McKESSON REPORTS FISCAL 2022 FOURTH-QUARTER AND FULL-YEAR RESULTS

Fourth-Quarter Highlights:

- Total revenues of $66.1 billion increased 12%.
- Earnings per diluted share from continuing operations of $2.48 decreased $1.67.
- Adjusted Earnings per Diluted Share of $5.83 increased 15%.
- Adjusted Earnings per Diluted Share increased 21% excluding certain items[1].

Full-Year Highlights:

- Total revenues of $264.0 billion increased 11%.
- Earnings per diluted share from continuing operations of $7.26 increased $35.52.
- Adjusted Earnings per Diluted Share of $23.69 increased 38%.
- Adjusted Earnings per Diluted Share increased 31% excluding certain items[1].
- Cash flow from operations of $4.4 billion and Free Cash Flow of $3.9 billion.

Fiscal 2023 Outlook:

- Fiscal 2023 Adjusted Earnings per Diluted Share guidance range of $22.90 to $23.60.
- Fiscal 2023 Adjusted Earnings per Diluted Share guidance includes approximately $0.20 to $0.60 of impacts attributable to the following:
    - $0.05 to $0.25 related to the U.S. government's COVID-19 vaccine distribution, kitting, and storage programs; and $0.15 to $0.35 related to COVID-19 tests.
- Fiscal 2023 Adjusted Earnings per Diluted Share guidance excluding the impacts of the above items from both fiscal 2023 guidance and fiscal 2022 results and $0.47 related to net gains associated with McKesson Ventures' equity investments in fiscal 2022, indicates 9% to 14% forecasted growth compared to prior year.

IRVING, Texas, May 5, 2022 - McKesson Corporation (NYSE:MCK) today reported results for the fourth-quarter and fiscal year ended March 31, 2022.

Fiscal 2022 Fourth-Quarter and Full-Year Result Summary

	Fourth-Quarter			Full-Year		
($ in millions, except per share amounts)	FY22	FY21	Change	FY22	FY21	Change
Revenues	$ 66,102	$ 59,142	12 %	$263,966	$238,228	11 %
Income (loss) from Continuing Operations [2]	370	666	(44)	1,119	(4,538)	125
Adjusted Earnings [2,3]	870	810	7	3,652	2,788	31
Earnings (loss) per Diluted Share [2]	2.48	4.15	(40)	7.26	(28.26)	126
Adjusted Earnings per Diluted Share [2,3]	5.83	5.05	15	23.69	17.21	38

[1] Certain items refer to the impacts attributable to the U.S. government's COVID-19 vaccine distribution of $0.29 in Q4 FY21, $0.06 in Q4 FY22, $0.35 in FY21, and $0.89 in FY22; kitting, storage, and distribution of ancillary supplies of $0.21 in Q4 FY21, $0.20 in Q4 FY22, $0.35 in FY21, and $0.90 in FY22; COVID-19 tests of $0.29 in Q4 FY21, $0.22 in Q4 FY22, $0.86 in FY21, and $0.88 in FY22; impairments for personal protective equipment (PPE) and related products of ($0.40) in Q4 FY21 and ($0.62) in FY21; and net gains associated with McKesson Ventures' equity investments of $0.21 in Q4 FY21, ($0.03) in Q4 FY22, $0.60 in FY21, and $0.47 in FY22.

[2] Reflects continuing operations attributable to McKesson, net of tax

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

"McKesson delivered strong financial performance in fiscal 2022," said Brian Tyler, chief executive officer. "Our transformation to a diversified healthcare services company is underway and our strategy is working."

"We are encouraged by the growth in our strategic pillars of oncology and biopharma services, and the strength in our core North American distribution businesses," Mr. Tyler continued. "Our results reflect the unwavering commitment of our employees and their resilience to deliver for our customers, patients, our communities, and our shareholders. We are excited about the opportunities ahead of us to advance healthcare outcomes for all in fiscal 2023 and beyond."

Fourth-quarter revenues were $66.1 billion, an increase of 12% from a year ago, and full-year revenues were $264.0 billion, an increase of 11%, primarily driven by growth in the U.S. Pharmaceutical segment, due to increased volumes of specialty products, including higher volumes from retail national account customers, and market growth, partially offset by branded to generic conversions.

Fourth-quarter earnings per diluted share from continuing operations was $2.48 compared to $4.15 a year ago, a decrease of $1.67. Full-year earnings per diluted share from continuing operations was $7.26 compared to a loss per diluted share of ($28.26) a year ago, an increase of $35.52, due to a prior year pre-tax charge of $8.1 billion expense accrual related to the opioid litigation.

Fourth-quarter Adjusted Earnings per Diluted Share was $5.83 compared to $5.05 a year ago, an increase of 15%, driven by growth across the business and a lower share count. Full-year Adjusted Earnings per Diluted Share was $23.69 compared to $17.21 a year ago, an increase of 38%, driven by strong operating performance across the segments, the contribution from COVID-19 vaccine distribution, kitting, and storage programs with the U.S. government, and a lower share count.

For the full-year, McKesson returned $3.8 billion of cash to shareholders, which included $3.5 billion of common stock repurchases and $277 million of dividend payments. During the fiscal year, McKesson generated cash from operations of $4.4 billion, and invested $535 million in capital expenditures, resulting in Free Cash Flow of $3.9 billion.

Business Highlights

- In fiscal 2022, McKesson announced a planned exit from the European market, exemplifying its commitment to streamline the business and prioritizing investments in areas that are central to the long-term growth strategy.
    - On July 7, 2021, McKesson announced an agreement to sell certain McKesson Europe businesses in France, Italy, Ireland, Portugal, Belgium, and Slovenia to the PHOENIX Group. The transaction is expected to close in the second half of fiscal 2023.
    - On November 1, 2021, McKesson announced an agreement to sell its UK businesses to AURELIUS. The transaction closed on April 6, 2022.
    - On November 30, 2021, McKesson announced an agreement to sell the remaining share of its German joint venture to Walgreens Boots Alliance. The transaction closed on January 31, 2022.
    - On December 20, 2021, McKesson announced an agreement to sell its Austrian business to Quadrifolia Management GmbH. The transaction closed on January 31, 2022.

    - Norway and Denmark remain the only countries that McKesson has not entered into agreements to sell.
- McKesson continued to expand its differentiated Oncology and Biopharma ecosystems, further demonstrating the significant progress against its company priorities.
    - McKesson's proprietary oncology-focused software suite has documented approximately 10 million patient visits in the last year, helping to advance cancer care within the Oncology ecosystem.
    - Within the Biopharma ecosystem, McKesson helped patients save more than $6 billion on brand and specialty medications.
- McKesson played a leading role in the fight against COVID-19. Through March 31, 2022:
    - U.S. Pharmaceutical successfully shipped over 380 million COVID-19 vaccines to administration sites across the U.S. and in support of the U.S. government's international donation mission.
    - Medical-Surgical Solutions assembled enough kits to support the administration of more than 1.2 billion doses of COVID-19 vaccines.
    - Medical-Surgical Solutions distributed more than 135 million COVID-19 tests to physicians' offices and other alternate healthcare sites.

U.S. Pharmaceutical Segment

Fourth-Quarter

- Revenues were $53.7 billion, an increase of 14%, driven by increased volume of specialty products, including higher volumes from retail national account customers, and market growth, partially offset by branded to generic conversions.
- Segment Operating Profit was $693 million. Adjusted Segment Operating Profit was $780 million, a decrease of 4%, driven by lower demand of COVID-19 vaccine distribution, partially offset by growth in distribution of specialty products to providers and health systems. Excluding the impact of COVID-19 vaccine distribution, the U.S. Pharmaceutical segment delivered Adjusted Segment Operating Profit growth of 2%.

Full-Year

- Revenues were $212.1 billion, an increase of 12%, driven by increased volumes of specialty products, including higher volumes from retail national account customers, and market growth, partially offset by branded to generic conversions.
- Segment Operating Profit was $2.9 billion. Adjusted Segment Operating Profit was $2.9 billion, an increase of 8%, driven by growth in distribution of specialty products to providers and health systems and contribution from COVID-19 vaccine distribution.

Prescription Technology Solutions Segment

Fourth-Quarter

- Revenues were $1.0 billion, an increase of 29%, driven by volume growth related to biopharma services, including third-party logistics services and increased technology service revenue, partially resulting from the growth of prescription volumes.
- Segment Operating Profit was $139 million. Adjusted Segment Operating Profit was $162 million, an increase of 11%, driven by growth from access and adherence solutions.

Full-Year

- Revenues were $3.9 billion, an increase of 34%, driven by volume growth related to biopharma services, including third-party logistics services and increased technology service revenue.
- Segment Operating Profit was $500 million. Adjusted Segment Operating Profit was $590 million, an increase of 26%, driven by growth from access and adherence solutions.

Medical-Surgical Solutions Segment

Fourth-Quarter

- Revenues were $2.9 billion, an increase of 6%, driven by growth and improvements in the primary care business.
- Segment Operating Profit was $280 million. Adjusted Segment Operating Profit was $298 million, an increase of 55%, driven by prior year inventory charges on PPE and related products as well as growth and improvements in the primary care business.

Full-Year

- Revenues were $11.6 billion, an increase of 15%, driven by growth and improvements in the primary care business and the contribution from kitting, storage, and distribution of ancillary supplies for the U.S. government's COVID-19 vaccine program.
- Segment Operating Profit was $959 million. Adjusted Segment Operating Profit was $1.2 billion, an increase of 50%, driven by growth and improvements in the primary care business, prior year inventory charges on PPE and related products, and the contribution from kitting, storage, and distribution of ancillary supplies for the U.S. government's COVID-19 vaccine program, partially offset by increased labor expenses.

International Segment

Fourth-Quarter

- Revenues were $8.5 billion. On an FX-Adjusted basis, revenues were $8.8 billion, an increase of 3%, driven by the sales to new customers in the Canadian business and year-over-year volume recovery from COVID-19, partially offset by the divestiture of McKesson's Austrian business, which was closed during the fourth quarter of fiscal 2022.
- Segment Operating Loss was $207 million. On an FX-Adjusted basis, Adjusted Segment Operating Profit was $152 million, an increase of 10%, driven by the reduction of depreciation and amortization on European assets under agreements to sell and increased volumes in the pharmaceutical distribution business, including COVID-19 vaccines, tests, and PPE.

Full-Year

- Revenues were $36.3 billion. On an FX-Adjusted basis, revenues were $35.4 billion, a decrease of 2%, driven by the contribution of McKesson's German pharmaceutical wholesale business to a joint venture with Walgreens Boots Alliance, partially offset by year-over-year volume recovery from COVID-19 and sales to new customers in the Canadian business.
- Segment Operating Loss was $968 million. On an FX-Adjusted basis, Adjusted Segment Operating Profit was $681 million, an increase of 40%, driven by increased volumes in the pharmaceutical distribution business, including COVID-19 vaccines, tests, and PPE, and the reduction of depreciation and amortization on European assets under agreements to sell.

Corporate Responsibility Updates

- On February 25, 2022, McKesson announced the approval of the proposed opioid settlement agreement with 46 of 49 eligible states, as well as the District of Columbia and all eligible territories.
- McKesson accomplished a significant refresh of the Board of Directors in fiscal 2022:
    - McKesson completed a smooth transition as Donald R. Knauss became independent chair of McKesson's Board of Directors on April 1, 2022.
    - W. Roy Dunbar joined McKesson's Board of Directors as a new director and member of the Audit and Governance Committees effective April 1, 2022.
    - James H. Hinton joined McKesson's Board of Directors as a new director and member of the Compliance and Governance Committees effective January 13, 2022.
    - Kathleen Wilson-Thompson joined McKesson's Board of Directors as a new director and member of the Compensation and Governance Committees effective January 13, 2022.
    - Dr. Richard H. Carmona joined McKesson's Board of Directors as an independent director and member of the Compensation and Compliance Committees effective September 6, 2021.
- McKesson received multiple awards and acknowledgements for its diversity, equity, and inclusion achievements. McKesson continues to build a diverse workplace by expanding representation of women and people of color in leadership roles.
- McKesson submitted science-based targets to the Science Based Targets initiative (SBTi) for official validation in fourth quarter fiscal 2022. McKesson remains committed to establishing science-based greenhouse gas emissions reduction targets that are intended to meet SBTi's standards.

Fiscal 2023 Outlook

McKesson continues its focused execution on company priorities including its planned exit from the European market. For fiscal 2023, McKesson expects Adjusted Earnings per Diluted Share of $22.90 to $23.60 to reflect continued operating momentum and a balanced approach to capital deployment.

Fiscal 2023 Adjusted Earnings per Diluted Share guidance includes approximately $0.20 to $0.60 of impacts attributable to the following:

- $0.05 to $0.25 related to the U.S. government's COVID-19 vaccine distribution, kitting, and storage programs; and $0.15 to $0.35 related to COVID-19 tests.

Fiscal 2023 Adjusted Earnings per Diluted Share guidance excluding the impacts of the above items from both fiscal 2023 guidance and fiscal 2022 results and $0.47 related to net gains associated with McKesson Ventures' equity investments in fiscal 2022, indicates 9% to 14% forecasted growth compared to prior year.

Additional modeling considerations will be provided in the earnings call presentation.

Conference Call Details

McKesson has scheduled a conference call for today, Thursday, May 5th at 4:30 PM ET to discuss the company's financial results. The audio webcast of the conference call will be available live and archived on McKesson's Investor Relations website at investor.mckesson.com.

Upcoming Investor Events

McKesson management will be participating in the following investor conference:

- Bank of America Healthcare Conference, May 12, 2022

Audio webcast, and a complete listing of upcoming events for the investment community, including details and updates, will be available on McKesson'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 Loss on Debt Extinguishment, Adjusted Income Tax Expense, Adjusted Earnings, Adjusted Earnings per Diluted Share, Adjusted Segment Operating Profit, Adjusted Segment Operating Profit Margin, 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, certain litigation loss and gain contingencies, 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

This earnings release 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" or the negative of these words or other comparable terminology. The discussion of financial outlook, trends, strategy, plans, assumptions, or 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 most recent annual and periodic report filed with the Securities and Exchange Commission.

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 might be adversely impacted by changes in tax legislation or challenges to our tax positions; we from time to time record significant charges from impairment to goodwill, intangibles, inventory and other assets or investments; we experience cybersecurity incidents and might experience significant computer system compromises or data breaches; we might experience significant problems with information systems or networks; we may be unsuccessful in achieving our strategic growth objectives; 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 delays or other difficulties with divestitures; 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 changes or disruptions in product supply and we have experienced and may experience difficulties in sourcing products and changes in pricing 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 inflation, 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 to 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; we may be adversely affected by global climate change or by legal, regulatory or market responses to such change; and we face uncertainties and risks related to COVID-19 vaccination mandates and to vaccination distribution and related ancillary supply kit programs.

About McKesson Corporation

McKesson Corporation is a diversified healthcare services leader dedicated to advancing health outcomes for patients everywhere. Our teams partner with biopharma companies, care providers, pharmacies, manufacturers, governments, and others to deliver insights, products and services to help make quality care more accessible and affordable. Learn more about how McKesson is impacting virtually every aspect of healthcare at McKesson.com and read Our Stories.

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