



**Walgreens Boots Alliance**

**Fiscal 2019 Second Quarter Results**

April 2, 2019

# Safe harbor and non-GAAP

**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 tax, financial and operating performance and results (including the statements appearing on the slides entitled “Fiscal year 2019 guidance,” “Long-term business model” and “Transformational Cost Management Program”), as well as forward-looking statements concerning the expected execution and effect of our business strategies, our cost-savings and growth initiatives, pilot programs and initiatives, and restructuring activities and the amounts and timing of their expected impact (including statements relating to our expected cost savings under our Store Optimization and Transformational Cost Savings programs), and our amended and restated asset purchase agreement with Rite Aid and the transactions contemplated thereby and their possible timing and effects, 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 impact of private and public third-party payers’ efforts to reduce prescription drug reimbursements, 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, the arrangements and transactions contemplated by our agreements with AmerisourceBergen and their possible effects, the occurrence of any event, change or other circumstance 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 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, 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 the risks associated with the proposed withdrawal of the United Kingdom from the European Union and international trade policies, tariffs and relations, the risk of unexpected costs, liabilities or delays, 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, risks of inflation, risks associated with the operation and growth of our customer loyalty programs, 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 acquisition of certain assets pursuant to our amended and restated asset purchase agreement with Rite Aid, 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 the December 2017 U.S. tax law changes, regulations or interpretations thereof. These and other risks, assumptions and uncertainties are described in Item 1A (Risk Factors) of our Form 10-K for the fiscal year ended August 31, 2018 which is incorporated herein by reference, and in other documents that we file or furnish with the SEC. You should not place undue reliance on forward-looking statements, which speak only as of the date they are made. Except to the extent required by law, 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”, “organic”, or “free cash flow” or variations of such words and similar expressions, and we refer you to the endnotes on page 24 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



- **Weak quarterly performance**
  - accelerated market challenges
  - our response lagged market changes
- **Immediate action to address challenges**
  - focused review of current business model
  - driving our transformation priorities with greater urgency
  - focusing resources to deliver greatest change
- **Long-term business model can deliver sustainable profitable growth**
  - commercial pressures expected to continue for FY19, leading to flat constant currency adjusted EPS growth
  - improved performance in FY20
  - beyond that, business model can deliver sustainable mid-to-high single digit constant currency adjusted EPS growth



# 2Q financial highlights



Walgreens Boots Alliance

- **Adjusted EPS constant currency decline of 4.3%**
  - 1H growth of 3.6%
  - lapping strong prior year quarter (2Q18 growth of 25.7%)
- **Results weaker than expected**
  - continued reimbursement pressure
  - US pharmacy & retail volume behind plan
  - weak UK market conditions
- **Accelerating management actions**
  - immediate actions to improve operational performance
  - reinforcing and accelerating existing transformation plans



Walgreens Boots Alliance

© 2019 Walgreens Boots Alliance, Inc. All rights reserved.

Refer to safe harbor and non-GAAP on page 2 and endnotes on page 24

# 2Q financial highlights



Walgreens Boots Alliance

		\$ in millions (except EPS and % change)		
		2Q19	Reported currency Δ vs. 2Q18	Constant currency Δ vs. 2Q18
<b>Sales</b>		<b>\$34,528</b>	<b>+ 4.6%</b>	<b>+ 6.7%</b>
<b>Operating income:</b>	<b>GAAP</b>	<b>\$1,517</b>	<b>- 23.3%</b>	
	<b>Adjusted</b>	<b>\$1,935</b>	<b>- 10.4%</b>	<b>- 9.3%</b>
<b>Net earnings:</b>	<b>GAAP</b>	<b>\$1,156</b>	<b>- 14.3%</b>	
	<b>Adjusted</b>	<b>\$1,522</b>	<b>- 11.5%</b>	<b>- 10.6%</b>
<b>EPS:</b>	<b>GAAP</b>	<b>\$1.24</b>	<b>- 8.3%</b>	
	<b>Adjusted</b>	<b>\$1.64</b>	<b>- 5.4%</b>	<b>- 4.3%</b>



Walgreens Boots Alliance

© 2019 Walgreens Boots Alliance, Inc. All rights reserved.

Refer to safe harbor and non-GAAP on page 2 and endnotes on page 24

# First half FY19 financial highlights



Walgreens Boots Alliance

\$ in millions (except EPS and % change)		1H19	Reported currency Δ vs. 1H18	Constant currency Δ vs. 1H18
<b>Sales</b>		<b>\$68,321</b>	<b>+ 7.2%</b>	<b>+ 9.0%</b>
<b>Operating income:</b>	<b>GAAP</b>	<b>\$2,918</b>	<b>- 11.5%</b>	
	<b>Adjusted</b>	<b>\$3,667</b>	<b>- 7.5%</b>	<b>- 6.6%</b>
<b>Net earnings:</b>	<b>GAAP</b>	<b>\$2,279</b>	<b>+ 5.1%</b>	
	<b>Adjusted</b>	<b>\$2,908</b>	<b>- 3.6%</b>	<b>- 2.8%</b>
<b>EPS:</b>	<b>GAAP</b>	<b>\$2.42</b>	<b>+ 12.0%</b>	
	<b>Adjusted</b>	<b>\$3.09</b>	<b>+ 2.8%</b>	<b>+ 3.6%</b>



# Retail Pharmacy USA – financials



<b>\$ in millions (except %)</b>	<b>2Q19</b>	<b>Δ vs. 2Q18</b>	<b>1H19</b>	<b>Δ vs. 1H18</b>
<b>Sales</b>	<b>\$26,257</b>	<b>+ 7.3%</b>	<b>\$51,979</b>	<b>+ 10.7%</b>
<b>Adj. gross profit</b>	<b>\$6,095</b>	<b>- 3.5%</b>	<b>\$12,144</b>	<b>+ 1.1%</b>
<b>Adj. SG&amp;A % of sales</b>	<b>17.7%</b>	<b>- 1.4%p</b>	<b>17.9%</b>	<b>- 1.2%p</b>
<b>Adj. operating margin</b>	<b>5.5%</b>	<b>- 1.2%p</b>	<b>5.5%</b>	<b>- 1.0%p</b>
<b>Adj. operating income</b>	<b>\$1,455</b>	<b>- 11.9%</b>	<b>\$2,834</b>	<b>- 6.4%</b>

- **Adj. operating income includes a ~240 bps impact from select investments**



# Retail Pharmacy USA – pharmacy



<b>2Q19 vs. 2Q18   1H19 vs. 1H18</b>	<b>2Q Total</b>	<b>2Q Comparable</b>	<b>1H Total</b>	<b>1H Comparable</b>
<b>Pharmacy sales</b>	<b>+ 9.8%</b>	<b>+ 1.9%</b>	<b>+ 13.6%</b>	<b>+ 2.3%</b>
<b>Prescriptions</b>	<b>+ 6.4%</b>	<b>+ 1.8%</b>	<b>+ 8.8%</b>	<b>+ 1.9%</b>

- **2Q market share 22.3%: up 90 bps, reflecting acquired Rite Aid stores**
- **Comp. prescription growth of 1.8%, slightly behind 1Q of 2.0%**
- **Gross margin under pressure**
  - **exceptionally high year on year reimbursement impact**
  - **fewer opportunities to mitigate reimbursement pressure**
  - **adverse mix of 110 bps due to specialty**





# Retail Pharmacy USA – retail



2Q19 vs. 2Q18   1H19 vs. 1H18	2Q	1H
Total retail sales	+ 1.3%	+ 3.5%
Comp. retail sales	- 3.8%	- 3.5%

- Disappointing 2Q results impacted by:
  - cough cold flu season (150 bps)
  - de-emphasis of tobacco (125 bps)
  - lower seasonal sales (70 bps)
- 2Q retail gross margin decline mainly due to short-term changes in promotional activity



# Retail Pharmacy USA – action plan



**Reworked business plan to accelerate growth in priority areas**

**Accelerate digitalization of company**

**Transform and restructure retail offering**

**Create neighborhood health destinations**

**Transformational Cost Management Program**



# Retail Pharmacy USA – action plan



Walgreens Boots Alliance



**Talent**



**Partnerships**



**Digitalization**

- **New Walgreens leadership structure**
  - **division of development & delivery**
- **Driving improved operational excellence**
- **Accelerated focus on key partnerships**
- **Financial discipline, pace, accountability and maximization of new profit streams**
- **Microsoft embedded with our new digital leadership team**



Walgreens Boots Alliance

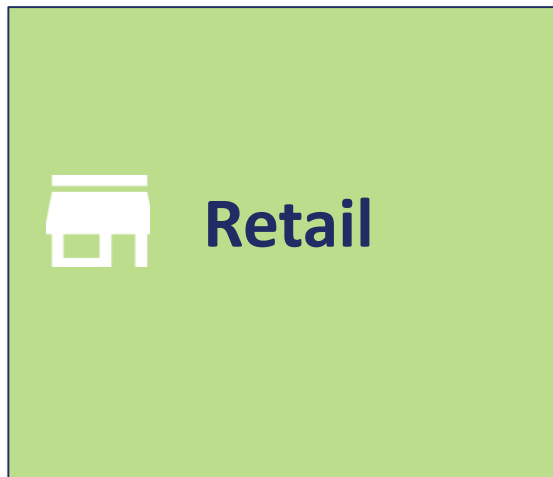
© 2019 Walgreens Boots Alliance, Inc. All rights reserved.

Refer to safe harbor and non-GAAP on page 2 and endnotes on page 24

# Retail Pharmacy USA – action plan



- Driving volume through partnerships
- Improving operational effectiveness
- Focusing more on outcomes-based reimbursement
- Delivering our vision of modern pharmacy



- Investing in footfall driving categories
- Investing in flagship brands
- Step-up focus on Health & Wellness
- Focusing on next stage of retail partnership development
- Using technology to enhance customer experience and drive loyalty



# Retail Pharmacy USA – action plan



## Store Optimization & Integration

- High Rite Aid customer retention rate delivered: store optimization increased to 750 stores (from 600)
- Comprehensive review of integrated store network
  - addressing specific underperforming stores
  - small format concept in test



# Retail Pharmacy International – financials



\$ in millions (except %)	Constant currency		Constant currency	
	2Q19	Δ vs. 2Q18	1H19	Δ vs. 1H18
<b>Sales</b>	<b>\$3,082</b>	<b>- 1.2%</b>	<b>\$5,982</b>	<b>- 2.4%</b>
<b>Adj. operating margin</b>	<b>8.3%</b>	<b>- 0.1%p</b>	<b>6.5%</b>	<b>- 1.1%</b>
<b>Adj. operating income</b>	<b>\$256</b>	<b>- 2.1%</b>	<b>\$388</b>	<b>- 16.1%</b>
<b>Boots UK comp. pharmacy sales</b>		<b>- 1.5%</b>		<b>- 2.5%</b>
<b>Boots UK comp. retail sales</b>		<b>- 2.3%</b>		<b>- 2.5%</b>

- Trend improved versus 1Q
- UK market remains challenging but held market share



# Boots UK - action plan

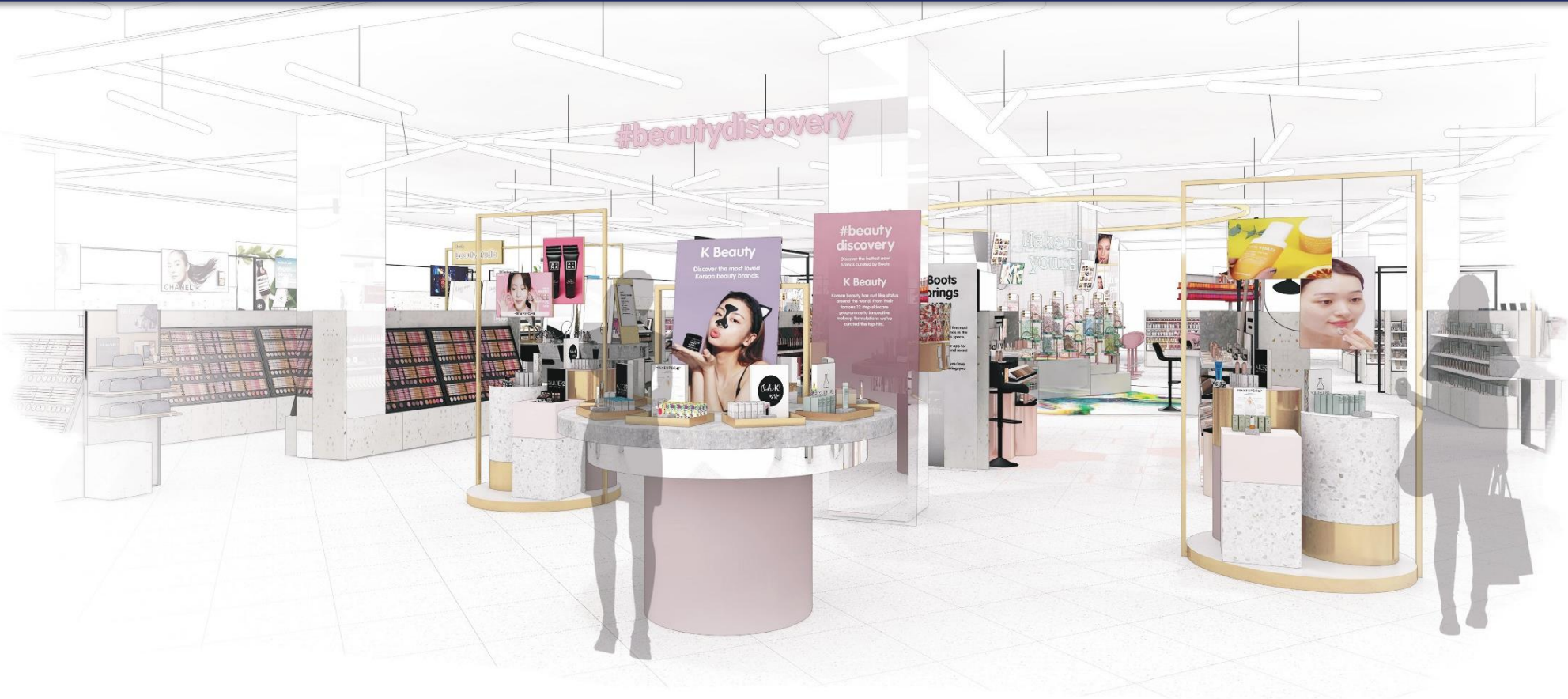


- **Decisive steps being taken to address UK cost base:**
  - **approx. 20% headcount reduction in Nottingham HQ**
  - **smart spend/smart organization advancing well**
  - **store portfolio review underway**
- **Pharmacy profitability program initiated**
- **Strengthened leadership team**
- **Action plan underway to improve revenue performance:**
  - **new beauty halls in top 24 stores**
  - **expanding beauty offering nationwide: 20+ new brands in next 6 months**





## Reinventing customer beauty experience





# Pharmaceutical Wholesale – financials



\$ in millions (except %)	2Q19	Constant currency Δ vs. 2Q18	1H19	Constant currency Δ vs. 1H18
	<b>Sales</b>	<b>\$5,738</b>	<b>+ 9.1%</b>	<b>\$11,446</b>
<b>Adj. operating margin</b>	<b>2.3%</b>	<b>- 0.1%p</b>	<b>2.4%</b>	<b>- 0.1%p</b>
<b>Adj. operating income</b>	<b>\$225</b>	<b>+ 3.0%</b>	<b>\$445</b>	<b>+ 3.5%</b>

- Continued predictable revenue growth
- Strong emerging market performance
- 2Q includes a 2.1% revenue tailwind from UK customer contract change



# Cash flow



Walgreens Boots Alliance

<b>\$ in millions</b>	<b>1H19</b>	<b>Δ vs. 1H18</b>
<b>Operating cash flow</b>	<b>\$1,195</b>	<b>- \$2,014</b>
<b>Cash capital expenditure</b>	<b>\$793</b>	<b>- \$128</b>
<b>Free cash flow</b>	<b>\$401</b>	<b>- \$2,141</b>

- **Free cash flow impacted by headwinds of \$1 billion**
  - cash tax payments, mainly U.S. tax reform
  - legal settlements
  - prior year Rite Aid acquisition working capital benefits
- **Underlying working capital increase ~\$750 million, reflecting increased activity and timing**





**Constant currency adjusted EPS growth: roughly flat**  
*(Reported currency adjusted EPS negatively impacted by ~4 cents of currency translation)*

- **Gross margin pressure in Retail Pharmacy USA**
  - continued reimbursement pressure & associated mitigation behind plan
  - generic deflation slowing
  - branded inflation lower
- **Volume – US Pharmacy & US Retail below plan / weak UK market**
- **Estimated bonus payout substantially reduced**
- **Transformational Cost Management Program is on track**  
**(savings were included in December 2018 guidance)**





## WBA business model well positioned to deliver sustainable long-term adjusted EPS growth

- **Execute against existing transformation plans, but more aggressively**
- **Levers to counteract reimbursement pressure:**
  - **volume underpinned by improved consumer/payor value**
  - **renewed focus on operational excellence**
  - **Company-wide digitalization launched**
  - **Transformational Cost Management Program savings in excess of \$1.5 billion**
- **Rising contribution from partnerships beyond 2022**
  - **investments in short to mid-term to drive long-term adj. earnings upside**



# Transformational Cost Management Program



Walgreens Boots Alliance

**In excess of \$1.5 billion in annual cost savings by 2022**



**Smart  
Spend**



**Smart  
Organization**



**Digitalization**

- **Spend visibility and benchmarking by April**
  - many areas of opportunity, setting higher target
- **Policy improvements starting in 3Q**
- **Focus is now on broadening the scope**
- **Dedicated teams to accelerate pace of change**
  
- **Functional visibility, benchmarking, value targeting completed by 3Q**
- **Execution already started and accelerating**
  - 1Q update: Chile, Mexico, Pharmaceutical Wholesale
  - Boots UK headquarters headcount reduction announced 2/27
  - US field supervision organization announced 3/21
  
- **IT cost visibility and targeting largely completed: \$500-600 million size of prize (equally split between opex and capex)**
- **Process automation journey started**



# Long-term business model



Walgreens Boots Alliance

## FY20

- **Adjusted EPS growth (constant currency)**
  - improved operational performance to lead to mid single digit growth
  - year on year comparison could be adversely impacted by lower bonus in the previous fiscal year
  - as a result, adjusted EPS would be broadly flat year over year

## Beyond FY20

- **Adjusted EPS growth (constant currency): mid-to-high single digit**



Walgreens Boots Alliance

© 2019 Walgreens Boots Alliance, Inc. All rights reserved.

Refer to safe harbor and non-GAAP on page 2 and endnotes on page 24



Walgreens Boots Alliance



We help people across the world lead healthier and happier lives

- Owned businesses
- Equity method investments
- Branded products & franchises\*

\*Countries where the Company's products are available for purchase or there are Company franchises (other than those countries where there are owned businesses, equity method investments or joint ventures)



Walgreens Boots Alliance

© 2019 Walgreens Boots Alliance, Inc. All rights reserved.

# Endnotes

- Please see appendix for reconciliations of non-GAAP financial measures and related disclosures.
  - Certain figures are presented on a constant currency basis, 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 – 2Q19: gross profit \$6,067, selling, general and administrative expenses \$4,840, SG&A as a percent of sales 18.4%, operating income \$1,226, and operating margin 4.7%.
  - Retail Pharmacy International segment GAAP results on a reported currency basis, dollars in millions – 2Q19: operating income \$192 million, and operating margin 6.2%. In 2Q19 compared to the prior year quarter, the division's operating income decreased 22.6% and operating margin decreased 1.2 percentage points.
  - Retail Pharmacy International segment GAAP results – 2Q19: on a constant currency basis, sales decreased 1.2%, comparable store sales decreased 1.4%, comparable pharmacy sales decreased 0.7% and comparable retail sales decreased 1.7%. On a reported currency basis, sales decreased 7.1%, comparable store sales decreased 7.3%, comparable pharmacy sales decreased 6.9%, comparable retail sales decreased 7.6%, Boots UK comparable pharmacy sales decreased 7.8% and Boots UK comparable retail sales decreased 8.3%.
  - Pharmaceutical Wholesale segment GAAP results on a reported currency basis, dollars in millions – 2Q19: operating income \$100 million, and operating margin 0.3%. In 2Q19 compared to the prior year quarter, the division's operating income decreased 69.1%, operating margin decreased 1.8% percentage points, sales decreased 0.3%.
  - Pharmaceutical Wholesale adjusted operating income includes adjusted equity earnings in AmerisourceBergen, which were \$92 million and \$89 million in the three months ended February 28, 2019 and three months ended February 28, 2018, respectively. See appendix for details. Pharmaceutical Wholesale adjusted operating margin has been calculated excluding adjusted equity earnings in AmerisourceBergen.
  - Organic sales are defined as sales excluding non-comparable acquisitions and divestitures including joint ventures and are considered a non-GAAP financial measure. Walgreens Boots Alliance, Inc. results, dollars in millions – 2Q19 consolidated sales increased 4.6% to \$34.5 billion, with currency translation negatively impacting sales by 2.1 percentage points. Excluding the impact of currency, sales increased 6.7%. Retail Pharmacy USA 2Q19 sales increased 7.3% to \$26.3 billion, which includes a positive impact of 5.7% percentage points or \$1.4 billion from non-comparable acquisitions and divestitures including joint ventures. Retail Pharmacy USA 2Q19 Pharmacy sales increased 9.8% to \$18.9 billion, which includes a positive impact of 5.8 percentage points or \$1 billion from non-comparable acquisitions and divestitures including joint ventures. Retail Pharmacy International 2Q19 sales of \$3.1 billion decreased 1.2% excluding the impact of currency translation.
- Net earnings and net earnings per common share – diluted figures are attributable to Walgreens Boots Alliance, Inc.
- Comparable stores are defined as those that have been open for at least twelve consecutive months without closure for seven or more consecutive days and without a major remodel or subject to a natural disaster in the past twelve months. Relocated stores are not included as comparable stores for the first twelve months after the relocation. Acquired stores are not included as comparable stores for the first twelve months after acquisition or conversion, when applicable, whichever is later. The method of calculating comparable sales varies across the industries in which we operate. As a result, our method of calculating comparable sales may not be the same as other companies' methods.
- Retail Pharmacy USA Pharmacy prescriptions (including immunizations) are reported on a 30-day equivalent basis.
- This information is an estimate derived from the use of information under license from the following IQVIA (formerly IMS Health) information service: IQVIA Prescription Services as of February 28, 2019 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.
- 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.





# Appendix

*The following information 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. 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 2019 guidance" and "Long-term business model") 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 also 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.*

*For our Retail Pharmacy divisions, comparable stores are defined as those that have been open for at least 12 consecutive months and that have not been closed for seven or more consecutive days, undergone a major remodel or been subject to a natural disaster during the past 12 months. Relocated stores are not included as comparable stores for the first twelve months after the relocation. Acquired stores are not included as comparable stores for the first twelve months after acquisition or conversion, when applicable, whichever is later. Comparable store sales, comparable pharmacy sales and comparable retail sales refer to total sales, pharmacy sales and retail sales, respectively, in such stores. For our Pharmaceutical Wholesale division, comparable sales are defined as sales excluding acquisitions and dispositions. 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.*

*Amounts may not add due to rounding. All percentages have been calculated using unrounded amounts for the three and six months ended February 28, 2019.*



# Reconciliation of Non-GAAP financial measures

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

NET EARNINGS	Three months ended February 28,		Change vs. 2Q18		Six months ended February 28,		Change vs. FY18	
	2019	2018	Amount	Percent	2019	2018	Amount	Percent
Net earnings attributable to Walgreens Boots Alliance, Inc. (GAAP)	\$ 1,156	\$ 1,349	\$ (193)	(14.3)%	\$ 2,279	\$ 2,170	\$ 109	5.0 %
<b>Adjustments to operating income:</b>								
Acquisition-related amortization	123	113			246	198		
Transformational cost management	150	—			179	—		
Acquisition-related costs	82	65			148	116		
Adjustments to equity earnings in AmerisourceBergen	9	(113)			54	76		
Store optimization	31	—			51	—		
LIFO provision	8	43			48	97		
Certain legal and regulatory accruals and settlements <sup>1</sup>	14	90			24	115		
Hurricane-related costs	—	—			—	83		
Asset recovery	—	(15)			—	(15)		
Total adjustments to operating income	417	183			749	670		
<b>Adjustments to other income (expense):</b>								
Net investment hedging (gain) loss	6	1			2	(33)		
Impairment of equity method investment	—	—			—	170		
Total adjustments to other income (expense)	6	1			2	137		
<b>Adjustments to interest expense, net:</b>								
Prefunded acquisition financing costs	—	5			—	29		
Total adjustments to interest expense, net	—	5			—	29		
<b>Adjustments to income tax provision:</b>								
Equity method non-cash tax	15	61			19	11		
U.S. tax law changes <sup>2</sup>	9	184			(3)	184		
Tax impact of adjustments <sup>3</sup>	(81)	(62)			(139)	(185)		
Total adjustments to income tax provision	(57)	183			(123)	10		
<b>Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure)</b>	<b>\$ 1,522</b>	<b>\$ 1,721</b>	<b>\$ (199)</b>	<b>(11.6)%</b>	<b>\$ 2,908</b>	<b>\$ 3,016</b>	<b>\$ (108)</b>	<b>(3.6)%</b>

<sup>1</sup> As previously disclosed, beginning in the quarter ended August 31, 2018, management reviewed and refined its practice to include all charges related to the matters included in certain legal and regulatory accruals and settlements. In order to present non-GAAP measures on a consistent basis for fiscal year 2018, the company included adjustments in the quarter ended August 31, 2018 of \$14 million, \$50 million and \$5 million which were previously accrued in the company's financial statements for the quarters ended November 30, 2017, February 28, 2018, and May 31, 2018, respectively. These additional adjustments impact the comparability of such results to the results reported in prior and future quarters.

<sup>2</sup> Discrete tax-only items.

<sup>3</sup> Represents the adjustment to the GAAP basis tax provision commensurate with non-GAAP adjustments and the adjusted tax rate true-up.



# Reconciliation of Non-GAAP financial measures

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

## DILUTED NET EARNINGS PER SHARE

	Three months ended February 28,		Change vs. 2Q18		Six months ended February 28,		Change vs. FY18	
	2019	2018	Amount	Percent	2019	2018	Amount	Percent
<b>Diluted net earnings per common share (GAAP)</b>	\$ 1.24	\$ 1.36	\$ (0.12)	(8.8)%	\$ 2.42	\$ 2.16	\$ 0.26	12.0%
Adjustments to operating income	0.45	0.18			0.80	0.67		
Adjustments to other income (expense)	0.01	—			—	0.14		
Adjustments to interest expense, net	—	0.01			—	0.03		
Adjustments to income tax provision	(0.06)	0.18			(0.13)	0.01		
<b>Adjusted diluted net earnings per common share (Non-GAAP measure)</b>	<b>\$ 1.64</b>	<b>\$ 1.73</b>	<b>\$ (0.09)</b>	<b>(5.2)%</b>	<b>\$ 3.09</b>	<b>\$ 3.01</b>	<b>\$ 0.08</b>	<b>2.7%</b>
Weighted average common shares outstanding, diluted	930.7	995.5			941.1	1,003.3		



# Reconciliation of Non-GAAP financial measures

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

## GROSS PROFIT BY DIVISION

	Three months ended February 28, 2019				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
<b>Gross profit (GAAP)</b>	\$ 6,067	\$ 1,179	\$ 511	\$ (2)	\$ 7,754
Transformational cost management	—	23	—	—	23
Acquisition-related costs	19	—	—	—	19
Store optimization	1	—	—	—	1
LIFO provision	8	—	—	—	8
<b>Adjusted gross profit (Non-GAAP measure)</b>	<b>\$ 6,095</b>	<b>\$ 1,202</b>	<b>\$ 511</b>	<b>\$ (2)</b>	<b>\$ 7,806</b>
Sales	\$ 26,257	\$ 3,082	\$ 5,738	\$ (549)	\$ 34,528
Gross margin (GAAP)	23.1%	38.2%	8.9%		22.5%
Adjusted gross margin (Non-GAAP measure)	23.2%	39.0%	8.9%		22.6%

	Three months ended February 28, 2018				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
<b>Gross profit (GAAP)</b>	\$ 6,267	\$ 1,294	\$ 532	\$ 3	\$ 8,096
Acquisition-related amortization	8	—	—	—	8
LIFO provision	43	—	—	—	43
<b>Adjusted gross profit (Non-GAAP measure)</b>	<b>\$ 6,318</b>	<b>\$ 1,294</b>	<b>\$ 532</b>	<b>\$ 3</b>	<b>\$ 8,147</b>
Sales	\$ 24,478	\$ 3,317	\$ 5,755	\$ (529)	\$ 33,021
Gross margin (GAAP)	25.6%	39.0%	9.2%		24.5%
Adjusted gross margin (Non-GAAP measure)	25.8%	39.0%	9.2%		24.7%



# Reconciliation of Non-GAAP financial measures

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

## GROSS PROFIT BY DIVISION

	Six months ended February 28, 2019				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
<b>Gross profit (GAAP)</b>	\$ 12,067	\$ 2,306	\$ 1,023	\$ (1)	\$ 15,395
Transformational cost management	—	25	—	—	25
Acquisition-related costs	28	—	—	—	28
Store optimization	1	—	—	—	1
LIFO provision	48	—	—	—	48
<b>Adjusted gross profit (Non-GAAP measure)</b>	<b>\$ 12,144</b>	<b>\$ 2,331</b>	<b>\$ 1,023</b>	<b>\$ (1)</b>	<b>\$ 15,498</b>
Sales	\$ 51,979	\$ 5,982	\$ 11,446	\$ (1,086)	\$ 68,321
Gross margin (GAAP)	23.2%	38.6%	8.9%		22.5%
Adjusted gross margin (Non-GAAP measure)	23.4%	39.0%	8.9%		22.7%

	Six months ended February 28, 2018				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
<b>Gross profit (GAAP)</b>	\$ 11,869	\$ 2,518	\$ 1,054	\$ (4)	\$ 15,437
Acquisition-related amortization	8	—	—	—	8
LIFO provision	97	—	—	—	97
Hurricane-related costs	43	—	—	—	43
<b>Adjusted gross profit (Non-GAAP measure)</b>	<b>\$ 12,017</b>	<b>\$ 2,518</b>	<b>\$ 1,054</b>	<b>\$ (4)</b>	<b>\$ 15,585</b>
Sales	\$ 46,967	\$ 6,400	\$ 11,473	\$ (1,079)	\$ 63,761
Gross margin (GAAP)	25.3%	39.3%	9.2%		24.2%
Adjusted gross margin (Non-GAAP measure)	25.6%	39.3%	9.2%		24.4%



# Reconciliation of Non-GAAP financial measures

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

## SELLING, GENERAL AND ADMINISTRATIVE EXPENSES BY DIVISION

	Three months ended February 28, 2019				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
<b>Selling, general and administrative expenses (GAAP)</b>	\$ 4,840	\$ 987	\$ 493	\$ —	\$ 6,320
Acquisition-related amortization	(79)	(25)	(20)	—	(123)
Transformational cost management	(14)	(16)	(96)	—	(126)
Acquisition-related costs	(63)	—	—	—	(63)
Store optimization	(30)	—	—	—	(30)
Certain legal and regulatory accruals and settlements	(14)	—	—	—	(14)
<b>Adjusted selling, general and administrative expenses (Non-GAAP measure)</b>	<b>\$ 4,640</b>	<b>\$ 946</b>	<b>\$ 378</b>	<b>\$ —</b>	<b>\$ 5,963</b>
Sales	\$ 26,257	\$ 3,082	\$ 5,738	\$ (549)	\$ 34,528
Selling, general and administrative expenses percent to sales (GAAP)	18.4%	32.0%	8.6%		18.3%
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	17.7%	30.7%	6.6%		17.3%

	Three months ended February 28, 2018				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
<b>Selling, general and administrative expenses (GAAP)<sup>1</sup></b>	\$ 4,864	\$ 1,046	\$ 411	\$ —	\$ 6,321
Acquisition-related amortization	(56)	(28)	(21)	—	(105)
Acquisition-related costs	(65)	—	—	—	(65)
Certain legal and regulatory accruals and settlements <sup>2</sup>	(90)	—	—	—	(90)
Asset recovery	15	—	—	—	15
<b>Adjusted selling, general and administrative expenses (Non-GAAP measure)<sup>1</sup></b>	<b>\$ 4,668</b>	<b>\$ 1,018</b>	<b>\$ 390</b>	<b>\$ —</b>	<b>\$ 6,076</b>
Sales	\$ 24,478	\$ 3,317	\$ 5,755	\$ (529)	\$ 33,021
Selling, general and administrative expenses percent to sales (GAAP)	19.9%	31.5%	7.1%		19.1%
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	19.1%	30.7%	6.8%		18.4%

<sup>1</sup> The Company adopted new accounting guidance in Accounting Standards Update 2017-07 as of September 1, 2018 (fiscal 2019) on a retrospective basis for the Consolidated Condensed Statements of Earnings presentation. This change resulted in reclassification of all the other net cost components (excluding service cost component) of net pension cost and net postretirement benefit cost from selling, general and administrative expenses to other income (expense) with no impact on the Company's net earnings.

<sup>2</sup> See note 1 on page 26.



# Reconciliation of Non-GAAP financial measures

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

## SELLING, GENERAL AND ADMINISTRATIVE EXPENSES BY DIVISION

	Six months ended February 28, 2019				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
<b>Selling, general and administrative expenses (GAAP)</b>	\$ 9,675	\$ 2,036	\$ 889	\$ (1)	\$ 12,599
Acquisition-related amortization	(155)	(52)	(39)	—	(246)
Transformational cost management	(16)	(42)	(96)	—	(154)
Acquisition-related costs	(120)	—	—	—	(120)
Store optimization	(49)	—	—	—	(49)
Certain legal and regulatory accruals and settlements	(24)	—	—	—	(24)
<b>Adjusted selling, general and administrative expenses (Non-GAAP measure)</b>	<b>\$ 9,311</b>	<b>\$ 1,943</b>	<b>\$ 753</b>	<b>\$ (1)</b>	<b>\$ 12,006</b>
Sales	\$ 51,979	\$ 5,982	\$ 11,446	\$ (1,086)	\$ 68,321
Selling, general and administrative expenses percent to sales (GAAP)	18.6%	34.0%	7.8%		18.4%
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	17.9%	32.5%	6.6%		17.6%

	Six months ended February 28, 2018				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
<b>Selling, general and administrative expenses (GAAP) <sup>1</sup></b>	\$ 9,339	\$ 2,091	\$ 806	\$ (5)	\$ 12,231
Acquisition-related amortization	(94)	(54)	(42)	—	(190)
Acquisition-related costs	(116)	—	—	—	(116)
Certain legal and regulatory accruals and settlements <sup>2</sup>	(115)	—	—	—	(115)
Hurricane-related costs	(40)	—	—	—	(40)
Asset recovery	15	—	—	—	15
<b>Adjusted selling, general and administrative expenses (Non-GAAP measure)<sup>1</sup></b>	<b>\$ 8,989</b>	<b>\$ 2,037</b>	<b>\$ 764</b>	<b>\$ (5)</b>	<b>\$ 11,785</b>
Sales	\$ 46,967	\$ 6,400	\$ 11,473	\$ (1,079)	\$ 63,761
Selling, general and administrative expenses percent to sales (GAAP)	19.9%	32.7%	7.0%		19.2%
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	19.1%	31.8%	6.7%		18.5%

<sup>1</sup> The Company adopted new accounting guidance in Accounting Standards Update 2017-07 as of September 1, 2018 (fiscal 2019) on a retrospective basis for the Consolidated Condensed Statements of Earnings presentation. This change resulted in reclassification of the all other net cost components (excluding service cost component) of net pension cost and net postretirement benefit cost from selling, general and administrative expenses to other income (expense) with no impact on the Company's net earnings.

<sup>2</sup> See note 1 on page 26.



# Reconciliation of Non-GAAP financial measures

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

## EQUITY EARNINGS IN AMERISOURCEBERGEN

	Three months ended February 28,		Six months ended February 28,	
	2019	2018	2019	2018
<b>Equity earnings (loss) in AmerisourceBergen (GAAP)</b>	\$ 83	\$ 202	\$ 121	\$ 90
Acquisition-related amortization	33	29	63	57
LIFO provision	(1)	—	15	(12)
PharMEDium remediation costs	4	—	10	—
Asset impairment	—	—	6	—
Early debt extinguishment	—	5	—	5
U.S. tax law changes	(10)	(152)	(17)	(152)
Litigation settlements and other	(17)	5	(24)	178
<b>Adjusted equity earnings in AmerisourceBergen (Non-GAAP measure)</b>	<b>\$ 92</b>	<b>\$ 89</b>	<b>\$ 175</b>	<b>\$ 166</b>





# Reconciliation of Non-GAAP financial measures

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

## OPERATING INCOME BY DIVISION

	Three months ended February 28, 2019				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale <sup>1</sup>	Eliminations	Walgreens Boots Alliance, Inc.
<b>Operating income (GAAP)</b>	\$ 1,226	\$ 192	\$ 100	\$ (1)	\$ 1,517
Acquisition-related amortization	79	25	20	—	123
Transformational cost management	14	40	96	—	150
Acquisition-related costs	82	—	—	—	82
Adjustments to equity earnings in AmerisourceBergen	—	—	9	—	9
Store optimization	31	—	—	—	31
LIFO provision	8	—	—	—	8
Certain legal and regulatory accruals and settlements	14	—	—	—	14
<b>Adjusted operating income (Non-GAAP measure)</b>	<b>\$ 1,455</b>	<b>\$ 256</b>	<b>\$ 225</b>	<b>\$ (1)</b>	<b>\$ 1,935</b>
Sales	\$ 26,257	\$ 3,082	\$ 5,738	\$ (549)	\$ 34,528
Operating margin (GAAP) <sup>2</sup>	4.7%	6.2%	0.3%		4.2%
Adjusted operating margin (Non-GAAP measure) <sup>2</sup>	5.5%	8.3%	2.3%		5.3%

	Three months ended February 28, 2018				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale <sup>1</sup>	Eliminations	Walgreens Boots Alliance, Inc.
<b>Operating income (GAAP)<sup>3</sup></b>	\$ 1,403	\$ 248	\$ 323	\$ 3	\$ 1,977
Acquisition-related amortization	64	28	21	—	113
Acquisition-related costs	65	—	—	—	65
Adjustments to equity earnings in AmerisourceBergen	—	—	(113)	—	(113)
LIFO provision	43	—	—	—	43
Certain legal and regulatory accruals and settlements <sup>4</sup>	90	—	—	—	90
Asset recovery	(15)	—	—	—	(15)
<b>Adjusted operating income (Non-GAAP measure)<sup>3</sup></b>	<b>\$ 1,650</b>	<b>\$ 276</b>	<b>\$ 231</b>	<b>\$ 3</b>	<b>\$ 2,160</b>
Sales	\$ 24,478	\$ 3,317	\$ 5,755	\$ (529)	\$ 33,021
Operating margin (GAAP) <sup>2</sup>	5.7%	7.5%	2.1%		5.4%
Adjusted operating margin (Non-GAAP measure) <sup>2</sup>	6.7%	8.3%	2.5%		6.3%

<sup>1</sup> Operating income for Pharmaceutical Wholesale includes equity earnings in AmerisourceBergen. As a result of the two month reporting lag, operating income for the three month period ended February 28, 2019 includes AmerisourceBergen equity earnings for the period of October 1, 2018 through December 31, 2018. Operating income for the three month period ended February 28, 2018 includes AmerisourceBergen equity earnings for the period of October 1, 2017 to December 31, 2017.

<sup>2</sup> Operating margins and adjusted operating margins have been calculated excluding equity earnings in AmerisourceBergen.

<sup>3</sup> See note 1 on page 31.

<sup>4</sup> See note 1 on page 26.



Walgreens Boots Alliance

© 2019 Walgreens Boots Alliance, Inc. All rights reserved.

# Reconciliation of Non-GAAP financial measures

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

## OPERATING INCOME BY DIVISION

	Six months ended February 28, 2019				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale <sup>1</sup>	Eliminations	Walgreens Boots Alliance, Inc.
<b>Operating income (GAAP)</b>	\$ 2,393	\$ 270	\$ 255	\$ —	\$ 2,918
Acquisition-related amortization	155	52	39	—	246
Transformational cost management	16	67	96	—	179
Acquisition-related costs	148	—	—	—	148
Adjustments to equity earnings in AmerisourceBergen	—	—	54	—	54
Store optimization	51	—	—	—	51
LIFO provision	48	—	—	—	48
Certain legal and regulatory accruals and settlements	24	—	—	—	24
<b>Adjusted operating income (Non-GAAP measure)</b>	<b>\$ 2,834</b>	<b>\$ 388</b>	<b>\$ 445</b>	<b>\$ —</b>	<b>\$ 3,667</b>
Sales	\$ 51,979	\$ 5,982	\$ 11,446	\$ (1,086)	\$ 68,321
Operating margin (GAAP) <sup>2</sup>	4.6%	4.5%	1.2%		4.1%
Adjusted operating margin (Non-GAAP measure) <sup>2</sup>	5.5%	6.5%	2.4%		5.1%

	Six months ended February 28, 2018				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale <sup>1</sup>	Eliminations	Walgreens Boots Alliance, Inc.
<b>Operating income (GAAP)<sup>3</sup></b>	\$ 2,530	\$ 427	\$ 338	\$ 1	\$ 3,296
Acquisition-related amortization	102	54	42	—	198
Acquisition-related costs	116	—	—	—	116
Adjustments to equity earnings in AmerisourceBergen	—	—	76	—	76
LIFO provision	97	—	—	—	97
Certain legal and regulatory accruals and settlements <sup>4</sup>	115	—	—	—	115
Hurricane-related costs	83	—	—	—	83
Asset recovery	(15)	—	—	—	(15)
<b>Adjusted operating income (Non-GAAP measure)<sup>3</sup></b>	<b>\$ 3,028</b>	<b>\$ 481</b>	<b>\$ 456</b>	<b>\$ 1</b>	<b>\$ 3,966</b>
Sales	\$ 46,967	\$ 6,400	\$ 11,473	\$ (1,079)	\$ 63,761
Operating margin (GAAP) <sup>2</sup>	5.4%	6.7%	2.2%		5.0%
Adjusted operating margin (Non-GAAP measure) <sup>2</sup>	6.4%	7.5%	2.5%		6.0%

<sup>1</sup> Operating income for Pharmaceutical Wholesale includes equity earnings in AmerisourceBergen. As a result of the two month reporting lag, operating income for the six month period ended February 28, 2019 includes AmerisourceBergen equity earnings for the period of July 1, 2018 through December 31, 2018. Operating income for the six month period ended February 28, 2018 includes AmerisourceBergen equity earnings for the period of July 1, 2017 to December 31, 2017.

<sup>2</sup> Operating margins and adjusted operating margins have been calculated excluding equity earnings in AmerisourceBergen.

<sup>3</sup> See note 1 on page 31.

<sup>4</sup> See note 1 on page 26.



Walgreens Boots Alliance

© 2019 Walgreens Boots Alliance, Inc. All rights reserved.

# Reconciliation of Non-GAAP financial measures

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

## ADJUSTED EFFECTIVE TAX RATE

	Three months ended February 28, 2019			Three months ended February 28, 2018		
	Earnings before income tax provision	Income tax provision	Effective tax rate	Earnings before income tax provision	Income tax provision	Effective tax rate
Effective tax rate (GAAP)	\$ 1,356	\$ 226	16.7%	\$ 1,838	\$ 503	27.4%
Impact of non-GAAP adjustments	423	84		189	39	
U.S. tax law changes	—	(9)		—	(184)	
Equity method non-cash	—	(15)		—	(61)	
Adjusted tax rate true-up	—	(3)		—	23	
Subtotal	\$ 1,779	\$ 283		\$ 2,027	\$ 320	
Exclude adjusted equity earnings in AmerisourceBergen	(92)	—		(89)	—	
<b>Adjusted effective tax rate excluding adjusted equity earnings in AmerisourceBergen (Non-GAAP measure)</b>	<b>\$ 1,687</b>	<b>\$ 283</b>	<b>16.8%</b>	<b>\$ 1,938</b>	<b>\$ 320</b>	<b>16.5%</b>



# Reconciliation of Non-GAAP financial measures

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

## ADJUSTED EFFECTIVE TAX RATE

	Six months ended February 28, 2019			Six months ended February 28, 2018		
	Earnings before income tax provision	Income tax	Effective tax rate	Earnings before income tax provision	Income tax	Effective tax rate
<b>Effective tax rate (GAAP)</b>	\$ 2,621	\$ 406	15.5%	\$ 2,874	\$ 730	25.4%
Impact of non-GAAP adjustments	751	139		836	142	
U.S. tax law changes	—	3		—	(184)	
Equity method non-cash	—	(19)		—	(11)	
Adjusted tax rate true-up	—	—		—	43	
<b>Subtotal</b>	\$ 3,372	\$ 529		\$ 3,710	\$ 720	
Exclude adjusted equity earnings in AmerisourceBergen	(175)	—		(166)	—	
<b>Adjusted effective tax rate excluding adjusted equity earnings in AmerisourceBergen (Non-GAAP measure)</b>	\$ 3,197	\$ 529	16.5%	\$ 3,544	\$ 720	20.3%



# Reconciliation of Non-GAAP financial measures

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

## FREE CASH FLOW

	Three months ended February 28,		Six months ended February 28,	
	2019	2018	2019	2018
Net cash provided by operating activities (GAAP) <sup>1</sup>	\$ 735	\$ 2,205	\$ 1,195	\$ 3,208
Less: Additions to property, plant and equipment	(324)	(288)	(793)	(666)
<b>Free cash flow (Non-GAAP measure)<sup>2</sup></b>	<b>\$ 411</b>	<b>\$ 1,917</b>	<b>\$ 401</b>	<b>\$ 2,542</b>

<sup>1</sup> The Company adopted new accounting guidance in Accounting Standards Update 2016-18 as of September 1, 2018 (fiscal 2019) on a retrospective basis for the Consolidated Condensed Statements of Cash Flows presentation. This change resulted in restricted cash being included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the Consolidated Condensed Statement of Cash Flows.

<sup>2</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.



# Pension and postretirement benefit reclassification<sup>1</sup>

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

	Three months ended November 30, 2017			Three months ended February 28, 2018			Three months ended May 31, 2018			Three months ended August 31, 2018			Twelve months ended August 31, 2018		
	As reported	Adjustments	As revised	As reported	Adjustments	As revised	As reported	Adjustments	As revised	As reported	Adjustments	As revised	As reported	Adjustments	As revised
<b>Retail Pharmacy USA</b>															
Selling, general and administrative expenses	4,476	(1)	4,475	4,865	(1)	4,864	4,776	—	4,776	4,745	111	4,856	18,862	109	18,971
<b>Operating income</b>	<b>\$ 1,126</b>	<b>\$ 1</b>	<b>\$ 1,127</b>	<b>\$ 1,402</b>	<b>\$ 1</b>	<b>\$ 1,403</b>	<b>\$ 1,253</b>	<b>\$ —</b>	<b>\$ 1,253</b>	<b>\$ 1,115</b>	<b>\$ (111)</b>	<b>\$ 1,004</b>	<b>\$ 4,896</b>	<b>\$ (109)</b>	<b>\$ 4,787</b>
<b>Retail Pharmacy International</b>															
Selling, general and administrative expenses	1,040	5	1,045	1,042	4	1,046	1,043	5	1,048	991	4	995	4,116	18	4,134
<b>Operating income</b>	<b>\$ 184</b>	<b>\$ (5)</b>	<b>\$ 179</b>	<b>\$ 252</b>	<b>\$ (4)</b>	<b>\$ 248</b>	<b>\$ 172</b>	<b>\$ (5)</b>	<b>\$ 167</b>	<b>\$ 234</b>	<b>\$ (4)</b>	<b>\$ 230</b>	<b>\$ 842</b>	<b>\$ (18)</b>	<b>\$ 824</b>
<b>Pharmaceutical Wholesale</b>															
Selling, general and administrative expenses	396	(1)	395	411	—	411	412	(1)	411	377	—	377	1,596	(2)	1,594
<b>Operating income</b>	<b>\$ 14</b>	<b>\$ 1</b>	<b>\$ 15</b>	<b>\$ 323</b>	<b>\$ —</b>	<b>\$ 323</b>	<b>\$ 176</b>	<b>\$ 1</b>	<b>\$ 177</b>	<b>\$ 163</b>	<b>\$ —</b>	<b>\$ 163</b>	<b>\$ 676</b>	<b>\$ 2</b>	<b>\$ 678</b>
<b>Eliminations</b>															
Selling, general and administrative expenses	(5)	—	(5)	—	—	—	—	—	—	—	—	—	(5)	—	(5)
<b>Operating income</b>	<b>\$ (2)</b>	<b>\$ —</b>	<b>\$ (2)</b>	<b>\$ 3</b>	<b>\$ —</b>	<b>\$ 3</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (1)</b>	<b>\$ —</b>	<b>\$ (1)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Walgreens Boots Alliance, Inc.</b>															
Selling, general and administrative expenses	5,907	3	5,910	6,318	3	6,321	6,231	4	6,235	6,113	115	6,228	24,569	125	24,694
<b>Operating income</b>	<b>\$ 1,322</b>	<b>\$ (3)</b>	<b>\$ 1,319</b>	<b>\$ 1,980</b>	<b>\$ (3)</b>	<b>\$ 1,977</b>	<b>\$ 1,601</b>	<b>\$ (4)</b>	<b>\$ 1,597</b>	<b>\$ 1,511</b>	<b>\$ (115)</b>	<b>\$ 1,396</b>	<b>\$ 6,414</b>	<b>\$ (125)</b>	<b>\$ 6,289</b>
Other income (expense)	(137)	3	(134)	9	3	12	(4)	4	—	309	115	424	177	125	302

<sup>1</sup> See note 1 on page 31.

# Pension and postretirement benefit reclassification<sup>1</sup>

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

	Three months ended November 30, 2016			Three months ended February 28, 2017			Three months ended May 31, 2017			Three months ended August 31, 2017			Twelve months ended August 31, 2017		
	As reported	Adjustments	As revised	As reported	Adjustments	As revised	As reported	Adjustments	As revised	As reported	Adjustments	As revised	As reported	Adjustments	As revised
<b>Retail Pharmacy USA</b>															
Selling, general and administrative expenses	4,334	(2)	4,332	4,756	(2)	4,754	4,337	107	4,444	4,828	(2)	4,826	18,255	101	18,356
<b>Operating income</b>	<b>\$ 1,105</b>	<b>\$ 2</b>	<b>\$ 1,107</b>	<b>\$ 1,120</b>	<b>\$ 2</b>	<b>\$ 1,122</b>	<b>\$ 1,170</b>	<b>\$ (107)</b>	<b>\$ 1,063</b>	<b>\$ 800</b>	<b>\$ 2</b>	<b>\$ 802</b>	<b>\$ 4,195</b>	<b>\$ (101)</b>	<b>\$ 4,094</b>
<b>Retail Pharmacy International</b>															
Selling, general and administrative expenses	993	(6)	987	1,006	(10)	996	1,006	(2)	1,004	1,007	(12)	995	4,012	(30)	3,982
<b>Operating income</b>	<b>\$ 182</b>	<b>\$ 6</b>	<b>\$ 188</b>	<b>\$ 198</b>	<b>\$ 10</b>	<b>\$ 208</b>	<b>\$ 142</b>	<b>\$ 2</b>	<b>\$ 144</b>	<b>\$ 219</b>	<b>\$ 12</b>	<b>\$ 231</b>	<b>\$ 741</b>	<b>\$ 30</b>	<b>\$ 771</b>
<b>Pharmaceutical Wholesale</b>															
Selling, general and administrative expenses	359	—	359	362	1	363	375	—	375	383	1	384	1,479	2	1,481
<b>Operating income</b>	<b>\$ 160</b>	<b>\$ —</b>	<b>\$ 160</b>	<b>\$ 165</b>	<b>\$ (1)</b>	<b>\$ 164</b>	<b>\$ 200</b>	<b>\$ —</b>	<b>\$ 200</b>	<b>\$ 96</b>	<b>\$ (1)</b>	<b>\$ 95</b>	<b>\$ 621</b>	<b>\$ (2)</b>	<b>\$ 619</b>
<b>Eliminations</b>															
Selling, general and administrative expenses	—	—	—	—	—	—	(6)	—	(6)	—	—	—	(6)	—	(6)
<b>Operating income</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (4)</b>	<b>\$ —</b>	<b>\$ (4)</b>	<b>\$ 5</b>	<b>\$ —</b>	<b>\$ 5</b>	<b>\$ (1)</b>	<b>\$ —</b>	<b>\$ (1)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Walgreens Boots Alliance, Inc.</b>															
Selling, general and administrative expenses	5,686	(8)	5,678	6,124	(11)	6,113	5,712	105	5,817	6,218	(13)	6,205	23,740	73	23,813
<b>Operating income</b>	<b>\$ 1,447</b>	<b>\$ 8</b>	<b>\$ 1,455</b>	<b>\$ 1,479</b>	<b>\$ 11</b>	<b>\$ 1,490</b>	<b>\$ 1,517</b>	<b>\$ (105)</b>	<b>\$ 1,412</b>	<b>\$ 1,114</b>	<b>\$ 13</b>	<b>\$ 1,127</b>	<b>\$ 5,557</b>	<b>\$ (73)</b>	<b>\$ 5,484</b>
Other income (expense)	1	(8)	(7)	(15)	(11)	(26)	(8)	105	97	11	(13)	(2)	(11)	73	62

<sup>1</sup> See note 1 on page 31.

# Currency sensitivity

Exchange Rates/Impact	FY18	Sep '18 Sensitivity	Mar '19 Sensitivity
<b>GBP/USD</b>	<b>1.34</b>	<b>1.31</b>	<b>1.31</b>
<b>EUR/USD</b>	<b>1.19</b>	<b>1.16</b>	<b>1.14</b>
<b>TRY/USD</b>	<b>0.25</b>	<b>0.17</b>	<b>0.18</b>
<b>Fx Sales Impact vs. FY18</b>		<b>~(\$1,700m)</b>	<b>~(\$1,850m)</b>
<b>Fx Adj. Operating Income Impact vs. FY18</b>		<b>~(\$60m)</b>	<b>~(\$55m)</b>
<b>Fx Adj. EPS Impact vs. FY18</b>		<b>\$(0.04)</b>	<b>\$(0.04)</b>

- Every 1% move in GBP/USD has ~\$135m impact to WBA group sales
- Every 1% move in EUR/USD has ~\$120m impact to WBA group sales
- Every 10% move in TRY/USD has ~\$200m impact to WBA group sales





# 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;*
- *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 2019” refer to our fiscal year ended August 31, 2019.*

