



# Walgreens Boots Alliance

## Fiscal 2021 First Quarter Results

January 7, 2021

# Safe harbor and non-GAAP

**Cautionary Note Regarding Forward-Looking Statements:** Cautionary Note Regarding Forward-Looking Statements: All statements in these materials and the related presentation that are not historical including, without limitation, estimates of and goals for future financial, tax and operating performance and results and our fiscal year 2021 guidance and related assumptions and drivers, as well as forward-looking statements concerning the expected execution and effect of our business strategies, the potential impacts on our business of the spread and impacts of the COVID-19 pandemic, our cost-savings and growth initiatives, pilot programs, strategic partnerships and initiatives, the closing of the sale of certain pharmaceutical wholesale operations to AmerisourceBergen and restructuring activities and the amounts and timing of their expected impact, including statements relating to our expected cost savings under our Transformational Cost Management program, are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. All statements in the future tense and all statements accompanied by words such as “expect,” “likely,” “outlook,” “forecast,” “preliminary,” “pilot,” “would,” “could,” “should,” “can,” “will,” “project,” “intend,” “plan,” “goal,” “guidance,” “target,” “aim,” “continue,” “sustain,” “synergy,” “transform,” “accelerate,” “model,” “long-term,” “on track,” “on schedule,” “headwind,” “tailwind,” “believe,” “seek,” “estimate,” “anticipate,” “upcoming,” “to come,” “may,” “possible,” “assume,” and variations of such words and similar expressions are intended to identify such forward-looking statements. These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions, known or unknown, that could cause actual results to vary materially from those indicated or anticipated, including, but not limited to, those relating to the spread and impacts of COVID-19, the impact of private and public third-party payers’ efforts to reduce prescription drug reimbursements, the risks associated with the withdrawal of the United Kingdom from the European Union, fluctuations in foreign currency exchange rates, the timing and magnitude of the impact of branded to generic drug conversions and changes in generic drug prices, our ability to realize synergies and achieve financial, tax and operating results in the amounts and at the times anticipated, the inherent risks, challenges and uncertainties associated with forecasting financial results of large, complex organizations in rapidly evolving industries, particularly over longer time periods and during periods with increased volatility and uncertainties, the arrangements and transactions contemplated by our agreements with AmerisourceBergen and their possible effects, circumstances that could give rise to the termination, cross-termination or modification of any of our contractual obligations, the amount of costs, fees, expenses and charges incurred in connection with strategic transactions, whether the costs and charges associated with restructuring initiatives will exceed estimates, our ability to realize expected savings and benefits from cost-savings initiatives, restructuring activities and acquisitions and joint ventures in the amounts and at the times anticipated, the timing and amount of any impairment or other charges, the timing and severity of cough, cold and flu season, risks relating to looting and vandalism in regions in which we operate and the scope and magnitude of any property damage, inventory loss or other adverse impacts, risks related to pilot programs and new business initiatives and ventures generally, including the risks that anticipated benefits may not be realized, changes in management’s plans and assumptions, the risks associated with governance and control matters, the ability to retain key personnel, changes in economic and business conditions generally or in particular markets in which we participate, changes in financial markets, credit ratings and interest rates, the risks relating to the terms, timing, and magnitude of any share repurchase activity, the risks associated with international business operations, including international trade policies, tariffs, including tariff negotiations between the United States and China, and relations, risks associated with cybersecurity or privacy breaches related to customer information, changes in vendor, customer and payer relationships and terms, including changes in network participation and reimbursement terms and the associated impacts on volume and operating results, changes in pharmaceutical manufacturers’ pricing or distribution policies or practices, risks related to competition, including changes in market dynamics, participants, product and service offerings, retail formats and competitive positioning, risks associated with new business areas and activities, risks associated with acquisitions, divestitures, joint ventures and strategic investments, including those relating to the asset acquisition from Rite Aid and the sale of certain pharmaceutical wholesale operations to AmerisourceBergen, the risks associated with the integration of complex businesses, regulatory restrictions and outcomes of legal and regulatory matters, and risks associated with changes in laws, including those related to tax law changes, regulations or interpretations thereof. These and other risks, assumptions and uncertainties are described Item 1A (Risk Factors) of our Form 10-K for the fiscal year ended August 31, 2020 and in other documents that we file or furnish with the SEC. All forward-looking statements we make or that are made on our behalf are qualified by these cautionary statements. You should not place undue reliance on forward-looking statements, which speak only as of the date they are made.

We do not undertake, and expressly disclaim, any duty or obligation to update publicly any forward-looking statement after the date of this presentation.

**Non-GAAP Financial Measures:** Today’s presentation includes certain non-GAAP financial measures, including all measures whose label includes the words “adjusted”, “constant currency”, or “free cash flow” or variations of such words and similar expressions, and we refer you to the endnotes on page 20 and the Appendix to the presentation materials available on our investor relations website for reconciliations to the most directly comparable U.S. GAAP financial measures and related information.

These presentation materials, the appendix hereto and the related management presentation are integrally related and are intended to be presented, considered and understood together.



# Overview



Walgreens Boots Alliance

- **Strong start to the fiscal year**
- **Current operating environment demonstrates the importance of being a pharmacy-led healthcare provider**
- **Confident in full year adj. EPS target although situation remains fluid**
- **Executed strategic transactions:**
  - **divestiture of Alliance Healthcare**
  - **acceleration of investment in VillageMD**
- **Refocusing and accelerating core retail pharmacy, digital and healthcare strategies**



Walgreens Boots Alliance

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Refer to safe harbor and non-GAAP on page 2 and endnotes on page 20

# 1Q financial highlights



Walgreens Boots Alliance

- **1Q adjusted EPS \$1.22, exceeding expectations**
  - -11.6% below prior year in constant currency
  - estimated COVID-19 impact \$0.26 to \$0.30
  - good performance underpinned by constant currency sales growth +5.2% and stronger results from Boots UK and Opticians
- **Strong cash generation with 1Q operating cash flow \$1.2bn and free cash flow \$763 million, up +13% vs. prior year**
- **Transformational Cost Management Program remains on track**
  - expect to deliver in excess of \$2bn of annual cost savings by FY22
- **Maintaining FY21 guidance of low single digit constant currency growth in adjusted EPS**



# 1Q financial highlights



Walgreens Boots Alliance

\$ in millions (except EPS and % change)		1Q21	Reported currency Δ vs. 1Q20	Constant currency Δ vs. 1Q20
<b>Sales</b>		<b>\$36,307</b>	<b>+ 5.7%</b>	<b>+ 5.2%</b>
<b>Operating income:</b>	<b>GAAP</b>	<b>- \$440</b>	<b>- 143.5%</b>	
	<b>Adjusted</b>	<b>\$1,318</b>	<b>- 9.9%</b>	<b>- 10.1%</b>
<b>Net earnings:</b>	<b>GAAP</b>	<b>- \$308</b>	<b>- 136.4%</b>	
	<b>Adjusted</b>	<b>\$1,052</b>	<b>- 13.9%</b>	<b>- 14.3%</b>
<b>EPS:</b>	<b>GAAP</b>	<b>- \$0.36</b>	<b>- 137.6%</b>	
	<b>Adjusted</b>	<b>\$1.22</b>	<b>- 11.2%</b>	<b>- 11.6%</b>

- **Estimated COVID-19 adverse impact: EPS \$0.26 - \$0.30**
- **GAAP EPS impacted by a charge of -\$1.73 to equity earnings in AmerisourceBergen**



# Retail Pharmacy USA – financials



<b>\$ in millions (except %)</b>	<b>1Q21</b>	<b>Δ vs. 1Q20</b>
<b>Sales</b>	<b>\$27,163</b>	<b>+ 3.9%</b>
<b>Adj. gross profit</b>	<b>\$5,649</b>	<b>- 1.8%</b>
<b>Adj. SG&amp;A % of sales</b>	<b>17.2%</b>	<b>- 0.4%p</b>
<b>Adj. operating margin</b>	<b>3.6%</b>	<b>- 0.8%p</b>
<b>Adj. operating income</b>	<b>\$989</b>	<b>- 14.4%</b>



# Retail Pharmacy USA – pharmacy



<b>1Q21 vs. 1Q20</b>	<b>1Q Total</b>	<b>1Q Comparable</b>
<b>Pharmacy sales</b>	<b>+ 5.9%</b>	<b>+ 5.0%</b>
<b>Prescriptions</b>	<b>+ 1.1%</b>	<b>+ 2.7%</b>

- **1Q comp scripts up +2.7%; held back by adverse COVID-19 impacts -210bps**
  - significantly weaker cough cold flu season negatively impacting comp scripts partly offset by higher flu immunizations
  - doctor visits and elective procedures continue to trend significantly below pre COVID-19 period
- **Market share 20.7 percent, down -15 basis points, a sequential improvement over the decline in 4Q, and entirely driven by store optimization programs**



# Retail Pharmacy USA – retail



1Q21 vs. 1Q20

1Q

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<b>Total retail sales</b>	<b>- 2.2%</b>
<b>Comp. retail sales</b>	<b>+ 0.4%</b>

- **1Q comp retail sales grew +0.4%, as COVID-19 weighed on results; ex tobacco and e-cigarettes, up +1.9%**
  - **Health & Wellness grew +4.1%, +11.6% excluding cough cold flu impact; seasonal flu categories negatively impacted comp retail sales by -150bps**
  - **PPE categories boosted comp sales by +280bps**
  - **discretionary categories continue to decline, beauty down -13.1%**
  - **initiatives drove positive retail comp sales (mass personalization +155bps)**
  - **digitally initiated Retail sales grew +41%**





# Retail Pharmacy International – financials



\$ in millions (except %)	Constant currency	
	1Q21	Δ vs. 1Q20
<b>Sales</b>	<b>\$2,574</b>	<b>- 8.2%</b>
<b>Adj. operating margin</b>	<b>3.3%</b>	<b>+ 0.3%p</b>
<b>Adj. operating income</b>	<b>\$84</b>	<b>+ 0.6%</b>

- **Adj. operating income, broadly in line with prior year, despite a significant adverse year over year COVID-19 impact**
- **Well ahead of expectations in Boots UK and Opticians**



# Boots UK – financials



<b>1Q21 vs. 1Q20 (Constant currency)</b>	<b>1Q Total</b>	<b>1Q Comparable</b>
<b>Pharmacy sales</b>	<b>- 3.7%</b>	<b>+ 2.5%</b>
<b>Retail sales</b>	<b>- 15.9%</b>	<b>- 9.1%</b>

- **Comp pharmacy sales impacted by lower demand for scripts & Rx services, notably in city centers, offset by NHS funding phasing**
- **Comp retail sales -9.1%; sequential improvement versus 4Q decline of -17.5% despite 4 week national lockdown in November**
  - **Boots.com sales up +106%, with improved offering and capacity**
  - **store transactions down significantly, offset in part by larger basket size, with major high street & ‘travel’ locations particularly challenged**
- **Boots Opticians 1Q comp sales down -4%; sharp improvement vs. 4Q20 -40% as guidelines ease and pent-up demand is addressed**



# Retail Pharmacy International – initiatives



## Boots UK turnaround key priority for FY21

- Strength in Boots brand enabling quick turnaround
- Boots.com: a top UK online destination for consumers
  - strong growth, 1Q sales doubled vs. prior year
  - biggest ever seasonal sales period, November orders almost doubled year on year
  - continued omni-channel investments supporting online retail distribution
- In-store investments driving improved customer experience
- Championing healthcare: biggest ever season to date for vaccinations, over 1 million flu vaccines and over 2.1 million COVID-19 tests administered through the end of December

Transform retail offering

Develop new healthcare service offerings

Accelerate digitalization



# Pharmaceutical Wholesale – financials

<b>\$ in millions (except %)</b>	<b>1Q21</b>	<b>Constant currency Δ vs. 1Q20</b>
<b>Sales</b>	<b>\$7,125</b>	<b>+ 16.3%</b>
<b>Adj. operating margin</b>	<b>1.9%</b>	<b>- 0.3%p</b>
<b>Adj. operating income</b>	<b>\$244</b>	<b>+ 7.4%</b>

- **Sales led by emerging markets, PPE contracts in France, and an 8 percentage point contribution from consolidation of Germany JV transaction on November 1**
- **Adjusted operating income increase reflects sales momentum and higher contribution from AmerisourceBergen**



# Cash flow



Walgreens Boots Alliance

<b>\$ in millions</b>	<b>1Q21</b>	<b>Better/(worse) Δ vs. 1Q20</b>
<b>Operating cash flow</b>	<b>\$1,195</b>	<b>\$134</b>
<b>Cash capital expenditure</b>	<b>\$431</b>	<b>(\$44)</b>
<b>Free cash flow</b>	<b>\$763</b>	<b>\$90</b>

- **YTD free cash flow grew +13% versus prior year**
- **Key initiatives include Rx inventory optimization and improved payable terms**
- **Free cash flow benefited from one-time COVID-19 related government relief, but more than offset by COVID-19 income impacts**
- **Continuing to increase capex to fund growth initiatives**

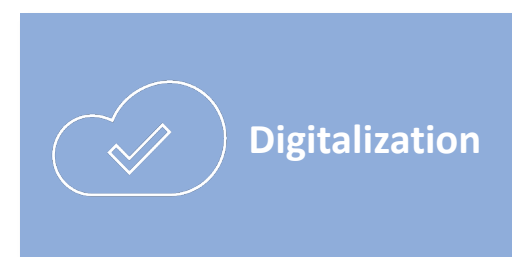


# Transformational Cost Management Program



**On target to deliver in excess of \$2.0 billion in annual cost savings by FY22**

- **Store optimization: executed U.S. 232 of 250 planned, Boots UK 158 of 200 planned**
- **Boots UK restructuring plan now targeting 11% reduction in workforce (vs. 7% previously)**
- **Advancing Business Process Outsourcing partnership with Genpact**
- **Announced strategic partnership with Verizon for Network as a Service in U.S.**
- **Delivering efficiencies and transformation through WPP contract extension**
- **Continued efficiencies through new pharmacy processing automation and launch of new pharmacy operating model**
- **Progressing with agile supply chain and retail shrink initiatives**





## Constant Currency adjusted EPS growth: low-single digit

- **Company reiterates full year guidance with profile skewed to opportunity**
- **First half EPS anticipated to be broadly in-line with expectations set in October 2020**
  - **1Q results exceeded expectations and guidance**
  - **2Q adversely impacted by higher COVID-19 impacts including a significantly weaker cough cold flu season**
- **Situation remains uncertain due to surge in COVID-19 incidences**
- **On a full year basis, opportunity from the distribution of COVID-19 vaccinations is likely to be offset by COVID-19 rolling lockdowns and investments to accelerate growth**



# Portfolio Transformation: Alliance Healthcare Divestiture

- **Divestiture unlocks significant value for WBA**
- **Multi-faceted transaction with AmerisourceBergen**
  - sale of majority of existing wholesale business
  - extension of existing U.S. Distribution agreement for 3 years until 2029
  - collaboration to explore joint operational synergies in the U.S.
- **Attractive multiple secured: ~12x FY20 adj. EBITDA**
- **Expected to result in long-term adj. EPS accretion, with slight dilution in FY21 (~\$0.02)<sup>1</sup>**
- **Proceeds planned to be deployed to boost healthcare investments and pay down debt**





# Divestiture of Alliance Healthcare: Overview

- **Unlocks significant value with gross proceeds of ~\$6.5bn\***
  - gross proceeds of \$6.275bn in cash plus 2.0 million shares in AmerisourceBergen
  - after tax cash proceeds of ~\$6.0bn
  - expected after-tax gain of ~\$1.0bn
- **Ownership in AmerisourceBergen increases from ~28% to ~29%**
- **Wholesale and retail businesses divested\***:
  - FY20 revenue of ~\$19bn, AOI of ~\$475m and adj. EBITDA of ~\$540m
  - wholesale businesses in UK, France, Turkey, Spain, Egypt, Czech Republic, Romania
  - wholesale and small retail businesses in The Netherlands, Norway and Lithuania
  - minority investments in wholesale businesses in Portugal, Croatia and Algeria
- **Business will be reclassified as a business held for sale; expected closing date end of fiscal 3Q**



## Providing essential services while accelerating our transformation

- Modernizing pharmacy operating model: improve efficiency, provide better service & free up pharmacist time
- Administering COVID-19 vaccines in phase 1 to high risk groups & medical care providers
  - Phase 1a: plan to vaccinate residents & staff at 35k long-term care facilities in 49 states
  - Subsequent phases: up to 45k qualified healthcare associates will be ready to vaccinate
- Find Care traffic 13x greater vs. last year to 18.9 million visits
- Plan to open 40 additional VillageMD clinics in three markets by summer 2021
- Launched myWalgreens in November; ~40m members joined to date
- Now offering fastest same-day retail pick-up nationwide with orders available in as little as 30 minutes
  - >1.7 million pick-up orders completed since launch in November
  - Retail digitally initiated sales up +41% in 1Q

Transform and  
restructure retail offering

Create neighborhood health  
destinations around more  
modern pharmacy

Accelerate digitalization





Walgreens Boots Alliance

## Continued progress on strategic priorities

Accelerate  
digitalization of  
company

Transform and  
restructure retail  
offering

Create neighborhood  
health destinations

## Transformational Cost Management Program



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Refer to safe harbor and non-GAAP on page 2 and endnotes on page 20

# Endnotes



- Please see appendix for reconciliations of non-GAAP financial measures and related disclosures
  - The company presents certain information related to current period operating results in “constant currency,” which is a non-GAAP financial measure. These amounts are calculated by translating current period results at the foreign currency exchange rates used in the comparable period in the prior year. The company presents such constant currency financial information because it has significant operations outside of the United States reporting in currencies other than the U.S. dollar and this presentation provides a framework to assess how its business performed excluding the impact of foreign currency exchange rate fluctuations.
  - Retail Pharmacy USA segment GAAP results, dollars in millions – 1Q21: gross profit \$5,617; selling general and administrative expenses \$4,825; SG&A as a percent of sales 17.8%; operating income \$792; and operating margin 2.9%.
  - Retail Pharmacy International segment GAAP results on a reported currency basis, dollars in millions – 1Q21: operating income \$34; and operating margin 1.3%. In 1Q21 compared to prior year quarter, on a reported currency basis, the division's sales decreased 6.2%; operating income decreased 22.7%; and operating margin decreased 0.3 percentage points.
  - Pharmaceutical Wholesale segment GAAP results on a reported currency basis, dollars in millions – 1Q21: operating loss \$1,268. In 1Q21 compared to the prior year quarter, on a reported currency basis, the division's sales increased 18.6%; and had a decrease in operating loss of \$1,389. Pharmaceutical Wholesale segment operating margins excluding equity earnings in AmerisourceBergen on a reported currency basis in 1Q21 were 1.5% and decreased 0.3 percentage points compared to the prior year quarter.
  - Adjusted gross margin is a non-GAAP financial measure defined as adjusted gross profit by business unit divided by sales by business unit. Adjusted gross profit is a non-GAAP financial measure defined as gross profit by business unit, excluding the impact of costs associated with Transformational cost management, LIFO provision, Acquisition-related costs expenses, divided by sales by business unit. The company is providing comparative data relating to these non-GAAP financial measures to provide investors with additional perspective and insights when analyzing the core operating performance of the business units from period to period.
- Net earnings, net loss, net earnings per common share – diluted and net loss per common share - diluted figures are attributable to Walgreens Boots Alliance, Inc.
- For our Retail Pharmacy divisions, comparable sales are defined as sales from stores that have been open for at least twelve consecutive months without closure for seven or more consecutive days, including due to looting or store damage, and without a major remodel or being subject to a natural disaster in the past twelve months as well as e-commerce sales. E-commerce sales include digitally initiated sales online or through mobile applications. Relocated stores are not included as comparable sales for the first twelve months after the relocation. Acquired stores are not included as comparable sales for the first twelve months after acquisition or conversion, when applicable, whichever is later. Comparable sales, comparable pharmacy sales, comparable retail sales, comparable number of prescriptions and comparable number of 30-day equivalent prescriptions refer to total sales, pharmacy sales, retail sales, number of prescriptions and number of 30-day equivalent prescriptions, respectively. Comparable retail sales for previous periods have been restated to include e-commerce sales. The method of calculating comparable sales varies across the retail industry. As a result, our method of calculating comparable sales may not be the same as other retailers’ methods. With respect to the Retail Pharmacy International division, comparable sales, comparable pharmacy sales and comparable retail sales, are presented on a constant currency basis, which is a non-GAAP financial measure. Refer to the discussion above for further details on constant currency calculations.
  - Retail Pharmacy comparable retail sales - growth in Health and Wellness, decline in Beauty and impacts of PPE and mass personalization sales exclude e-commerce.
- Retail Pharmacy USA Pharmacy prescriptions (including immunizations) are reported on a 30-day equivalent basis.
- Prescription market share information is an estimate derived from the use of information under license from the following IQVIA information service: IQVIA Prescription Services as of November 30, 2020 and includes prescriptions filled at stores acquired from Rite Aid from and after the cutover date. IQVIA expressly reserves all rights, including rights of copying, distribution and republication.
- Retail Pharmacy USA retail refill scripts initiated via digital channel is inclusive of prescriptions filled at Walgreens and Duane Reade.
- Boots UK market share insights, where quoted, as of November 28, 2020.
- Working capital includes changes in the following operating assets and liabilities: accounts receivable net; inventories; other current assets; trade accounts payable; and accrued expenses and other liabilities.
- Digitally initiated sales include online orders and mobile application purchases of retail products, photo and digital scripts, including Save a Trip refills.
- Store gross margin is defined as sales less the direct product costs (including an allocation for variable supply chain costs and promotional scanning allowances) divided by sales.



# Appendix

*The information on the following pages provides reconciliations of the supplemental non-GAAP financial measures, as defined under SEC rules, presented in this presentation to the most directly comparable financial measures calculated and presented in accordance with generally accepted accounting principles in the United States (GAAP). The company has provided the non-GAAP financial measures in the presentation, which are not calculated or presented in accordance with GAAP, as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. Please refer to the notes to the “Net Earnings and Diluted Net Earnings (Loss) Per Share” reconciliation table on slide 24 for definitions of non-GAAP financial measures and related adjustments presented in this press release. These supplemental non-GAAP financial measures are presented because management has evaluated the company’s financial results both including and excluding the adjusted items or the effects of foreign currency translation, as applicable, and believe that the supplemental non-GAAP financial measures presented provide additional perspective and insights when analyzing the core operating performance of the company’s business from period to period and trends in the company’s historical operating results. These supplemental non-GAAP financial measures should not be considered superior to, as a substitute for or as an alternative to, and should be considered in conjunction with, the GAAP financial measures presented in the presentation. The company does not provide a reconciliation for non-GAAP estimates on a forward-looking basis (including the information under fiscal year 2021 guidance) where it is unable to provide a meaningful or accurate calculation or estimation of reconciling items and the information is not available without unreasonable effort. This is due to the inherent difficulty of forecasting the timing or amount of various items that have not yet occurred, are out of the company’s control and/or cannot be reasonably predicted, and that would impact diluted net earnings per share, the most directly comparable forward-looking GAAP financial measure. For the same reasons, the company is unable to address the probable significance of the unavailable information. Forward-looking non-GAAP financial measures provided without the most directly comparable GAAP financial measures may vary materially from the corresponding GAAP financial measures.*

*The company considers certain metrics, including all comparable metrics, number of prescriptions, number of 30-day equivalent prescriptions and number of locations at period end, to be key performance indicators because the company's management has evaluated its results of operations using these metrics and believes that these key performance indicators presented provide additional perspective and insights when analyzing the core operating performance of the company from period to period and trends in its historical operating results. These key performance indicators should not be considered superior to, as a substitute for or as an alternative to, and should be considered in conjunction with, the GAAP financial measures presented herein. These measures may not be comparable to similarly-titled performance indicators used by other companies.*

*Amounts may not add due to rounding. All percentages have been calculated using unrounded amounts for the three months ended November 30, 2020.*

## **Certain assumptions and supplemental information**

*Unless otherwise indicated or the context otherwise requires:*

- This presentation assumes constant currency exchange rates after the date hereof based on current rates; and*
- All financial estimates and goals assume constant currency exchange rates after the date hereof based on current rates and no major mergers, acquisitions, divestitures or strategic transactions.*

*References in this presentation to the “company,” “we,” “us” or “our” refer to Walgreens Boots Alliance, Inc. and its subsidiaries, and do not include unconsolidated partially-owned entities, except as otherwise indicated or the context otherwise requires. Our fiscal year ends on August 31, and references herein to “fiscal 2021” refer to our fiscal year ended August 31, 2021.*



# Reconciliation of Non-GAAP financial measures

Walgreens Boots Alliance, Inc. and Subsidiaries  
Supplemental Information (unaudited)  
(in millions)

## NET EARNINGS (LOSS)

	Three months ended November 30,		Change vs. FY20	
	2020	2019	Amount	Percent
<b>Net earnings (loss) attributable to Walgreens Boots Alliance, Inc. (GAAP)</b>	\$ (308)	\$ 845	\$ (1,153)	(136.4)%
<b>Adjustments to operating income (loss):</b>				
Adjustments to equity earnings (loss) in AmerisourceBergen <sup>1</sup>	1,481	80		
Acquisition-related amortization <sup>2</sup>	116	118		
Transformational cost management <sup>3</sup>	104	86		
LIFO provision <sup>4</sup>	33	33		
Acquisition-related costs <sup>5</sup>	23	124		
Store optimization <sup>3</sup>	—	9		
<b>Total adjustments to operating income (loss)</b>	<b>1,759</b>	<b>449</b>		
<b>Adjustments to other income (expense):</b>				
Net investment hedging (gain) loss <sup>6</sup>	9	(11)		
Gain on sale of equity method investment <sup>7</sup>	—	(1)		
<b>Total adjustments to other income (expense)</b>	<b>9</b>	<b>(12)</b>		
<b>Adjustments to income tax provision:</b>				
U.S. tax law changes <sup>8</sup>	—	(6)		
Tax impact of adjustments <sup>8</sup>	(67)	(80)		
Equity method non-cash tax <sup>8</sup>	(346)	(2)		
<b>Total adjustments to income tax provision</b>	<b>(412)</b>	<b>(88)</b>		
<b>Adjustments to post tax equity earnings from other equity method investments:</b>				
Adjustments to equity earnings in other equity method investments <sup>9</sup>	13	28		
<b>Total adjustments to post tax equity earnings from other equity method investments</b>	<b>13</b>	<b>28</b>		
<b>Adjustments to net earnings (loss) attributable to noncontrolling interests:</b>				
Acquisition-related amortization <sup>2</sup>	(4)	—		
LIFO provision <sup>4</sup>	(3)	—		
<b>Total adjustments to net earnings (loss) attributable to noncontrolling interests</b>	<b>(8)</b>	<b>—</b>		
<b>Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure)</b>	<b>\$ 1,052</b>	<b>\$ 1,222</b>	<b>\$ (170)</b>	<b>(13.9)%</b>



# Reconciliation of Non-GAAP financial measures

Walgreens Boots Alliance, Inc. and Subsidiaries  
Supplemental Information (unaudited)

## DILUTED NET EARNINGS (LOSS) PER SHARE

	Three months ended November 30,		Change vs. FY20	
	2020	2019	Amount	Percent
<b>Diluted net earnings (loss) per common share (GAAP)<sup>10</sup></b>	\$ (0.36)	\$ 0.95	\$ (1.30)	(137.6)%
Adjustments to operating income (loss)	2.03	0.50		
Adjustments to other income (expense)	0.01	(0.01)		
Adjustments to income tax provision	(0.48)	(0.10)		
Adjustments to equity earnings in other equity method investments <sup>9</sup>	0.01	0.03		
Adjustments to net earnings (loss) attributable to noncontrolling interests	(0.01)	—		
<b>Adjusted diluted net earnings per common share (Non-GAAP measure)<sup>11</sup></b>	<b>\$ 1.22</b>	<b>\$ 1.37</b>	<b>\$ (0.15)</b>	<b>(11.2)%</b>
Weighted average common shares outstanding, diluted (in millions) <sup>11</sup>	865.3	892.6		



# Reconciliation of Non-GAAP financial measures

## Walgreens Boots Alliance, Inc. and Subsidiaries Supplemental Information (unaudited)

- <sup>1</sup> Adjustments to equity earnings (loss) in AmerisourceBergen consist of the Company's proportionate share of non-GAAP adjustments reported by AmerisourceBergen consistent with the Company's non-GAAP measures. The Company recognized equity losses in AmerisourceBergen of \$1,373 million during the three months ended November 30, 2020. These equity losses are primarily due to AmerisourceBergen recognition of \$5.6 billion, net of tax, charges related to its ongoing opioid litigation in its financial statements for the three months period ended September 30, 2020.
- <sup>2</sup> Acquisition-related amortization includes amortization of acquisition-related intangible assets and inventory valuation adjustments. Amortization of acquisition-related intangible assets includes amortization of intangibles assets such as customer relationships, trade names, trademarks and contract intangibles. Intangible asset amortization excluded from the related non-GAAP measure represents the entire amount recorded within the Company's GAAP financial statements, the revenue generated by the associated intangible assets has not been excluded from the related non-GAAP measures. Amortization expense, unlike the related revenue, is not affected by operations of any particular period unless an intangible asset becomes impaired or the estimated useful life of an intangible asset is revised. These charges are primarily recorded within selling, general and administrative expenses. Business combination accounting principles require us to measure acquired inventory at fair value. The fair value of the inventory reflects cost of acquired inventory and a portion of the expected profit margin. The acquisition-related inventory valuation adjustments excludes the expected profit margin component from cost of sales recorded under the business combination accounting principles.
- <sup>3</sup> Transformational Cost Management Program and Store Optimization Program charges are costs associated with a formal restructuring plan. These charges are primarily recorded within selling, general and administrative expenses. These costs do not reflect current operating performance and are impacted by the timing of restructuring activity.
- <sup>4</sup> The Company's Retail Pharmacy USA segment inventory is accounted for using the last-in-first-out ("LIFO") method. This adjustment represents the impact on cost of sales as if Retail Pharmacy USA segment inventory is accounted for using first-in first-out ("FIFO") method. The LIFO provision is affected by changes in inventory quantities, product mix, and manufacturer pricing practices, which may be impacted by market and other external influences. Therefore, the Company cannot control the amounts recognized or timing of these items.
- <sup>5</sup> Acquisition-related costs are transaction and integration costs associated with certain merger and acquisition related activities. These costs include all charges incurred on certain mergers and acquisition related activities, for example, including costs related to integration efforts for successful merger and acquisition activities. These charges are primarily recorded within selling, general and administrative expenses. These costs are significantly impacted by the timing and complexity of the underlying merger and acquisition related activities and do not reflect the Company's current operating performance.
- <sup>6</sup> Gain or loss on certain derivative instruments used as economic hedges of the Company's net investments in foreign subsidiaries. These charges are recorded within other income (expense). We do not believe this volatility related to mark-to-market adjustment on the underlying derivative instruments reflects the Company's operational performance.
- <sup>7</sup> Includes significant gain on sale of equity method investment and related adjustments.
- <sup>8</sup> Adjustments to income tax provision include adjustments to the GAAP basis tax provision commensurate with non-GAAP adjustments and certain discrete tax items including U.S. tax law changes, a UK tax rate change and equity method non-cash tax. These charges are recorded within income tax provision (benefit).
- <sup>9</sup> Adjustments to post tax equity earnings from other equity method investments consist of the proportionate share of certain equity method investees' non-cash items or unusual or infrequent items consistent with the Company's non-GAAP adjustments. These charges are recorded within post tax earnings (loss) from other equity method investments. Although the Company may have shareholder rights and board representation commensurate with its ownership interests in these equity method investees, adjustments relating to equity method investments are not intended to imply that the Company has direct control over their operations and resulting revenue and expenses. Moreover, these non-GAAP financial measures have limitations in that they do not reflect all revenue and expenses of these equity method investees.
- <sup>10</sup> Due to the anti-dilutive effect resulting from the reported net loss, the impact of potentially dilutive securities on the per share amounts has been omitted from the quarterly calculation of weighted-average common shares outstanding for diluted earnings per share for the three months ended November 30, 2020.
- <sup>11</sup> Includes impact of potentially dilutive securities in the quarterly calculation of weighted-average common shares, diluted for adjusted diluted net earnings per common share calculation purposes for the three months ended November 30, 2020.





# Reconciliation of Non-GAAP financial measures

Walgreens Boots Alliance, Inc. and Subsidiaries  
Supplemental Information (unaudited)  
(in millions)

	Three months ended November 30, 2020				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale <sup>1</sup>	Eliminations	Walgreens Boots Alliance, Inc.
Sales	\$ 27,163	\$ 2,574	\$ 7,125	\$ (555)	\$ 36,307
<b>Gross profit (GAAP)</b>	<b>\$ 5,617</b>	<b>\$ 961</b>	<b>\$ 560</b>	<b>\$ 1</b>	<b>\$ 7,139</b>
Transformational cost management	(1)	—	—	—	—
LIFO provision	33	—	—	—	33
<b>Adjusted gross profit (Non-GAAP measure)</b>	<b>\$ 5,649</b>	<b>\$ 961</b>	<b>\$ 561</b>	<b>\$ 1</b>	<b>\$ 7,172</b>
<b>Selling, general and administrative expenses (GAAP)</b>	<b>\$ 4,825</b>	<b>\$ 928</b>	<b>\$ 455</b>	<b>—</b>	<b>\$ 6,207</b>
Acquisition-related amortization	(76)	(20)	(20)	—	(116)
Transformational cost management	(71)	(28)	(6)	—	(104)
Acquisition-related costs	(17)	(2)	(5)	—	(23)
<b>Adjusted selling, general and administrative expenses (Non-GAAP measure)</b>	<b>\$ 4,660</b>	<b>\$ 878</b>	<b>\$ 425</b>	<b>\$ —</b>	<b>\$ 5,963</b>
<b>Operating income (loss) (GAAP)</b>	<b>\$ 792</b>	<b>\$ 34</b>	<b>\$ (1,268)</b>	<b>\$ 1</b>	<b>\$ (440)</b>
Adjustments to equity earnings (loss) in AmerisourceBergen	—	—	1,481	—	1,481
Acquisition-related amortization	76	20	20	—	116
Transformational cost management	70	28	6	—	104
LIFO provision	33	—	—	—	33
Acquisition-related costs	17	2	5	—	23
<b>Adjusted operating income (Non-GAAP measure)</b>	<b>\$ 989</b>	<b>\$ 84</b>	<b>\$ 244</b>	<b>\$ 1</b>	<b>\$ 1,318</b>
Gross margin (GAAP)	20.7 %	37.3 %	7.9 %		19.7 %
Adjusted gross margin (Non-GAAP measure)	20.8 %	37.3 %	7.9 %		19.8 %
Selling, general and administrative expenses percent to sales (GAAP)	17.8 %	36.0 %	6.4 %		17.1 %
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	17.2 %	34.1 %	6.0 %		16.4 %
Operating margin <sup>2</sup>	2.9 %	1.3 %	1.5 %		2.6 %
Adjusted operating margin (Non-GAAP measure) <sup>2</sup>	3.6 %	3.3 %	1.9 %		3.3 %

<sup>1</sup> Operating income (loss) for Pharmaceutical Wholesale includes equity earnings (loss) in AmerisourceBergen. As a result of the two month reporting lag, operating income (loss) for the three month period ended November 30, 2020 includes AmerisourceBergen equity earnings (loss) for the period of July 1, 2020 through September 30, 2020. Operating income for the three month period ended November 30, 2019 includes AmerisourceBergen equity earnings for the period of July 1, 2019 through September 30, 2019, respectively.

<sup>2</sup> Operating margins and adjusted operating margins have been calculated excluding equity earnings (loss) in AmerisourceBergen and adjusted equity earnings (loss) in AmerisourceBergen, respectively.



# Reconciliation of Non-GAAP financial measures

## Walgreens Boots Alliance, Inc. and Subsidiaries Supplemental Information (unaudited) (in millions)

	Three months ended November 30, 2019				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale <sup>1</sup>	Eliminations	Walgreens Boots Alliance, Inc.
Sales	\$ 26,133	\$ 2,745	\$ 6,007	\$ (545)	\$ 34,339
<b>Gross profit (GAAP)</b>	<b>\$ 5,691</b>	<b>\$ 1,056</b>	<b>\$ 517</b>	<b>\$ (1)</b>	<b>\$ 7,263</b>
Transformational cost management	—	3	—	—	3
LIFO provision	33	—	—	—	33
Acquisition-related costs	28	—	—	—	28
<b>Adjusted gross profit (Non-GAAP measure)</b>	<b>\$ 5,753</b>	<b>\$ 1,059</b>	<b>\$ 517</b>	<b>\$ (1)</b>	<b>\$ 7,327</b>
<b>Selling, general and administrative expenses (GAAP)</b>	<b>\$ 4,843</b>	<b>\$ 1,012</b>	<b>\$ 407</b>	<b>\$ —</b>	<b>\$ 6,262</b>
Acquisition-related amortization	(77)	(22)	(19)	—	(118)
Transformational cost management	(66)	(10)	(7)	—	(83)
Acquisition-related costs	(94)	—	(1)	—	(95)
Store optimization	(8)	—	—	—	(8)
<b>Adjusted selling, general and administrative expenses (Non-GAAP measure)</b>	<b>\$ 4,597</b>	<b>\$ 980</b>	<b>\$ 380</b>	<b>\$ —</b>	<b>\$ 5,957</b>
<b>Operating income (GAAP)</b>	<b>\$ 848</b>	<b>\$ 44</b>	<b>\$ 122</b>	<b>\$ —</b>	<b>\$ 1,013</b>
Adjustments to equity earnings in AmerisourceBergen	—	—	80	—	80
Acquisition-related amortization	77	22	19	—	118
Transformational cost management	66	12	7	—	86
LIFO provision	33	—	—	—	33
Acquisition-related costs	122	—	1	—	124
Store optimization	9	—	—	—	9
<b>Adjusted operating income (Non-GAAP measure)</b>	<b>\$ 1,155</b>	<b>\$ 79</b>	<b>\$ 229</b>	<b>\$ —</b>	<b>\$ 1,463</b>
Gross margin (GAAP)	21.8 %	38.5 %	8.6 %		21.1 %
Adjusted gross margin (Non-GAAP measure)	22.0 %	38.6 %	8.6 %		21.3 %
Selling, general and administrative expenses percent to sales (GAAP)	18.5 %	36.9 %	6.8 %		18.2 %
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	17.6 %	35.7 %	6.3 %		17.3 %
Operating margin <sup>2</sup>	3.2 %	1.6 %	1.8 %		2.9 %
Adjusted operating margin (Non-GAAP measure) <sup>2</sup>	4.4 %	2.9 %	2.3 %		4.0 %

<sup>1</sup> Operating income (loss) for Pharmaceutical Wholesale includes equity earnings (loss) in AmerisourceBergen. As a result of the two month reporting lag, operating income (loss) for the three month period ended November 30, 2020 includes AmerisourceBergen equity earnings (loss) for the period of July 1, 2020 through September 30, 2020. Operating income for the three month period ended November 30, 2019 includes AmerisourceBergen equity earnings for the period of July 1, 2019 through September 30, 2019, respectively.

<sup>2</sup> Operating margins and adjusted operating margins have been calculated excluding equity earnings (loss) in AmerisourceBergen and adjusted equity earnings (loss) in AmerisourceBergen, respectively.



# Reconciliation of Non-GAAP financial measures

Walgreens Boots Alliance, Inc. and Subsidiaries  
 Supplemental Information (unaudited)  
 (in millions)

## EQUITY EARNINGS (LOSS) IN AMERISOURCEBERGEN

	Three months ended November 30,	
	2020	2019
<b>Equity earnings (loss) in AmerisourceBergen (GAAP)</b>	\$ (1,373)	\$ 13
Litigation settlements and other	1,548	36
Acquisition-related amortization	30	30
Certain discrete tax benefits	6	—
New York State Opioid Stewardship Act	3	—
Asset Impairment	3	—
PharMEDium remediation costs	—	3
Anti-Trust	—	(1)
LIFO provision	(7)	12
Tax reform	(100)	—
<b>Adjusted equity earnings in AmerisourceBergen (Non-GAAP measure)</b>	<b>\$ 108</b>	<b>\$ 92</b>



# Reconciliation of Non-GAAP financial measures

Walgreens Boots Alliance, Inc. and Subsidiaries  
Supplemental Information (unaudited)  
(in millions)

	Three months ended November 30, 2020			Three months ended November 30, 2019		
	Earnings (loss) before income tax provision	Income tax provision	Effective tax rate	Earnings before income tax provision	Income tax provision	Effective tax rate
<b>Effective tax rate (GAAP)</b>	\$ (520)	\$ (199)	38.2%	\$ 882	\$ 32	3.6%
Impact of non-GAAP adjustments	1,767	61		437	84	
Equity method non-cash tax	—	346		—	2	
Adjusted tax rate true-up	—	5		—	(4)	
U.S. tax law changes	—	—		—	6	
<b>Subtotal</b>	\$ 1,247	\$ 213		\$ 1,320	\$ 120	
Exclude adjusted equity earnings in AmerisourceBergen	(108)	—		(92)	—	
<b>Adjusted effective tax rate excluding adjusted equity earnings in AmerisourceBergen (Non-GAAP measure)</b>	\$ 1,139	\$ 213	18.7%	\$ 1,227	\$ 120	9.8%



# Reconciliation of Non-GAAP financial measures

Walgreens Boots Alliance, Inc. and Subsidiaries  
Supplemental Information (unaudited)  
(in millions)

## FREE CASH FLOW

	Three months ended November 30,	
	2020	2019
Net cash provided by operating activities (GAAP)	\$ 1,195	\$ 1,061
Less: Additions to property, plant and equipment	(431)	(387)
<b>Free cash flow (Non-GAAP measure)<sup>1</sup></b>	<b>\$ 763</b>	<b>\$ 674</b>

<sup>1</sup> Free cash flow is defined as net cash provided by operating activities in a period less additions to property, plant and equipment (capital expenditures) made in that period. This measure does not represent residual cash flows available for discretionary expenditures as the measure does not deduct the payments required for debt service and other contractual obligations or payments for future business acquisitions. Therefore, we believe it is important to view free cash flow as a measure that provides supplemental information to our entire statements of cash flows.



# Reconciliation of Non-GAAP financial measures

Walgreens Boots Alliance, Inc. and Subsidiaries  
Supplemental Information (unaudited)  
(in millions)

## WHOLESALE AND RETAIL BUSINESSES DIVESTED - ADJUSTED OPERATING INCOME

	Twelve months ended August 31, 2020
Operating income (GAAP)	\$ 319
Acquisition-related amortization	77
Transformational cost management	62
Other	18
<b>Adjusted operating income (Non-GAAP measure)</b>	<b>\$ 475</b>

## WHOLESALE AND RETAIL BUSINESSES DIVESTED - ADJUSTED EBITDA<sup>1</sup>

	Twelve months ended August 31, 2020
Operating income (GAAP)	\$ 319
Depreciation and amortization	141
<b>EBITDA</b>	<b>\$ 460</b>
Transformational cost management	62
Other	18
<b>Adjusted EBITDA (Non-GAAP measure)<sup>1</sup></b>	<b>\$ 540</b>

<sup>1</sup> Adjusted EBITDA excludes depreciation and amortization and other items primarily relating to ongoing transformational cost management program.



# Comparable sales methodology change<sup>1</sup>

## Walgreens Boots Alliance, Inc. and Subsidiaries Restatement of Comparable Sales (unaudited)

Percent increase (decrease)	Three months ended November 30, 2019			Three months ended February 29, 2020			Three months ended May 31, 2020			Three months ended August 31, 2020			Twelve months ended August 31, 2020		
	Prior percentage	Change	Revised percentage	Prior percentage	Change	Revised percentage	Prior percentage	Change	Revised percentage	Prior percentage	Change	Revised percentage	Prior percentage	Change	Revised percentage
<b>Retail Pharmacy USA</b>															
Comparable sales <sup>2</sup>	1.6	0.0	1.6	2.7	0.0	2.7	3.0	0.1	3.1	3.6	0.1	3.7	2.8	0.0	2.8
Comparable retail sales	(0.5)	0.1	(0.5)	0.6	(0.1)	0.5	1.9	0.2	2.1	4.7	0.3	5.0	1.6	0.1	1.7
<b>Retail Pharmacy International</b>															
Comparable sales - in constant currency <sup>3</sup>	(1.7)	0.3	(1.4)	(2.3)	0.5	(1.9)	(25.2)	4.0	(21.2)	(14.8)	5.2	(9.6)	(10.4)	2.4	(8.1)
Comparable retail sales - in constant currency	(3.0)	0.5	(2.5)	(4.3)	0.7	(3.6)	(41.8)	7.2	(34.6)	(25.5)	9.0	(16.5)	(17.2)	4.0	(13.2)
<b>Boots UK</b>															
Comparable retail sales - in constant currency	(2.9)	0.6	(2.3)	(4.6)	1.0	(3.6)	(48.0)	9.3	(38.7)	(29.2)	11.8	(17.5)	(19.1)	5.1	(14.1)

<sup>1</sup> Comparable sales methodology change to include e-commerce sales. E-commerce sales include digitally initiated sales online or through mobile applications.

<sup>2</sup> Previously reported as "Comparable store sales"

<sup>3</sup> Previously reported as "Comparable store sales - in constant currency"



# Comparable sales methodology change<sup>1</sup>

## Walgreens Boots Alliance, Inc. and Subsidiaries Restatement of Comparable Sales (unaudited)

Percent increase (decrease)	Three months ended November 30, 2018			Three months ended February 28, 2019			Three months ended May 31, 2019			Three months ended August 31, 2019			Twelve months ended August 31, 2019		
	Prior percentage	Change	Revised percentage	Prior percentage	Change	Revised percentage	Prior percentage	Change	Revised percentage	Prior percentage	Change	Revised percentage	Prior percentage	Change	Revised percentage
<b>Retail Pharmacy USA</b>															
Comparable sales <sup>2</sup>	1.0	0.0	0.9	0.0	0.0	0.0	3.8	0.0	3.7	3.4	0.0	3.4	2.0	0.0	2.0
Comparable retail sales	(3.2)	0.0	(3.2)	(3.8)	0.0	(3.8)	(1.1)	0.0	(1.1)	(1.2)	(0.1)	(1.3)	(2.4)	0.0	(2.4)
<b>Retail Pharmacy International</b>															
Comparable sales - in constant currency <sup>3</sup>	(2.6)	0.2	(2.3)	(1.4)	0.1	(1.3)	(1.0)	0.2	(0.8)	(2.0)	0.2	(1.8)	(1.7)	0.2	(1.5)
Comparable retail sales - in constant currency	(2.4)	0.4	(2.0)	(1.7)	0.2	(1.5)	(2.3)	0.4	(1.9)	(2.7)	0.3	(2.3)	(2.2)	0.3	(1.9)
<b>Boots UK</b>															
Comparable retail sales - in constant currency	(2.6)	0.5	(2.2)	(2.3)	0.3	(2.0)	(2.6)	0.5	(2.1)	(3.1)	0.4	(2.7)	(2.6)	0.4	(2.2)

<sup>1</sup> Comparable sales methodology change to include e-commerce sales. E-commerce sales include digitally initiated sales online or through mobile applications.

<sup>2</sup> Previously reported as "Comparable store sales"

<sup>3</sup> Previously reported as "Comparable store sales - in constant currency"





# Currency sensitivity

<b>Exchange Rates/Impact</b>	<b>FY20</b>	<b>Sep '20 Sensitivity</b>	<b>Dec '20 Sensitivity</b>
<b>GBP/USD</b>	<b>1.27</b>	<b>1.29</b>	<b>1.32</b>
<b>EUR/USD</b>	<b>1.11</b>	<b>1.15</b>	<b>1.18</b>
<b>TRY/USD</b>	<b>0.16</b>	<b>0.14</b>	<b>0.12</b>
<b>Fx Sales Impact vs. FY20</b>		<b>~\$275m/~0.2</b>	<b>~\$970m/~0.7%</b>
<b>Fx Adj. Operating Income Impact vs. FY20</b>		<b>~\$0m/~0.0%</b>	<b>~\$15m/~0.3%</b>
<b>Fx Adj. EPS Impact vs. FY20</b>		<b>~\$0.01/~0.1%</b>	<b>~\$0.03/~0.6%</b>

- **Every 1% move in GBP/USD has ~\$150m impact to WBA group sales**
- **Every 1% move in EUR/USD has ~\$140m impact to WBA group sales**
- **Every 10% move in TRY/USD has ~\$205m impact to WBA group sales**

