



Walgreens Boots Alliance

Fiscal 2019 First Quarter Results

December 20, 2018

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, 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, 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,” “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 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 including our store optimization program 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, 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 including changes in market dynamics, participants, product and service offerings, retail formats and competitive positioning 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, 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, 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, and we refer you to the footnotes beginning 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.



Overview



Walgreens Boots Alliance

- ✓ **Solid first quarter results**
- ✓ **Adjusted EPS^{1,2} growth of 14.1%**
- ✓ **Good progress on partnerships and healthcare initiatives**
- ✓ **Announced key strategic partnership: Verily**
- ✓ **Transformational Cost Management Program initiated³**



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Refer to footnotes beginning on page 20

1Q financial highlights



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- **GAAP EPS² up 45.7% to \$1.18**
- **Adjusted EPS^{1,2} up 14.1% to \$1.46**
- **Sales up 9.9% and increased 11.4% on constant currency basis⁴**
 - **organic sales^{1,4,5} up 4.3% in constant currency**
- **Operating cash flow reflects seasonal working capital investments and the integration of the acquired Rite Aid stores**
- **Confirming fiscal year 2019 guidance³**
 - **adjusted EPS^{1,2,4} growth of 7% - 12% in constant currency**



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1Q financial highlights



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\$ in millions (except EPS and % change)		1Q19	Reported currency Δ vs. 1Q18	Constant currency ⁴ Δ vs. 1Q18
Sales		\$33,793	+ 9.9%	+ 11.4%
Operating income:	GAAP	\$1,400	+ 6.1%	
	Adjusted¹	\$1,732	- 4.1%	- 3.3%
Net earnings²:	GAAP	\$1,123	+ 36.8%	
	Adjusted¹	\$1,386	+ 7.0%	+ 7.6%
EPS²:	GAAP	\$1.18	+ 45.7%	
	Adjusted¹	\$1.46	+ 14.1%	+ 14.1%



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Retail Pharmacy USA – financials



\$ in millions (except %)	1Q19	Δ vs. 1Q18
Sales	\$25,721	+ 14.4%
Adj. gross profit^{1,6}	\$6,049	+ 6.1%
Adj. SG&A % of sales^{1,6}	18.2%	- 1.0%p
Adj. operating margin^{1,6}	5.4%	- 0.7%p
Adj. operating income^{1,6}	\$1,379	+ 0.1%



Retail Pharmacy USA – pharmacy



1Q19 vs. 1Q18	Total	Comparable ⁷
Pharmacy sales	+ 17.5%	+ 2.8%
Prescriptions ⁸	+ 11.4%	+ 2.0%

- Continued improvement in comp. prescription⁷ growth
 - up 2.0% in 1Q19 versus 1.3% in 4Q18
 - benefits from Rite Aid largely offset by Med D network changes
 - last year’s script comp.⁷ boosted by hurricane impact (60 bps)
- 1Q market share 22.4%⁹: up 180 bps
- Gross margin reflects continued shift to specialty (180 bps) and ongoing reimbursement pressure; FEP specialty contract laps in January 2019

Retail Pharmacy USA – retail



<u>1Q19 vs. 1Q18</u>	<u>Δ vs. 1Q18</u>
Total retail sales	+ 6.0%
Comp. retail sales ⁷	- 3.2%

- **Comp. retail sales⁷ held back by**
 - ongoing de-emphasis of select products (180 bps)
 - last year boosted by exceptional events (110 bps)
- **Continued gross margin expansion reflects focus on profitability**
 - gross margin up 60 bps excluding Rite Aid
- **Expanding partnerships**



Retail Pharmacy International – financials



\$ in millions (except %)	1Q19	Constant currency ⁴ Δ vs. 1Q18
Sales¹⁰	\$2,901	- 3.6%
Adj. operating margin^{1,11}	4.6%	- 2.1%p
Adj. operating income^{1,11}	\$132	- 34.6%
Boots UK comp. pharmacy sales^{7,10}		- 3.5%
Boots UK comp. retail sales^{7,10}		- 2.6%



Retail Pharmacy International – Boots UK



- Improving Boots UK share performance in traditional retail market but more than offset by a weak retail environment
- Boots UK online sales growth in low teens
- Revenue developments underway, launching later in year³
 - digital healthcare
 - beauty reinvention: modernization of offering and beauty halls
- Transformational Cost Management Program underway throughout the group³



Pharmaceutical Wholesale – financials



\$ in millions (except %)	1Q19	Constant currency⁴ Δ vs. 1Q18
Sales¹²	\$5,708	+ 6.6%
Adj. operating margin^{1,12,13}	2.4%	- 0.2%p
Adj. operating income^{1,12,13}	\$220	+ 3.1%



Cash flow



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\$ in millions	1Q19	Δ vs. 1Q18
Operating cash flow	\$460	- \$543
Cash capital expenditure	\$470	- \$92
Free cash flow¹	- \$10	- \$635

- **Free cash flow reflects seasonal working capital investments and the integration of the acquired Rite Aid stores**
- **Improvement in cash conversion days**
- **Cash capital expenditure includes Rite Aid store conversions**



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Fiscal year 2019 guidance³



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Confirming adjusted EPS growth 7% - 12% (constant currency)^{1,2,3,4}

- **Select store and labor investments of ~\$150 million³ (~2% adverse impact)**
- **Share repurchases of ~\$3.0 billion^{3,14} (~5% net benefit)**
- **Transformational Cost Management Program embedded in guidance³**
- **Currency sensitivity³: potential adverse impact of approx. \$0.07 per share, compared to \$0.04 previously**



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Transformational Cost Management Program³



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- **4 years since Walgreens and Alliance Boots combined**
- **Strong progress against original WBA cost reduction phases**
 - synergies post-merger
 - operational efficiency
 - systems and processes - ongoing
- **Proven track record of SG&A control**
 - Retail Pharmacy USA adj. SG&A % of sales improved for 22 consec. quarters¹



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Transformational Cost Management Program³



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- **Launching Transformational Cost Management Program to support EPS delivery³**
 - counteract margin pressure
 - create lean operating model
 - fit for the future
- **Multi-year pipeline of opportunities³**
- **Multi-faceted program³**
 - divisional optimization initiatives
 - smart spending
 - smart organization
 - digitization/capability transformation
- **Starts now, scales up over time³**



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Transformational Cost Management Program³



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Targeting annual cost savings in excess of \$1 billion by end of third year³

- **Moving quickly on divisional optimization³**
 - Chile retail, Mexico retail
 - Pharmaceutical Wholesale
 - attractive returns³: saving ~\$65m - \$75m per annum, cost ~\$150m - \$170m
- **Global smart spending and smart organization started³**
 - zero based approach: starting with 16 week assessment phase
 - initial focus on Retail Pharmacy USA, Boots UK, and global functions
- **Digitization of company a key priority³**



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Key initiatives³

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Footnotes



1. Non-GAAP financial measures – see appendix for reconciliations of non-GAAP financial measures and related disclosures.
2. Net earnings and net earnings per common share – diluted figures are attributable to Walgreens Boots Alliance, Inc.
3. Forward-Looking Statements – see cautionary note on slide 2.
4. Presented on a constant currency basis. Non-GAAP financial measure – see appendix. 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.
5. 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 – 1Q19 consolidated sales increased 9.9% to \$33,793, with currency translation negatively impacting sales by 1.5 percentage points. Excluding the impact of currency, sales increased 11.4%. Retail Pharmacy USA 1Q19 sales increased 14.4% to \$25,721, which includes a positive impact of 9.7 percentage points or \$2,193 from non-comparable acquisitions and divestitures including joint ventures. Retail Pharmacy USA 1Q19 Pharmacy sales increased 17.5% to \$19,147, which includes a positive impact of 10.0 percentage points or \$1,635 from non-comparable acquisitions and divestitures including joint ventures. Retail Pharmacy International 1Q19 sales of \$2,901 decreased 3.6% excluding the impact of currency translation but including a negative impact of 0.6 percentage points from \$20 of non-comparable acquisitions and divestitures including joint ventures in 1Q18.
6. Retail Pharmacy USA segment GAAP results, dollars in millions – 1Q19: gross profit \$6,000, selling, general and administrative expenses \$4,834, SG&A as a percent of sales 18.8%, operating income \$1,166, and operating margin 4.5% – see appendix.
7. 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 and acquired stores are not included as comparable stores for the first twelve months after the relocation or acquisition. 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.
8. Retail Pharmacy USA Pharmacy prescriptions (including immunizations) are reported on a 30-day equivalent basis.
9. 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 November 30, 2018 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.
10. Retail Pharmacy International segment results – 1Q19: on a constant currency basis, sales decreased 3.6%, comparable store sales decreased 2.6%, comparable pharmacy sales decreased 2.8% and comparable retail sales decreased 2.4%. On a reported currency basis, sales decreased 5.9%, comparable store sales decreased 4.9%, comparable pharmacy sales decreased 5.4%, comparable retail sales decreased 4.6%, Boots UK comparable pharmacy sales decreased 5.3% and Boots UK comparable retail sales decreased 4.5%.
11. Retail Pharmacy International segment GAAP results on a reported currency basis, dollars in millions – 1Q19: operating income \$78, and operating margin 2.7%. In 1Q19 compared to the prior year quarter, the division's operating income decreased 56.4% and operating margin decreased 3.1 percentage points – see appendix.
12. Pharmaceutical Wholesale segment GAAP results on a reported currency basis, dollars in millions – 1Q19: operating income \$155, and operating margin 2.0%. In 1Q19 compared to the prior year quarter, the division's operating income increased 933.3%, operating margin decreased 0.2 percentage points, sales decreased 0.2% – see appendix.
13. Pharmaceutical Wholesale adjusted operating income includes adjusted equity earnings in AmerisourceBergen, which were \$83 million and \$77 million in the three months ended November 30, 2018 and three months ended November 30, 2017, respectively. See appendix for details. Pharmaceutical Wholesale adjusted operating margin has been calculated excluding adjusted equity earnings in AmerisourceBergen.
14. Excluding anti-dilutive share repurchases.



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) 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 and acquired stores are not included as comparable stores for the first 12 months after the relocation or acquisition. 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 industries in which we operate. As a result, our method of calculating comparable sales may not be the same as other companies' methods.

Amounts may not add due to rounding.



Reconciliation of Non-GAAP financial measures

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

NET EARNINGS

	Three months ended November 30,		Change vs. 1Q18	
	2018	2017	Amount	Percent
Net earnings attributable to Walgreens Boots Alliance, Inc. (GAAP)	\$ 1,123	\$ 821	\$ 302	36.8%
Adjustments to operating income:				
Acquisition-related amortization	123	85		
Acquisition-related costs	66	51		
Adjustments to equity earnings in AmerisourceBergen	44	189		
LIFO provision	39	54		
Transformational cost management	30	—		
Store optimization	20	—		
Certain legal and regulatory accruals and settlements ¹	10	25		
Hurricane-related costs	—	83		
Total adjustments to operating income	332	487		
Adjustments to other income (expense):				
Impairment of equity method investment	—	170		
Net investment hedging (gain) loss	(3)	(34)		
Total adjustments to other income (expense)	(3)	136		
Adjustments to interest expense, net:				
Prefunded acquisition financing costs	—	24		
Total adjustments to interest expense, net	—	24		
Adjustments to income tax provision:				
Equity method non-cash tax	4	(50)		
U.S. tax law changes ²	(12)	—		
Tax impact of adjustments ³	(57)	(123)		
Total adjustments to income tax provision	(65)	(173)		
Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure)	\$ 1,386	\$ 1,295	\$ 91	7.0%

¹ 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.

² Discrete tax-only items.

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



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Reconciliation of Non-GAAP financial measures

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

DILUTED NET EARNINGS PER SHARE

	Three months ended November 30,		Change vs. 1Q18	
	2018	2017	Amount	Percent
Diluted net earnings per common share (GAAP)	\$ 1.18	\$ 0.81	\$ 0.37	45.7 %
Adjustments to operating income	0.35	0.48		
Adjustments to other income (expense)	—	0.13		
Adjustments to interest expense, net	—	0.02		
Adjustments to income tax provision	(0.07)	(0.16)		
Adjusted diluted net earnings per common share (Non-GAAP measure)	\$ 1.46	\$ 1.28	\$ 0.18	14.1 %
Weighted average common shares outstanding, diluted (in millions)	951.4	1,011.1		



Reconciliation of Non-GAAP financial measures

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

GROSS PROFIT BY DIVISION

	Three months ended November 30, 2018				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
Gross profit (GAAP)	\$ 6,000	\$ 1,128	\$ 512	\$ 1	\$ 7,641
Acquisition-related costs	9	—	—	—	9
LIFO provision	39	—	—	—	39
Transformational cost management	—	2	—	—	2
Adjusted gross profit (Non-GAAP measure)	\$ 6,049	\$ 1,129	\$ 512	\$ 1	\$ 7,692
Sales	\$ 25,721	\$ 2,901	\$ 5,708	\$ (537)	\$ 33,793
Gross margin (GAAP)	23.3%	38.9%	9.0%		22.6%
Adjusted gross margin (Non-GAAP measure)	23.5%	38.9%	9.0%		22.8%

	Three months ended November 30, 2017				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
Gross profit (GAAP)	\$ 5,602	\$ 1,224	\$ 522	\$ (7)	\$ 7,341
LIFO provision	54	—	—	—	54
Hurricane-related costs	43	—	—	—	43
Adjusted gross profit (Non-GAAP measure)	\$ 5,699	\$ 1,224	\$ 522	\$ (7)	\$ 7,438
Sales	\$ 22,489	\$ 3,083	\$ 5,718	\$ (550)	\$ 30,740
Gross margin (GAAP)	24.9%	39.7%	9.1%		23.9%
Adjusted gross margin (Non-GAAP measure)	25.3%	39.7%	9.1%		24.2%



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 November 30, 2018				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
Selling, general and administrative expenses (GAAP)	\$ 4,834	\$ 1,050	\$ 396	\$ —	\$ 6,280
Acquisition-related amortization	(76)	(27)	(20)	—	(123)
Acquisition-related costs	(57)	—	—	—	(57)
Transformational cost management	(2)	(25)	(1)	—	(28)
Store optimization	(19)	—	—	—	(19)
Certain legal and regulatory accruals and settlements	(10)	—	—	—	(10)
Adjusted selling, general and administrative expenses (Non-GAAP measure)	\$ 4,670	\$ 997	\$ 375	\$ —	\$ 6,043
Sales	\$ 25,721	\$ 2,901	\$ 5,708	\$ (537)	\$ 33,793
Selling, general and administrative expenses percent to sales (GAAP)	18.8%	36.2%	6.9%		18.6%
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	18.2%	34.4%	6.6%		17.9%

	Three months ended November 30, 2017				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale	Eliminations	Walgreens Boots Alliance, Inc.
Selling, general and administrative expenses (GAAP)¹	\$ 4,475	\$ 1,045	\$ 395	(5)	\$ 5,910
Acquisition-related amortization	(38)	(26)	(21)	—	(85)
Acquisition-related costs	(51)	—	—	—	(51)
Certain legal and regulatory accruals and settlements ²	(25)	—	—	—	(25)
Hurricane-related costs	(40)	—	—	—	(40)
Adjusted selling, general and administrative expenses (Non-GAAP measure)¹	\$ 4,321	\$ 1,019	\$ 374	(5)	\$ 5,709
Sales	\$ 22,489	\$ 3,083	\$ 5,718	\$ (550)	\$ 30,740
Selling, general and administrative expenses percent to sales (GAAP)	19.9%	33.9%	6.9%		19.2%
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	19.2%	33.1%	6.5%		18.6%

¹ 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.

² See note 1 on page 22.



Reconciliation of Non-GAAP financial measures

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

EQUITY EARNINGS IN AMERISOURCEBERGEN

	Three months ended November 30,	
	2018	2017
Equity earnings (loss) in AmerisourceBergen (GAAP)	\$ 39	\$ (112)
Acquisition-related amortization	31	28
LIFO provision	16	(12)
Asset impairment	6	—
PharMEDium remediation costs	5	—
Litigation settlements and other	(7)	173
U.S. tax law changes	(7)	—
Adjusted equity earnings in AmerisourceBergen (Non-GAAP measure)	\$ 83	\$ 77



Reconciliation of Non-GAAP financial measures

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

OPERATING INCOME BY DIVISION

	Three months ended November 30, 2018				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale ¹	Eliminations	Walgreens Boots Alliance, Inc.
Operating income (GAAP)	\$ 1,166	\$ 78	\$ 155	\$ 1	\$ 1,400
Acquisition-related amortization	76	27	20	—	123
Acquisition-related costs	66	—	—	—	66
Adjustments to equity earnings in AmerisourceBergen	—	—	44	—	44
LIFO provision	39	—	—	—	39
Transformational cost management	2	27	1	—	30
Store optimization	20	—	—	—	20
Certain legal and regulatory accruals and settlements	10	—	—	—	10
Adjusted operating income (Non-GAAP measure)	\$ 1,379	\$ 132	\$ 220	\$ 1	\$ 1,732
Sales	\$ 25,721	\$ 2,901	\$ 5,708	\$ (537)	\$ 33,793
Operating margin (GAAP) ²	4.5%	2.7%	2.0%		4.0%
Adjusted operating margin (Non-GAAP measure) ²	5.4%	4.6%	2.4%		4.9%

	Three months ended November 30, 2017				
	Retail Pharmacy USA	Retail Pharmacy International	Pharmaceutical Wholesale ¹	Eliminations	Walgreens Boots Alliance, Inc.
Operating income (GAAP)³	\$ 1,127	\$ 179	\$ 15	\$ (2)	\$ 1,319
Acquisition-related amortization	38	26	21	—	85
Acquisition-related costs	51	—	—	—	51
Adjustments to equity earnings in AmerisourceBergen	—	—	189	—	189
LIFO provision	54	—	—	—	54
Certain legal and regulatory accruals and settlements ⁴	25	—	—	—	25
Hurricane-related costs	83	—	—	—	83
Adjusted operating income (Non-GAAP measure)³	\$ 1,378	\$ 205	\$ 225	\$ (2)	\$ 1,806
Sales	\$ 22,489	\$ 3,083	\$ 5,718	\$ (550)	\$ 30,740
Operating margin (GAAP) ²	5.0%	5.8%	2.2%		4.7%
Adjusted operating margin (Non-GAAP measure) ²	6.1%	6.6%	2.6%		5.6%

¹ 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 November 30, 2017 includes AmerisourceBergen equity earnings for the period of July 1, 2017 through September 30, 2017. Operating income for the three month period ended November 30, 2016 includes AmerisourceBergen equity earnings for the period of July 1, 2016 to September 30, 2016.

² Operating margins and adjusted operating margins have been calculated excluding equity earnings in AmerisourceBergen.

³ See note 1 on page 25.

⁴ See note 1 on page 22.



Walgreens Boots Alliance

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Reconciliation of Non-GAAP financial measures

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

ADJUSTED EFFECTIVE TAX RATE

	Three months ended November 30, 2018			Three months ended November 30, 2017		
	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)	1,265	180	14.2%	1,036	227	21.9%
Impact of non-GAAP adjustments	329	55		647	103	
U.S. tax law changes	—	12		—	—	
Adjusted tax rate true-up	—	2		—	20	
Equity method non-cash tax	—	(4)		—	50	
Subtotal	\$ 1,593	\$ 245		\$ 1,683	\$ 400	
Exclude adjusted equity earnings in AmerisourceBergen	(83)	—		(77)	—	
Adjusted effective tax rate excluding adjusted equity earnings in AmerisourceBergen (Non-GAAP measure)	\$ 1,510	\$ 245	16.2%	\$ 1,606	\$ 400	24.9%



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,	
	2018	2017
Net cash provided by operating activities (GAAP) ¹	\$ 460	1,003
Less: Additions to property, plant and equipment	(470)	(378)
Free cash flow (Non-GAAP measure)²	\$ (10)	625

¹ 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.

² 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 reclassification¹

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
Retail Pharmacy USA															
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
Operating income	\$ 1,126	\$ 1	\$ 1,127	\$ 1,402	\$ 1	\$ 1,403	\$ 1,253	\$ —	\$ 1,253	\$ 1,115	\$ (111)	\$ 1,004	\$ 4,896	\$ (109)	\$ 4,787
Retail Pharmacy International															
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
Operating income	\$ 184	\$ (5)	\$ 179	\$ 252	\$ (4)	\$ 248	\$ 172	\$ (5)	\$ 167	\$ 234	\$ (4)	\$ 230	\$ 842	\$ (18)	\$ 824
Pharmaceutical Wholesale															
Selling, general and administrative expenses	396	(1)	395	411	—	411	412	(1)	411	377	—	377	1,596	(2)	1,594
Operating income	\$ 14	\$ 1	\$ 15	\$ 323	\$ —	\$ 323	\$ 176	\$ 1	\$ 177	\$ 163	\$ —	\$ 163	\$ 676	\$ 2	\$ 678
Eliminations															
Selling, general and administrative expenses	(5)	—	(5)	—	—	—	—	—	—	—	—	—	(5)	—	(5)
Operating income	\$ (2)	\$ —	\$ (2)	\$ 3	\$ —	\$ 3	\$ —	\$ —	\$ —	\$ (1)	\$ —	\$ (1)	\$ —	\$ —	\$ —
Walgreens Boots Alliance, Inc.															
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
Operating income	\$ 1,322	\$ (3)	\$ 1,319	\$ 1,980	\$ (3)	\$ 1,977	\$ 1,601	\$ (4)	\$ 1,597	\$ 1,511	\$ (115)	\$ 1,396	\$ 6,414	\$ (125)	\$ 6,289
Other income (expense)	(137)	3	(134)	9	3	12	(4)	4	—	309	115	424	177	125	302

¹ See note 1 on page 25.



Pension and postretirement benefit reclassification¹

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
Retail Pharmacy USA															
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
Operating income	\$ 1,105	\$ 2	\$ 1,107	\$ 1,120	\$ 2	\$ 1,122	\$ 1,170	\$ (107)	\$ 1,063	\$ 800	\$ 2	\$ 802	\$ 4,195	\$ (101)	\$ 4,094
Retail Pharmacy International															
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
Operating income	\$ 182	\$ 6	\$ 188	\$ 198	\$ 10	\$ 208	\$ 142	\$ 2	\$ 144	\$ 219	\$ 12	\$ 231	\$ 741	\$ 30	\$ 771
Pharmaceutical Wholesale															
Selling, general and administrative expenses	359	—	359	362	1	363	375	—	375	383	1	384	1,479	2	1,481
Operating income	\$ 160	\$ —	\$ 160	\$ 165	\$ (1)	\$ 164	\$ 200	\$ —	\$ 200	\$ 96	\$ (1)	\$ 95	\$ 621	\$ (2)	\$ 619
Eliminations															
Selling, general and administrative expenses	—	—	—	—	—	—	(6)	—	(6)	—	—	—	(6)	—	(6)
Operating income	\$ —	\$ —	\$ —	\$ (4)	\$ —	\$ (4)	\$ 5	\$ —	\$ 5	\$ (1)	\$ —	\$ (1)	\$ —	\$ —	\$ —
Walgreens Boots Alliance, Inc.															
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
Operating income	\$ 1,447	\$ 8	\$ 1,455	\$ 1,479	\$ 11	\$ 1,490	\$ 1,517	\$ (105)	\$ 1,412	\$ 1,114	\$ 13	\$ 1,127	\$ 5,557	\$ (73)	\$ 5,484
Other income (expense)	1	(8)	(7)	(15)	(11)	(26)	(8)	105	97	11	(13)	(2)	(11)	73	62

¹ See note 1 on page 25.



Historical adjusted SG&A expenses

Retail Pharmacy USA
Supplemental Information (unaudited)
(in millions)

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	2016				2017				2018				2019
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Selling, general and administrative expenses (GAAP)¹	\$ 4,415	\$ 4,463	\$ 4,432	\$ 4,597	\$ 4,332	\$ 4,754	\$ 4,444	\$ 4,826	\$ 4,475	\$ 4,864	\$ 4,776	\$ 4,856	\$ 4,834
Acquisition-related amortization	(50)	(47)	(46)	(42)	(37)	(38)	(38)	(39)	(38)	(56)	(78)	(77)	(76)
Acquisition-related costs	(34)	(33)	(15)	(20)	(17)	(29)	(29)	(399)	(51)	(65)	(57)	(58)	(57)
Certain legal and regulatory accruals and settlements ²	—	—	—	(47)	—	—	—	—	(25)	(90)	(5)	(164)	(10)
Hurricane-related costs	—	—	—	—	—	—	—	—	(40)	—	—	—	—
Cost transformation	(85)	(25)	(60)	(204)	(72)	(316)	(68)	(186)	—	—	—	—	—
Store optimization	—	—	—	—	—	—	—	—	—	—	(24)	(76)	(19)
(Loss)/gain on sale of business	—	—	—	—	—	—	—	—	—	—	—	—	—
Asset (impairment) recovery	—	(30)	—	—	—	—	—	11	—	15	—	—	—
Strategic cost management	—	—	—	—	—	—	—	—	—	—	—	—	(2)
Adjusted selling, general and administrative expenses (Non-GAAP measure)¹	\$ 4,246	\$ 4,328	\$ 4,311	\$ 4,284	\$ 4,206	\$ 4,371	\$ 4,309	\$ 4,213	\$ 4,321	\$ 4,668	\$ 4,612	\$ 4,481	\$ 4,670
Sales	\$ 20,370	\$ 21,500	\$ 21,185	\$ 20,747	\$ 20,659	\$ 21,814	\$ 22,528	\$ 22,301	\$ 22,489	\$ 24,478	\$ 25,917	\$ 25,508	\$ 25,721
Selling, general and administrative expenses percent to sales (GAAP)	21.7%	20.8%	20.9%	22.2%	21.0%	21.8%	19.7%	21.6%	19.9%	19.9%	18.4%	19.0%	18.8%
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	20.8%	20.1%	20.3%	20.6%	20.4%	20.0%	19.1%	18.9%	19.2%	19.1%	17.8%	17.6%	18.2%
Adjusted SG&A as a percentage of sales vs. comparable quarter	-1.3%p	-0.4%p	-0.5%p	-0.9%p	-0.5%p	-0.1%p	-1.2%p	-1.8%p	-1.1%p	-1.0%p	-1.3%p	-1.3%p	-1.0%p

¹ See note 1 on page 25.

² See note 1 on page 22.



Historical adjusted SG&A expenses

Retail Pharmacy USA¹
Supplemental Information (unaudited)
(in millions)

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	2012	2013				2014				2015			
	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Selling, general and administrative expenses (GAAP)²	\$ 4,244	\$ 4,397	\$ 4,496	\$ 4,361	\$ 4,285	\$ 4,377	\$ 4,568	\$ 4,550	\$ 4,492	\$ 4,453	\$ 4,552	\$ 4,491	\$ 4,739
Acquisition-related amortization	(70)	(74)	(75)	(67)	(73)	(70)	(73)	(71)	(68)	(67)	(59)	(52)	(52)
Acquisition-related costs	(50)	(37)	(21)	(27)	(24)	(25)	(17)	(20)	(20)	(24)	(52)	(4)	—
Certain legal and regulatory accruals and settlements	—	—	—	(28)	—	—	—	—	—	—	—	—	—
Hurricane-related costs	—	(39)	—	—	—	—	—	—	—	—	—	—	—
Cost transformation	—	—	—	—	—	—	—	—	—	—	—	(151)	(372)
Store closures & optimization costs	—	—	—	—	—	(19)	(2)	(99)	(139)	(28)	(16)	(7)	(5)
(Loss)/Gain on sale of business	—	—	—	—	—	—	—	—	9	—	—	(12)	(5)
Asset (impairment) recovery	—	—	—	—	—	—	—	—	—	—	(110)	—	—
Adjusted selling, general and administrative expenses (Non-GAAP measure)²	\$ 4,124	\$ 4,247	\$ 4,400	\$ 4,239	\$ 4,188	\$ 4,263	\$ 4,476	\$ 4,360	\$ 4,274	\$ 4,334	\$ 4,315	\$ 4,265	\$ 4,305
Sales	\$ 17,073	\$ 17,316	\$ 18,647	\$ 18,313	\$ 17,941	\$ 18,329	\$ 19,605	\$ 19,401	\$ 19,057	\$ 19,554	\$ 21,048	\$ 20,425	\$ 19,947
Selling, general and administrative expenses percent to sales (GAAP)	24.9%	25.4%	24.1%	23.8%	23.9%	23.9%	23.3%	23.5%	23.6%	22.8%	21.6%	22.0%	23.8%
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	24.2%	24.5%	23.6%	23.1%	23.3%	23.3%	22.8%	22.5%	22.4%	22.2%	20.5%	20.9%	21.6%
Adjusted SG&A as a percentage of sales vs. comparable quarter					-0.8%p	-1.3%p	-0.8%p	-0.7%p	-0.9%p	-1.1%p	-2.3%p	-1.6%p	-0.8%p

¹ Financial information presented for periods subsequent to 31 December 2014 is for the Retail Pharmacy USA segment of Walgreens Boots Alliance, Inc. and include an allocation of procurement rebates and corporate-related overhead costs. Financial information for periods prior to this date is for Walgreen Co. which had one reportable segment. Period-over-period comparisons of results require consideration of the foregoing factors.

² See note 1 on page 25.



Currency sensitivity

Exchange Rates/Impact	FY18	Sep '18 Sensitivity	Dec '18 Sensitivity
GBP/USD	1.34	1.31	1.26
EUR/USD	1.19	1.16	1.13
TRY/USD	0.25	0.17	0.18
Fx Sales Impact vs. FY18		~(\$1,700m)	~(\$2,300m)
Fx Adj. Operating Income Impact vs. FY18		~(\$60m)	~(\$100m)
Fx Adj. EPS Impact vs. FY18		\$(0.04)	\$(0.07)

- Every 1% move in GBP/USD has ~\$130m 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 ~\$180m 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.

