

Reimagining Local Healthcare and Wellbeing for All

First Quarter Fiscal 2023 Results
January 5, 2023



Walgreens Boots Alliance

Safe Harbor and Non-GAAP

Cautionary Note Regarding Forward-Looking Statements: All statements in this presentation that are not historical are forward-looking statements for purposes of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

These include, without limitation, estimates of and goals for future operating, financial and tax performance and results, including our fiscal year 2023 guidance, our long-term growth algorithm, outlook and targets and related assumptions and drivers, as well as forward-looking statements concerning the expected execution and effect of our business strategies, the potential impacts on our business of COVID-19, our cost-savings and growth initiatives, including statements relating to our expected cost savings under our Transformational Cost Management Program and expansion and future operating and financial results of our U.S. Healthcare segment, including our long-term sales targets and profitability expectations. All statements in the future tense and all statements accompanied by words such as “expect,” “outlook,” “forecast,” “would,” “could,” “should,” “can,” “will,” “project,” “intend,” “plan,” “goal,” “guidance,” “target,” “aim,” “continue,” “transform,” “accelerate,” “model,” “long-term,” “believe,” “seek,” “estimate,” “anticipate,” “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.

These risks, assumptions and uncertainties include those described in Item 1A (Risk Factors) of our Form 10-K for the fiscal year ended August 31, 2022 and in other documents that we file or furnish with the Securities and Exchange Commission. If one or more of these risks or uncertainties materializes, or if underlying assumptions prove incorrect, actual results may vary materially from those indicated or anticipated by such forward-looking statements. All forward-looking statements we make or that are made on our behalf are qualified by these cautionary statements. You should not place undue reliance on forward-looking statements, which speak only as of the date they are made.

We do not undertake, and expressly disclaim, any duty or obligation to update publicly any forward-looking statement after the date of this presentation, whether as a result of new information, future events, changes in assumptions or otherwise.

Non-GAAP Financial Measures: Today’s presentation includes certain non-GAAP financial measures, including all measures whose label includes the words “adjusted”, “constant currency”, or “free cash flow” or variations of such words and similar expressions, and we refer you to the endnotes on page 21 and the Appendix to the presentation materials for reconciliations to the most directly comparable U.S. GAAP financial measures and related information. The Company does not provide a reconciliation for non-GAAP estimates on a forward-looking basis 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 or cannot be reasonably predicted, and that would impact 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 may vary materially from the corresponding GAAP financial measures.

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

Solid start to fiscal 2023 with accelerated transformation to healthcare

- Solid first quarter performance, **broadly in line with expectations**
- **Resilient** core business with U.S. retail and Boots UK retail growth on top of strong prior year performances; U.S. script volume growth on track
- VillageMD / Summit Health transaction closed January 3rd, accelerating **U.S. Healthcare** segment to **scale and profit**
- **Portfolio simplification** unlocking value, with \$3 billion in proceeds during fiscal 2023 year-to-date
- **Raising full-year sales guidance** and **maintaining full-year adj. EPS guidance** of \$4.45-\$4.65, with strong core growth of 8-10% partly offsetting COVID-19 headwind

Continued rapid progress across our four strategic priorities

Transform and align the core

- U.S. retail comp sales ex. tobacco +2.1% on top of +11.7% last year; continued margin expansion
- U.S. pharmacy comp scripts +2.1% ex. immunizations
- Walgreens administered 8.4 million COVID-19 vaccinations in 1Q
- Boots UK retail comp sales +8.7% on top of robust prior quarter growth of +16.3%

Build our next growth engine with consumer-centric healthcare solutions

- VillageMD acquisition of Summit Health closed January 3rd
- Full acquisition of Shields closed December 28th
- Full acquisition of CareCentrix expected to close in 3Q23
- Achieved CY22 target for co-located VillageMD clinics of 200
- Exceeded CY22 target for Walgreens Health Corners: 112 vs. goal of 100
- Segment pro forma sales growth +38% in 1Q

Focus the portfolio; optimize capital allocation

- \$3B in after-tax cash proceeds from sale of 19.2M ABC shares in November and December, executed with tight discounts and near 52-week highs
- Sold stake of Guangzhou Pharmaceuticals for approximately \$150 million

Build a high-performance culture and a winning team

- Introduced new U.S. leaders, with a strong healthcare team in place, and increasing consumer focus
- Added healthcare and tech leadership experience to the Board
- Eliminated all task-based metrics for retail pharmacy staff, further enabling pharmacists to practice at the top of their license while creating a differentiated work environment

Leading healthcare assets delivering value across the care continuum



Wellness & prevention



Retail pharmacy services, medication therapy management and adherence

Last mile of healthcare fulfillment to enable retail, virtual, and home-based care

Pre-acute



Pharmacist-led chronic disease programs partnered with physicians

Longitudinal population health, closing gaps in care, health risk assessments

Primary & multi-specialty care



Value-based primary care services that are high-touch and patient centered

Provider enablement and MSO services to support partners in value-based care

Specialty care



Specialty care and pharmacy services, personalized throughout patient's journey

Specialty enablement across key condition types (e.g. CKD, MSK, behavioral/mental health)

Post-acute



Post-acute care services, HME, DME, palliative

Home care services that are high-touch

Synergies across the healthcare portfolio

Risk Management Programs • Integrated Care Models • Pharmacy Value Expansion • Operational Efficiencies

1Q 2023 financial highlights

- **1Q 2023 adj. EPS of \$1.16 vs. prior year adj. EPS of \$1.68, down 29.9% on a constant currency basis**
 - Lapping strong growth of 53.1% in the year-ago quarter which was boosted by higher COVID-19 vaccines (U.S., UK)
 - 5% headwind from U.S. Healthcare; 1Q results reflect first full quarter of VillageMD, Shields, and CareCentrix compared to only partial or no results in the year-ago quarter
 - 5% headwind from planned payroll investments in U.S. Retail Pharmacy
 - Good retail performance across the board: U.S., UK, and other markets
 - Favorable tax rate primarily due to the release of valuation allowance related to capital loss carryforwards
- **Constant currency sales growth +1.1%; +3.2% excluding AllianceRx headwind and U.S. Healthcare M&A tailwind**
 - U.S. comparable sales +3.8% with growth in pharmacy and retail
 - International constant currency sales +4.6%, led by Boots UK comparable retail sales +8.7%
 - U.S. Healthcare driving +38% pro forma segment sales growth
- **Maintaining full-year adjusted EPS guidance of \$4.45-\$4.65**
 - Core business growth of 8-10% more than offset by lapping FY22 COVID-19 execution, and currency headwinds
 - Accretive Summit Health transaction offsets dilution from ABC share sales
 - Raised sales forecast by \$3-3.5B to \$133.5-137.5B reflecting Summit Health, current Fx rates, and good start to the year

WBA 1Q23 Financial Highlights

\$ in millions (except EPS)

		1Q23	Reported Fx B/(W) vs. 1Q22	Constant Fx B/(W) vs. 1Q22
Sales		33,382	(1.5)%	+ 1.1%
Operating Income	GAAP	(\$6,151)	(\$7,434)	
	Adjusted	\$1,014	(42.9)%	(42.2)%
Net Earnings	GAAP	(\$3,721)	(\$7,301)	
	Adjusted	\$1,004	(31.0)%	(30.2)%
EPS	GAAP	(\$4.31)	(\$8.44)	
	Adjusted	\$1.16	(30.8)%	(29.9)%

- 1Q23 GAAP results include \$5.2B after-tax charge for opioid-related claims and lawsuits and \$0.9B after-tax gain on sale of ABC shares
- 1Q22 GAAP results include \$2.5B after-tax gain on investments in VillageMD and Shields

U.S. Retail Pharmacy Financials

\$ in millions

	1Q23	B/(W) vs. 1Q22
Sales	\$27,204	(3.0)%
Adj. gross profit	\$5,910	(7.2)%
Adj. SG&A % of sales	18.2%	(1.0)%p
Adj. operating income	\$1,105	(34.6)%
Adj. operating margin¹	3.6%	(2.0)%p

- AllianceRx sales decline was a (590) bps headwind with minimal impact on adj. operating income; comparable sales growth +3.8% lapping prior year comparable sales of +7.9%
- Adj. operating income in line with expectations
- Adj. operating income declined due to significant COVID-19 headwind from lower vaccines and testing, and planned investments in labor

U.S. Pharmacy

1Q23 vs. 1Q22

	1Q23 Total	1Q23 Comparable
Pharmacy sales	(4.2)%	+ 4.8%
Prescriptions	(0.7)%	0.0%
Prescriptions ex. Immunizations	+ 1.4%	+ 2.1%

- Comp sales +4.8% primarily due to brand inflation
- Comp scripts flat; excluding immunizations, comp scripts +2.1%
 - 8.4 million COVID-19 vaccinations in 1Q23 vs. 15.6 million in 1Q22
 - Pharmacy performance aided by higher flu incidences
 - Actively re-staffing stores, with targeted marketing initiatives ongoing
- 0.8 million COVID-19 PCR tests¹ administered in 1Q compared to 6.5 million PCR tests in the prior year period; 6.7 million OTC test kits¹ now sold through the pharmacy in 1Q
- 1Q gross margin negatively impacted by fewer COVID-19 vaccinations, fewer PCR tests, and ongoing reimbursement pressure net of procurement savings

U.S. Retail

1Q23 vs. 1Q22

1Q23

Total retail sales

+ 0.8%

Comparable retail sales

+ 1.4%

- Comp retail sales +1.4%, lapping a strong quarter with comp sales of +10.6%
 - Comp excluding tobacco +2.1%, aided by strong cough, cold, flu sales +220 bps partially offset by 170 bps headwind from lower sales of OTC test kits; beauty grew +4.9% and consumables grew +2.9%
 - Two-year stack growth excluding tobacco +13.8%
- Digitally initiated retail sales up slightly, lapping +88% last year, driven by 3.1 million same-day pick-up orders
- Successfully managing through supply chain challenges and maintaining price positioning vs. competitors
- Gross margin expansion with stabilizing shrink levels and effective margin management

International Financials

<i>\$ in millions</i>	1Q23	Constant Fx B/(W) vs. 1Q22
Sales	\$5,189	+ 4.6%
Adj. gross profit	\$1,050	+ 2.1%
Adj. SG&A % of sales	18.0%	(0.2)%p
Adj. operating income	\$116	(20.3)%
Adj. operating margin	2.2%	(0.7)%p

- Sales increase reflects Boots UK +4.3% and Germany wholesale +4.2%
- Adj. operating income (20.3)% with strong growth in UK retail and Germany more than offset by lower demand for COVID-19 services, adverse gross margin impacts from NHS funding, and expiration of temporary COVID-19 related rental reductions in the prior year
- Germany integration activities continue to track ahead of plan

Boots UK Financials

1Q23 vs. 1Q22

1Q23

Pharmacy comp. sales

(0.9)%

Retail comp. sales

+ 8.7%

- Pharmacy comp sales lapping strong demand for COVID-19 services in the prior year period
- Retail market share growing, notably in health and wellness, and personal care
- Strong 1Q retail comp sales, now above pre-pandemic levels
 - Growth of +8.7% on top of robust prior year growth of +16.3%
 - Store footfall +8% vs. prior year, driven by flagships and travel locations
- Boots.com continues to perform well
 - 18% of Boots total retail sales in 1Q23 vs. ~9% pre-COVID levels
 - November particularly strong for Boots.com, reaching ~23% of retail sales with Black Friday as the biggest ever single day of digital sales for the business

U.S. Healthcare Financials

<i>\$ in millions</i>	1Q23	B/(W) vs. 1Q22
Sales	\$989	+ \$938
Adj. gross profit	\$43	+ \$23
Adj. SG&A	\$(195)	\$(162)
Adj. operating loss	\$(152)	\$(139)
Adj. EBITDA	\$(124)	\$(113)

- U.S. Healthcare pro forma sales growth +38%
 - VillageMD +49%: existing clinic growth, footprint expansion
 - Shields +44%: contract wins, strong execution, expansion of existing partnerships
 - CareCentrix +22%: new service offerings
- Adjusted operating loss impacted by VillageMD expansion: 375 total clinics at quarter-end vs. 256 at the end of 1Q22
- Adj. EBITDA reflects a full quarter of results from VillageMD compared to six days of results in the year-ago quarter, and higher investments in the organic business, partly offset by positive contributions from Shields and CareCentrix

U.S. Healthcare Key Metrics

	Current Status ¹
Contracted Lives	>26M
Organic Contracted Lives²	2.9M
Organic Partners (Payor/Provider)²	3
VillageMD Value-Based Lives³	441K
Sites of Care:	
Health Corners	112
VillageMD Co-Located Clinics	200
Total VillageMD Clinics	393


<i>\$ millions</i>	1Q23	Pro Forma YOY Growth
Sales by Business:		
VillageMD	\$550	+ 49%
Shields	\$104	+ 44%
CareCentrix	\$333	+ 22%
Organic	\$1	NM
Total U.S. Healthcare	\$989	+ 38%

Cash Flow

<i>\$ in millions</i>	1Q23	B/(W) vs. 1Q22
Operating cash flow	\$493	\$(606)
Cash capital expenditure	\$(610)	\$(156)
Free cash flow	\$(117)	\$(762)

- Cash generation of \$493 million in operating cash flow and \$(117) million of free cash flow
 - Operating cash flow negatively impacted by increased inventory build for U.S. and UK holiday season
- Year-over-year free cash flow adversely impacted by lower earnings, phasing of working capital and increased capex to fund growth initiatives
 - Increased capex driven VillageMD rollout, automated micro-fulfillment centers, and digital transformation

Maintaining full-year EPS guidance at \$4.45-\$4.65

Adj. EPS growth	October 2022 FY guidance	January 2023 FY guidance
Adjusted EPS	\$4.45-\$4.65	 \$4.45-\$4.65
% growth YOY CFx	(6)-(10)%	(6)-(10)%
COVID-19 headwind	(17)-(15)%	(18)-(16)%
Adverse currency impact	~(2)%	~(1)%
Core business growth	+ 8-10%	+ 8-10%

- Accretive Summit Health transaction offsets dilution from ABC share sales in November and December
- Increased COVID-19 headwind due to demand shift from drive-thru testing to lower-margin OTC tests
- Currency impact assumes GBP/USD 1.20, EUR/USD 1.04 for the full year
- Balanced 50:50 cadence at midpoint of adjusted EPS guidance; vaccinations shift from 2Q to 3Q

FY23 segment assumptions

		FY23 (Oct-22)	FY23 (Jan-23)	Comments
WBA	Sales	\$130.5 - \$134.0B	\$133.5 - \$137.5B	<ul style="list-style-type: none"> Sales raised to reflect Summit Health, currency & 1Q sales above expectations AOI flat as Summit Health transaction offsets partial sale of ABC
	AOI	\$4.7 - \$4.9B	\$4.7 - \$4.9B	
U.S. Retail Pharmacy	Sales	\$105.5 - \$107.5B	\$106.0 - \$108.0B	<ul style="list-style-type: none"> 1Q sales above expectations with branded drug inflation and retail strength AOI reflects partial sale of ABC stake
	AOI	\$4.5 - \$4.6B	\$4.35 - \$4.45B	
International	Sales	\$20.4 - \$20.9B	\$21.2 - \$21.7B	<ul style="list-style-type: none"> Favorable Fx outlook vs. prior guidance
	AOI	\$830 - \$870M	\$870 - \$900M	
U.S. Healthcare	Sales	\$4.9 - \$5.3B	\$6.5 - \$7.3B	<ul style="list-style-type: none"> Now includes Summit Health acquisition Unchanged vs. November acquisition announcement
	AOI	\$(350) - \$(330)M	\$(260) - \$(220)M	
	Adj. EBITDA	\$(240) - \$(220)M	\$(50) - \$25M	

FY23 corporate assumptions

<i>\$ millions</i>	FY23 (Oct-22)	FY23 (Jan-23)	Comments
Adj. Tax Rate	~16%	~16%	<ul style="list-style-type: none"> 1Q tax rate timing related; full-year rate unchanged
Interest Expense	\$(500) - \$(490)	\$(580) - \$(560)	<ul style="list-style-type: none"> Reflects higher interest from Summit Health transaction
Share Repurchases	\$-	\$-	<ul style="list-style-type: none"> Anti-dilutive share purchases only
EMI / NCI	\$175 - \$190	\$270 - \$290	<ul style="list-style-type: none"> Reflects Summit Health transaction, and accelerated Shields and CareCentrix full ownership
M&A Activity	-	-	<ul style="list-style-type: none"> FY23 guidance assumes current company structure
Corporate Costs / Other	\$(240) - \$(230)	\$(240) - \$(230)	<ul style="list-style-type: none"> Unchanged vs. October guidance

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Q&A



Endnotes

- Please see appendix for reconciliations of non-GAAP financial measures and related disclosures.
- The Company presents certain information related to current period operating results in “constant currency,” which is a non-GAAP financial measure. These amounts are calculated by translating current period results at the foreign currency exchange rates used in the comparable period in the prior year. The Company presents such constant currency financial information because it has significant operations outside of the United States reporting in currencies other than the U.S. dollar and this presentation provides a framework to assess how its business performed excluding the impact of foreign currency exchange rate fluctuations.
 - U.S. Retail Pharmacy segment GAAP results, dollars in millions – 1Q23: gross profit \$5,886; selling general and administrative expenses \$11,698; SG&A as a percent of sales 43.0%; operating loss \$5,758; and operating margin excluding equity earnings in AmerisourceBergen (21.4)%.
 - International segment GAAP results on a reported currency basis, dollars in millions – 1Q23: gross profit \$1,050; selling general and administrative expenses \$944; SG&A as a percent of sales 18.2%; operating income \$106; and operating margin 2.0%. In 1Q23 compared to prior year quarter, on a reported currency basis, the segment's sales decreased \$628; and operating margin rose 1.1 percentage points.
 - U.S. Healthcare segment GAAP results, dollars in millions — 1Q23: gross profit \$17; selling, general and administrative expenses \$454; SG&A as a percent of sales 45.9%; and operating loss \$436.
 - Adjusted gross margin is a non-GAAP financial measure defined as adjusted gross profit by segment divided by segment sales. Adjusted gross profit is a non-GAAP financial measure defined as gross profit by segment, excluding the impact of costs associated with LIFO provision and acquisition-related amortization. The Company is providing comparative data relating to these non-GAAP financial measures to provide investors with additional perspective and insights when analyzing the core operating performance of the segments from period to period.
 - Adjusted EBITDA margin for the U.S. Healthcare segment is a non-GAAP financial measure defined as Adjusted EBITDA divided by segment sales.
 - For the Company's U.S. Healthcare segment, Adjusted EBITDA is defined as segment operating income/(loss) before depreciation, amortization, and stock-based compensation; in addition to these items, the Company excludes certain other non-GAAP adjustments, when they occur, as further defined.
- All references to net earnings or net loss are to net earnings or net loss attributable to WBA, and all references to EPS are to diluted EPS attributable to WBA.
- For the Company's U.S. Retail Pharmacy and International segments, comparable sales are defined as sales from stores that have been open for at least twelve consecutive months without closure for seven or more consecutive days, including due to store damage, and without a major remodel or being subject to a natural disaster in the past twelve months as well as e-commerce sales. E-commerce sales include digitally initiated sales online or through mobile applications. Relocated stores are not included as comparable sales for the first twelve months after the relocation. Acquired stores are not included as comparable sales for the first twelve months after acquisition or conversion, when applicable, whichever is later. Comparable sales, comparable pharmacy sales, comparable retail sales, comparable number of prescriptions and comparable number of 30-day equivalent prescriptions refer to total sales, pharmacy sales, retail sales, number of prescriptions and number of 30-day equivalent prescriptions, respectively. The method of calculating comparable sales varies across the retail industry. As a result, our method of calculating comparable sales may not be the same as other retailers' methods. With respect to the International segment, comparable sales, comparable pharmacy sales and comparable retail sales, are presented on a constant currency basis, which is a non-GAAP financial measure. Refer to the discussion above for further details on constant currency calculations.
- U.S. Retail Pharmacy prescriptions (including vaccination) are reported on a 30-day equivalent basis.
- Prescription market share information is an estimate derived from the use of information under license from IQVIA Prescription Services as of November 30, 2022. IQVIA expressly reserves all rights, including rights of copying, distribution and republication.
- U.S. Retail Pharmacy refill scripts initiated via digital channel is inclusive of prescriptions filled at Walgreens and Duane Reade.
- Boots UK retail market share insights, where quoted, as of November 26, 2022.
- For the U.S. Healthcare segment, the Company considers certain metrics, such as number of payor/ provider partnerships, number of locations of Walgreens Health Corners, number of VillageMD co-located clinics and number of total VillageMD clinics, at period end, to be key performance indicators because the Company's management has evaluated its results of operations using these metrics and believes that these key performance indicators presented provide additional perspective and insights when analyzing the core operating performance of the Company from period to period and trends in its historical operating results. These key performance indicators should not be considered superior to, as a substitute for or as an alternative to, and should be considered in conjunction with, the GAAP financial measures presented herein. These measures may not be comparable to similarly-titled performance indicators used by other companies.
- With respect to the total number of VillageMD clinics, clinics are defined as the primary care locations where the Company or the Company's affiliates lease or license space and the providers are employed by either the Company or one of the Company's affiliates. These clinics are primarily branded as Village Medical where the Company employs the providers but, in some instances, may operate under their own brands.
- Working capital includes changes in the following operating assets and liabilities: accounts receivable net; inventories; other current assets; trade accounts payable; and accrued expenses and other liabilities.
- Digitally initiated sales include online orders and mobile application purchases of retail products, photo and digital scripts, including Save a Trip refills.

Appendix

The information on the following pages provides reconciliations of the supplemental non-GAAP financial measures, as defined under SEC rules, presented in this presentation and discussed on the related conference call to the most directly comparable financial measures calculated and presented in accordance with generally accepted accounting principles in the United States (GAAP). The Company has provided the non-GAAP financial measures in the presentation, which are not calculated or presented in accordance with GAAP, as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. Please refer to the notes to the “Net (Loss) Earnings and Diluted Net (Loss) Earnings Per Share” reconciliation table on slide 25 for definitions of non-GAAP financial measures and related adjustments presented in this presentation. 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 related to fiscal year 2023 guidance) where it is unable to provide a meaningful or accurate calculation or estimation of reconciling items and the information is not available without unreasonable effort. This is due to the inherent difficulty of forecasting the timing or amount of various items that have not yet occurred, are out of the Company’s control and/or cannot be reasonably predicted, and that would impact diluted net earnings per share, the most directly comparable forward-looking GAAP financial measure. For the same reasons, the Company is unable to address the probable significance of the unavailable information. Forward-looking non-GAAP financial measures provided without the most directly comparable GAAP financial measures may vary materially from the corresponding GAAP financial measures.

The Company considers certain metrics, such as comparable sales, comparable pharmacy sales, comparable retail sales, comparable number of prescriptions, and comparable 30-day equivalent prescriptions, number of payor/ provider partnerships, number of locations of Walgreens Health Corners, number of co-located VillageMD clinics and number of total VillageMD clinics, at period end, to be key performance indicators because the Company’s management has evaluated its results of operations using these metrics and believes that these key performance indicators presented provide additional perspective and insights when analyzing the core operating performance of the Company from period to period and trends in its historical operating results. These key performance indicators should not be considered superior to, as a substitute for or as an alternative to, and should be considered in conjunction with, the GAAP financial measures presented herein. These measures may not be comparable to similarly-titled performance indicators used by other companies.

Amounts may not add due to rounding. All percentages have been calculated using unrounded amounts for the three months ended November 30, 2022.

Certain assumptions and supplemental information

Unless otherwise indicated or the context otherwise requires:

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

References in this presentation to the “company,” “we,” “us” or “our” refer to Walgreens Boots Alliance, Inc. and its subsidiaries, and do not include unconsolidated partially-owned entities, except as otherwise indicated or the context otherwise requires. Our fiscal year ends on August 31, and references herein to “fiscal 2023” refer to our fiscal year ended August 31, 2023.

Reconciliation of Non-GAAP financial measures

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

NET (LOSS) EARNINGS

	Three months ended November 30,		Change vs. 1Q22	
	2022	2021	Amount	Percent
Net (loss) earnings attributable to Walgreens Boots Alliance, Inc. (GAAP)	\$ (3,721)	\$ 3,580	\$ (7,301)	NM
Adjustments to operating (loss) income:				
Certain legal and regulatory accruals and settlements ¹	6,554	—		
Transformational cost management ²	138	203		
Acquisition-related amortization ³	330	165		
Acquisition-related costs ⁴	39	71		
Adjustments to equity earnings in AmerisourceBergen ⁵	86	43		
LIFO provision ⁶	18	14		
Total adjustments to operating (loss) income	7,166	495		
Adjustments to other income, net:				
Net investment hedging loss ⁷	—	1		
Gain on previously held investments ⁸	—	(2,576)		
Gain on sale of equity method investments ⁹	(969)	—		
Total adjustments to other income, net	(969)	(2,574)		
Adjustments to income tax (benefit) provision:				
Equity method non-cash tax ¹⁰	8	18		
Tax impact of adjustments ¹⁰	(1,438)	(26)		
Total adjustments to income tax (benefit) provision	(1,430)	(8)		
Adjustments to post-tax earnings (loss) from other equity method investments:				
Adjustments to earnings (loss) in other equity method investments ¹¹	8	15		
Total adjustments to post-tax earnings (loss) from other equity method investments	8	15		

NM - Not meaningful. Percentage increases above 200% or when one period includes income and other period includes loss are considered not meaningful.

Reconciliation of Non-GAAP financial measures

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

NET (LOSS) EARNINGS

	Three months ended November 30,		Change vs. 1Q22	
	2022	2021	Amount	Percent
Adjustments to net loss attributable to non-controlling interests:				
Transformational cost management ²	—	(1)		
Acquisition-related amortization ³	(37)	(32)		
Acquisition-related costs ⁴	(14)	(17)		
Total adjustments to net loss attributable to non-controlling interests	(51)	(50)		
Adjusted net earnings attributable to Walgreens Boots Alliance, Inc. (Non-GAAP measure)	\$ 1,004	\$ 1,455	\$ (451)	(31.0)%

DILUTED NET (LOSS) EARNINGS PER SHARE

Diluted net (loss) earnings per common share (GAAP) ¹²	\$ (4.31)	\$ 4.13	\$ (8.44)	NM
Adjustments to operating (loss) income	8.29	0.57		
Adjustments to other income, net	(1.12)	(2.97)		
Adjustments to income tax (benefit) provision	(1.65)	(0.01)		
Adjustments to post-tax earnings (loss) from other equity method investments ¹¹	0.01	0.02		
Adjustments to net loss attributable to non-controlling interests	(0.06)	(0.06)		
Adjusted diluted net earnings per common share (Non-GAAP measure) ¹³	\$ 1.16	\$ 1.68	\$ (0.52)	(31.0)%
Weighted average common shares outstanding, diluted (in millions) ¹³	864.3	867.6		

NM - Not meaningful. Percentage increases above 200% or when one period includes income and other period includes loss are considered not meaningful.

Reconciliation of Non-GAAP financial measures

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

- ¹ Certain legal and regulatory accruals and settlements relate to significant charges associated with certain legal proceedings, including legal defense costs. The Company excludes these charges when evaluating operating performance because it does not incur such charges on a predictable basis and exclusion of such charges enables more consistent evaluation of the Company's operating performance. These charges are recorded within Selling, general and administrative expenses. During the three months ended November 30, 2022, the Company recorded a \$6.5 billion charge related to the previously announced opioid litigation settlement frameworks and certain other opioid-related matters.
- ² Transformational Cost Management Program charges are costs associated with a formal restructuring plan. These charges are primarily recorded within Selling, general and administrative expenses. These costs do not reflect current operating performance and are impacted by the timing of restructuring activity.
- ³ Acquisition-related amortization includes amortization of acquisition-related intangible assets, inventory valuation adjustments and stock-based compensation fair valuation adjustments. Amortization of acquisition-related intangible assets includes amortization of intangible assets such as customer relationships, trade names, trademarks, developed technology and contract intangibles. Intangible asset amortization excluded from the related non-GAAP measure represents the entire amount recorded within the Company's GAAP financial statements. The revenue generated by the associated intangible assets has not been excluded from the related non-GAAP measures. Amortization expense, unlike the related revenue, is not affected by operations of any particular period unless an intangible asset becomes impaired, or the estimated useful life of an intangible asset is revised. These charges are primarily recorded within Selling, general and administrative expenses. Business combination accounting principles require us to measure acquired inventory at fair value. The fair value of the inventory reflects cost of acquired inventory and a portion of the expected profit margin. The acquisition-related inventory valuation adjustments exclude the expected profit margin component from cost of sales recorded under the business combination accounting principles. The stock-based compensation fair valuation adjustment reflects the difference between the fair value based remeasurement of awards under purchase accounting and the grant date fair valuation. Post-acquisition compensation expense recognized in excess of the original grant date fair value of acquiree awards are excluded from the related non-GAAP measures as these arise from acquisition-related accounting requirements or agreements, and are not reflective of normal operating activities.
- ⁴ Acquisition-related costs are transaction and integration costs associated with certain merger, acquisition and divestitures related activities. These costs include charges incurred related to certain mergers, acquisition and divestitures related activities recorded in operating income, for example, costs related to integration efforts for merger, acquisition and divestitures activities. Examples of such costs include deal costs, severance and stock compensation. These charges are primarily recorded within Selling, general and administrative expenses. These costs are significantly impacted by the timing and complexity of the underlying merger, acquisition and divestitures related activities and do not reflect the Company's current operating performance.
- ⁵ Adjustments to equity earnings in AmerisourceBergen consist of the Company's proportionate share of non-GAAP adjustments reported by AmerisourceBergen consistent with the Company's non-GAAP measures.
- ⁶ The Company's U.S. Retail Pharmacy segment inventory is accounted for using the last-in-first-out ("LIFO") method. This adjustment represents the impact on cost of sales as if the U.S. Retail Pharmacy segment inventory is accounted for using first-in first-out ("FIFO") method. The LIFO provision is affected by changes in inventory quantities, product mix, and manufacturer pricing practices, which may be impacted by market and other external influences. Therefore, the Company cannot control the amounts recognized or timing of these items.
- ⁷ Gain or loss on certain derivative instruments used as economic hedges of the Company's net investments in foreign subsidiaries. These charges are recorded within Other income, net. We do not believe this volatility related to mark-to-market adjustment on the underlying derivative instruments reflects the Company's operational performance.
- ⁸ Includes significant gains on business combinations due to the remeasurement of previously held minority equity interests and debt securities to fair value. During the three months ended November 30, 2021, the Company recorded such pre-tax gains of \$2.2 billion and \$402 million for VillageMD and Shields, respectively.
- ⁹ Includes significant gains on the sale of equity method investments. During the three months ended November 30, 2022, the Company recorded a gain of \$969 million in Other income, net due to a partial sale of its equity method investment in AmerisourceBergen.
- ¹⁰ Adjustments to income tax (benefit) provision include adjustments to the GAAP basis tax (benefit) provision commensurate with non-GAAP adjustments and certain discrete tax items including U.S. and UK tax law changes and equity method non-cash tax. These charges are recorded within income tax (benefit) provision.
- ¹¹ Adjustments to post tax earnings (loss) from other equity method investments consist of the proportionate share of certain equity method investees' non-cash items or unusual or infrequent items consistent with the Company's non-GAAP adjustments. These charges are recorded within post tax earnings (loss) from other equity method investments. Although the Company may have shareholder rights and board representation commensurate with its ownership interests in these equity method investees, adjustments relating to equity method investments are not intended to imply that the Company has direct control over their operations and resulting revenue and expenses. Moreover, these non-GAAP financial measures have limitations in that they do not reflect all revenue and expenses of these equity method investees.
- ¹² Due to the anti-dilutive effect resulting from the reported net loss, the impact of potentially dilutive securities on the per share amounts has been omitted from the quarterly calculation of weighted-average common shares outstanding for diluted EPS for the three months ended November 30, 2022.
- ¹³ Includes impact of potentially dilutive securities in the quarterly calculation of weighted-average common shares, diluted for adjusted diluted net earnings per common share calculation purposes for the three months ended November 30, 2022.

Reconciliation of Non-GAAP financial measures

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

	Three months ended November 30, 2022				Walgreens Boots Alliance, Inc.
	U.S. Retail Pharmacy ¹	International	U.S. Healthcare	Corporate and Other	
Sales	\$ 27,204	\$ 5,189	\$ 989	\$ —	\$ 33,382
Gross profit (GAAP)	\$ 5,886	\$ 1,050	\$ 17	\$ —	\$ 6,953
LIFO provision	18	—	—	—	18
Acquisition-related amortization	5	—	26	—	31
Adjusted gross profit (Non-GAAP measure)	\$ 5,910	\$ 1,050	\$ 43	\$ —	\$ 7,003
Selling, general and administrative expenses (GAAP)	\$ 11,698	\$ 944	\$ 454	\$ 63	\$ 13,158
Acquisition-related costs	(1)	11	(47)	(3)	(39)
Certain legal and regulatory accruals and settlements	(6,554)	—	—	—	(6,554)
Transformational cost management	(127)	(7)	—	(4)	(138)
Acquisition-related amortization	(73)	(14)	(212)	—	(298)
Adjusted selling, general and administrative expenses (Non-GAAP measure)	\$ 4,943	\$ 933	\$ 195	\$ 56	\$ 6,128
Operating (loss) income (GAAP)	\$ (5,758)	\$ 106	\$ (436)	\$ (63)	\$ (6,151)
Adjustments to equity earnings in AmerisourceBergen	86	—	—	—	86
Acquisition-related amortization	78	14	238	—	330
Transformational cost management	127	7	—	4	138
LIFO provision	18	—	—	—	18
Certain legal and regulatory accruals and settlements	6,554	—	—	—	6,554
Acquisition-related costs	1	(11)	47	3	39
Adjusted operating income (loss) (Non-GAAP measure)	\$ 1,105	\$ 116	\$ (152)	\$ (56)	\$ 1,014
Gross margin (GAAP)	21.6 %	20.2 %	1.7 %		20.8 %
Adjusted gross margin (Non-GAAP measure)	21.7 %	20.2 %	4.4 %		21.0 %
Selling, general and administrative expenses percent to sales (GAAP)	43.0 %	18.2 %	45.9 %		39.4 %
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	18.2 %	18.0 %	19.7 %		18.4 %
Operating margin ²	(21.4)%	2.0 %	(44.1)%		(18.6)%
Adjusted operating margin (Non-GAAP measure) ²	3.6 %	2.2 %	(15.3)%		2.6 %

Reconciliation of Non-GAAP financial measures

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

Three months ended November 30, 2021

	U.S. Retail Pharmacy ¹	International	U.S. Healthcare	Corporate and Other	Walgreens Boots Alliance, Inc.
Sales	\$ 28,032	\$ 5,818	\$ 51	\$ —	\$ 33,901
Gross profit (GAAP)	\$ 6,347	\$ 1,207	\$ 20	\$ —	\$ 7,574
LIFO provision	14	—	—	—	14
Acquisition-related amortization	7	—	—	—	7
Adjusted gross profit (Non-GAAP measure)	\$ 6,368	\$ 1,207	\$ 20	\$ —	\$ 7,595
Selling, general and administrative expenses (GAAP)	\$ 5,091	\$ 1,153	\$ 65	\$ 82	\$ 6,391
Acquisition-related amortization	(133)	(17)	(8)	—	(158)
Transformational cost management	(141)	(54)	—	(9)	(203)
Acquisition-related costs	3	(39)	(24)	(11)	(71)
Adjusted selling, general and administrative expenses (Non-GAAP measure)	\$ 4,821	\$ 1,043	\$ 33	\$ 64	\$ 5,961
Operating income (loss) (GAAP)	\$ 1,356	\$ 54	\$ (45)	\$ (82)	\$ 1,283
Adjustments to equity earnings in AmerisourceBergen	43	—	—	—	43
Acquisition-related amortization	140	17	8	—	165
Transformational cost management	141	54	—	9	203
LIFO provision	14	—	—	—	14
Acquisition-related costs	(3)	39	24	11	71
Adjusted operating income (loss) (Non-GAAP measure)	\$ 1,690	\$ 164	\$ (13)	\$ (63)	\$ 1,777
Gross margin (GAAP)	22.6 %	20.7 %	40.3 %		22.3 %
Adjusted gross margin (Non-GAAP measure)	22.7 %	20.7 %	40.3 %		22.4 %
Selling, general and administrative expenses percent to sales (GAAP)	18.2 %	19.8 %	128.9 %		18.9 %
Adjusted selling, general and administrative expenses percent to sales (Non-GAAP measure)	17.2 %	17.9 %	65.5 %		17.6 %
Operating margin ²	4.5 %	0.9 %	(88.6)%		3.5 %
Adjusted operating margin (Non-GAAP measure) ²	5.5 %	2.8 %	(25.2)%		4.8 %

Reconciliation of Non-GAAP financial measures

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

- ¹ Operating income for U.S. Retail Pharmacy includes equity earnings in AmerisourceBergen. As a result of the two-month reporting lag, operating income for the three month period ended November 30, 2022 includes AmerisourceBergen equity earnings for the period of July 1, 2022 through September 30, 2022. Operating income for the three month period ended November 30, 2021 includes AmerisourceBergen equity earnings for the period of July 1, 2021 through September 30, 2021.
- ² Operating margins and adjusted operating margins have been calculated excluding equity earnings in AmerisourceBergen and adjusted equity earnings in AmerisourceBergen, respectively.

Reconciliation of Non-GAAP financial measures

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

OPERATING LOSS TO ADJUSTED EBITDA FOR U.S. HEALTHCARE SEGMENT

	Three months ended November 30,	
	2022	2021
Operating loss (GAAP) ¹	\$ (436)	\$ (45)
Acquisition-related amortization ²	238	8
Acquisition-related costs ³	47	24
Adjusted operating loss (Non-GAAP measure)	(152)	(13)
Depreciation expense	15	2
Stock-based compensation expense ⁴	12	—
Adjusted EBITDA (Non-GAAP measure)	\$ (124)	\$ (10)

¹ The Company reconciles Adjusted EBITDA for U.S. Healthcare segment to Operating loss as the closest GAAP measure for the segment profitability. The Company does not measure Net earnings attributable to Walgreens Boots Alliance, Inc. for its segments.

² Acquisition-related amortization includes amortization of acquisition-related intangible assets, inventory valuation adjustments and stock-based compensation fair valuation adjustments. Amortization of acquisition-related intangible assets includes amortization of intangible assets such as customer relationships, trade names, trademarks, developed technology and contract intangibles. Intangible asset amortization excluded from the related non-GAAP measure represents the entire amount recorded within the Company's GAAP financial statements. The revenue generated by the associated intangible assets has not been excluded from the related non-GAAP measures. Amortization expense, unlike the related revenue, is not affected by operations of any particular period unless an intangible asset becomes impaired, or the estimated useful life of an intangible asset is revised. These charges are primarily recorded within Selling, general and administrative expenses. Business combination accounting principles require us to measure acquired inventory at fair value. The fair value of the inventory reflects cost of acquired inventory and a portion of the expected profit margin. The acquisition-related inventory valuation adjustments exclude the expected profit margin component from cost of sales recorded under the business combination accounting principles. The stock-based compensation fair valuation adjustment reflects the difference between the fair value based remeasurement of awards under purchase accounting and the grant date fair valuation. Post-acquisition compensation expense recognized in excess of the original grant date fair value of acquiree awards are excluded from the related non-GAAP measures as these arise from acquisition-related accounting requirements or agreements, and are not reflective of normal operating activities.

³ Acquisition-related costs are transaction and integration costs associated with certain merger, acquisition and divestitures related activities. These costs include charges incurred related to certain mergers, acquisition and divestitures related activities recorded in operating income, for example, costs related to integration efforts for merger, acquisition and divestitures activities. Examples of such costs include deal costs, severance and stock compensation. These charges are primarily recorded within Selling, general and administrative expenses. These costs are significantly impacted by the timing and complexity of the underlying merger, acquisition and divestitures related activities and do not reflect the Company's current operating performance.

⁴ Includes U.S. GAAP stock-based compensation expense excluding expenses related to acquisition-related amortization and acquisition-related costs.

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,	
	2022	2021
Equity earnings in AmerisourceBergen (GAAP)	\$ 53	\$ 100
Acquisition-related intangibles amortization	39	35
Litigation and Opioid-related expenses	3	—
Acquisition integration and restructuring expenses	18	—
Employee severance, litigation, and other	—	13
Impairment of non-customer note receivable	—	4
Gain from antitrust litigation settlements	—	3
Impairment of assets	—	3
Tax reform	4	3
Goodwill impairment	—	2
Certain discrete tax expense	(2)	—
LIFO expense / (credit)	20	(1)
Non-controlling interest	—	(2)
Gain on remeasurement of equity investment	(1)	(18)
Turkey hyperinflation impact	5	—
Adjusted equity earnings in AmerisourceBergen (Non-GAAP measure)	\$ 139	\$ 143

Reconciliation of Non-GAAP financial measures

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

<u>ADJUSTED EFFECTIVE TAX RATE</u>	Three months ended November 30, 2022			Three months ended November 30, 2021		
	Loss before income tax benefit	Income tax benefit	Effective tax rate	Earnings before income tax provision	Income tax provision	Effective tax rate
Effective tax rate (GAAP)	\$ (5,270)	\$ (1,447)	27.5%	\$ 3,814	\$ 275	7.2%
Impact of non-GAAP adjustments	6,197	1,273		(2,080)	4	
Equity method non-cash tax	—	(8)		—	(18)	
Adjusted tax rate true-up	—	165		—	22	
Subtotal	\$ 928	\$ (17)		\$ 1,733	\$ 284	
Exclude adjusted equity earnings in AmerisourceBergen	(139)	—		(143)	—	
Adjusted effective tax rate excluding adjusted equity earnings in AmerisourceBergen (Non-GAAP measure)	\$ 788	\$ (17)	(2.2)%	\$ 1,591	\$ 284	17.8%

Reconciliation of Non-GAAP financial measures

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

FREE CASH FLOW

	Three months ended November 30,	
	2022	2021
Net cash provided by operating activities (GAAP)	\$ 493	\$ 1,099
Less: Additions to property, plant and equipment	(610)	(454)
Free cash flow - (Non-GAAP measure) ¹	\$ (117)	\$ 645

¹ 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.