http://investor.mckesson.com>. A complete listing of upcoming events for the investment community, including details and updates, will be available on the company's Investor Relations website.

Non-GAAP Financial Measures

GAAP refers to the U.S. generally accepted accounting principles. This press release includes GAAP financial measures as well as Non-GAAP financial measures, including Adjusted Gross Profit, Adjusted Operating Expenses, Adjusted Other Income, Adjusted Equity Income from Change Healthcare, Adjusted Income from Continuing Operations Before Income Taxes, Adjusted Income Tax Expense, Adjusted Earnings, Adjusted Earnings per Diluted Share, Adjusted Segment Operating Profit, Adjusted Corporate Expenses, Adjusted Operating Profit, FX-Adjusted results and Free Cash Flow which are financial measures not calculated in accordance with GAAP. Refer to the “Supplemental Non-GAAP Financial Information” section of the accompanying financial statement tables for the definitions and usefulness of the Company’s Non-GAAP financial measures and the attached schedules for reconciliations of the differences between the Non-GAAP financial measures and their most directly comparable GAAP financial measures.

The Company does not provide forward-looking guidance on a GAAP basis as McKesson is unable to provide a quantitative reconciliation of this forward-looking Non-GAAP measure to the most directly comparable forward-looking GAAP measure, without unreasonable effort, because McKesson cannot reliably forecast LIFO inventory-related adjustments, gains from antitrust legal settlements, restructuring, impairment and related charges, and other adjustments, which are difficult to predict and estimate. These items are inherently 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.

Cautionary Statements

Except for historical information contained in this press release, matters discussed may constitute “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, that involve risks and uncertainties that could cause actual results to differ materially from those in those statements. It is not possible to identify all such risks and uncertainties. The reader 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, the company undertakes no obligation to publicly update forward-looking statements. Forward-looking statements may be identified by their use of 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, assumptions or intentions may also include forward-looking statements. We encourage investors to read the important risk factors described in the company’s Form 10-K, Form 10-Q and Form 8-K reports filed with the Securities and Exchange Commission.

These risk factors include, but are not limited to: we experience costly and disruptive legal disputes, including regarding our role in distributing controlled substances such as opioids; we might experience losses not covered by insurance; we might record significant charges from impairment to goodwill, intangibles and other assets or investments; we may be unsuccessful in retail pharmacy profitability; we might be harmed by large customer purchase reductions, payment defaults or contract non-renewal; our contracts with government entities involve future funding and compliance risks; we might be harmed by changes in our relationships or contracts with suppliers; we might be adversely impacted by healthcare reform such as changes in pricing and reimbursement models; we might be

adversely impacted by changes or disruptions in product supply and we have experienced and may experience difficulties in sourcing products due to the effects of the COVID-19 pandemic on supply chains; we might be adversely impacted as a result of our distribution of generic pharmaceuticals; we might be adversely impacted by an economic slowdown (including the effects we have experienced from the COVID-19 pandemic) or recession and by disruption in capital and credit markets that might impede our access credit, increase our borrowing costs and impair the financial soundness of our customers and suppliers; we might be adversely impacted by fluctuations in foreign currency exchange rates; we might be adversely impacted by events outside of our control, such as widespread public health issues (including the effects we have experienced from the COVID-19 pandemic), natural disasters, political events and other catastrophic events.

About McKesson Corporation

McKesson Corporation is a global leader in healthcare supply chain management solutions, retail pharmacy, community oncology and specialty care, and healthcare information solutions. McKesson partners with pharmaceutical manufacturers, providers, pharmacies, governments and other organizations in healthcare to help provide the right medicines, medical products and healthcare services to the right patients at the right time, safely and cost-effectively. United by our ICARE shared principles, our employees work every day to innovate and deliver opportunities that make our customers and partners more successful - all for the better health of patients. McKesson has been named the “[Most Admired Company](#)” in the healthcare wholesaler category by FORTUNE, a “[Best Place to Work](#)” by the Human Rights Campaign Foundation, and a top [military-friendly company](#) by Military Friendly. For more information, visit www.mckesson.com.

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